

## reporting needs to have more impact

A new guide to the principles of good impact reporting for charities and social enterprises has been published by the Charity Finance Group (CFG), New Philanthropy Capital (NPC) and the Association of Chief Executives of Voluntary Organisations (ACEVO). The guide, 'Principles into Practice: How Charities and Social Enterprises Communicate Impact', provides case studies and articles from experts on the principles of producing a high quality impact report.

Commenting on the publication of the guide, Nick Carey of ACEVO said: *"The importance of impact reporting cannot be underestimated. In increasingly competitive marketplaces, it is a vital tool for third sector leaders to improve the efficacy of their organisations and give them the edge."* However, impact reporting is a difficult concept for many charities and social enterprises, as it is often hard to

measure the impact of these organisations' activities.

A recent study by the CFG and Cass Business School found that few charities provide information on the impact of their work in their annual reports. The study, which assessed the annual reports of 75 members of the CFG, found that while 68% of charities report the short-term outcomes of their activities, only 8% explain the long-term impact of the organisation. In addition, a third of charities do not consider impact reporting to be worth the cost and many struggle to obtain sufficient data to carry it out.

Despite this, the Inspiring Impact Group stresses the importance of impact reporting and recommends that charities and social enterprises set aside between 5% and 10% of their annual budget to evaluate the impact of their activities. In a recent article, Cath Lee of the Small

Charities Coalition said that many small charities find it difficult to obtain data for a quantitative analysis of their impact. She suggested that qualitative information, such as case studies, can be easier to gather and could be of greater value to stakeholders and funders.

Tris Lumley from NPC said of their new guide: *"Our aim is that charities and social enterprises are able to tell a compelling and accurate story about the difference they make. By focusing on simple yet powerful questions about how they make a difference, we hope organisations can use the principles to inform and inspire their staff, volunteers, boards, funders and the people they help."*

To download the guide go to: <http://snipurl.com/22w78vg>



## tax: what is a charity?

A new definition of what constitutes a charity could affect how some charities claim tax reliefs and exemptions. From April 2012, the new definition of a charity, as set out under Schedule 6 of the Finance Act 2010, will apply to all tax reliefs and exemptions, such as relief from income or corporation tax, administered by HMRC.

The date from which tax reliefs or exemptions could be affected will depend on the specific type of relief or exemption. Any charity in England and Wales that does not claim Gift Aid but does claim other tax reliefs and exemptions will be affected. Charities that do claim Gift Aid will not be affected, as they have been required to meet the new definition since April 2010.

In order to meet the new definition

of a charity, an organisation must be established for charitable purposes only, be legally recognised as a charity in England or Wales, be registered with the Charity Commission, and be managed by persons that meet HMRC's 'fit and proper' requirements. Most charities will not need to do anything to meet the new definition, as they will already meet all of these requirements. However, in some cases charities may need to ensure that trustees and anyone else involved in the day-to-day management of the organisation pass the 'fit and proper persons' test.

In order to pass the test, trustees and managers must be able to demonstrate that they are suitable to hold the post. In particular, they must not have been involved in tax fraud or identity theft, or have been



disqualified from being a charity trustee. Trustees and managers must sign a 'fit and proper' declaration, stating that they have no relevant information to disclose, and that they will seek to ensure that the charity's funds and tax reliefs are only used for charitable purposes.

For more information on the 'fit and proper' requirements, go to: <http://snipurl.com/22w7cl6>

## the 'business pressure' of academies

An increasing number of schools are converting to academy status, which can provide numerous benefits, most notably increased freedom and autonomy from local and national Government control. However, the conversion process does create new responsibilities, with schools becoming businesses, and school leaders required to undertake tasks that would once have been carried out by local authorities, such as financial reporting, payroll and human resources, supplier contracting, and facilities management.

The academy programme involves schools being removed from local authority and national Government control. They remain publicly funded, but are handed control of their own budgets. Academies set their own curriculum, recruit their own staff, and control factors such as school term times and when the school day starts and ends. In March 2012, there were 1,615 academies in

England, including more than one in ten of all secondary schools. The UK200Group Academy Forum members have currently 133 academy clients representing a healthy 8% share of this total. Most academies recruit a business manager or management team to take responsibility for operational matters.

In some cases, the extra responsibilities and increased workload associated with running an academy have proved to be overwhelming. The problem was highlighted in a feature article in *Leader*, the magazine of the Association of School and College Leaders (ASCL). Quoted in the article, ASCL business management specialist Val Andrews said: "Many schools thought that once conversion

*had been achieved, the workloads would return to a more manageable level. But this isn't the case. Some stalwarts in the profession have been brought to their knees over this issue."*

Subsequent research carried out by the ASCL in partnership with the Times Education Supplement (TES) found that 37% of school leaders are actively considering resigning due to rising workloads and other factors such as funding cuts and new plans for unannounced Ofsted inspections.

To read the *Leader* article in full go to: <http://snipurl.com/22w7jo2>



# in brief..

## **New simplified charities legislation comes into effect**

New legislation that simplifies and consolidates several pieces of charity law has now come into effect. The Charities Act 2011, which replaces much of the contents of the 1992, 1996 and 2006 Charities Acts and the 1958 Recreational Charities Act, should now be referred to in all charities' written documents and accounts. The Charity Commission has said that the new legislation will not affect the legal aspects of any of its published guidance, and charity documents will still be valid if they mistakenly refer to previous legislation. The 2011 Act omits a section of the 2006 Act that requires street and door-to-door fundraisers to obtain a certificate from the Charity Commission, as this requirement was never introduced and is to be re-evaluated in a forthcoming review of the 2006 Act by Conservative peer Lord Hodgson. <http://snipurl.com/22w7n6d>

## **Call for evidence for review of charities legislation**

Conservative peer Lord Hodgson has issued a call for evidence to the voluntary sector and members of the public as part of an ongoing review of the Charities Act 2006. The call for evidence covers five areas: self regulation of fundraising; public charitable collections; complaints, appeals and redress; reporting and accounting requirements; and registration thresholds. The call for evidence document states: "We are particularly interested to hear from those involved in charity fundraising, or who have had cause to complain about charity fundraising. We would also welcome any comments from members of the public about their views on charity fundraising, self-regulation and transparency." Lord Hodgson's recommendations for reform of the Charities Act 2006 will be published by June this year. <http://snipurl.com/22w7s91>

## **New fund for third sector business centres in Scotland**

A new £50 million fund for the creation of business centres for social enterprises and third sector organisations in Scotland has been launched by Unity Trust Bank and the Scottish Council for Voluntary Organisations (SCVO). The fund, which is now open for applications from SCVO members, provides loans for the purchase of premises or the refurbishment of existing properties. John Ferguson, director of development and programmes at SCVO, said: "Increasingly, we are seeing the ownership of premises become an important means by which voluntary organisations can control their costs and ensure sustainability." <http://snipurl.com/22w7p3i>

## **New guide for charity investment plans published**

A new good practice guide to help charities write investment policies has been published by the Charity Finance Group and the Charity Investors' Group. Kate Rogers, chair of the Charity Investors' Group, said a written policy would help trustees gain a clear vision of what they want to achieve with their investments. Caron Bradshaw, CEO of the Charity Finance Group, added: "Charities hold over £85 billion in investment assets and it's crucial that they have proper governance in place. A written policy provides the framework for making investment decisions, helping trustees to manage a charity's resources effectively and demonstrate good governance." <http://snipurl.com/22w7qev>

## **Government should help struggling charities**

The Government should create a "stronger culture of giving" amid rising financial pressures on charities, the Charities Aid Foundation (CAF) has said. Hannah Terrey, head of policy at the CAF, said the Government could help by "being more vocal about their own giving to charity, encouraging the very

wealthy to give more, and persuading businesses to support charities in a more consistent way." A separate report by the National Council for Voluntary Organisations (NCVO) revealed that the charity sector is facing increasing demand for its services, rising costs and a fall in income from donations. The report claimed that although 60% of people donated to charity in 2010/11, the value of their donations was £1 billion less than in 2007/08. <http://snipurl.com/22w7tyw>

## **Managing risk better**

The Charity Commission, the independent regulator and registrar of charities in England and Wales, has published a new Risk Framework for charities, aimed at helping the charity sector identify and better manage key areas of risk. The Framework sets out the Commission's approach to regulation and how it assesses the particular risks that affect the charitable sector.

The Framework sets out how the Commission will ensure that charities are legitimately operated, and that trustees carry out their duties in a responsible manner. It also sets out how the Commission will assure the public that charities are properly run, and that charity money is properly accountable. The Framework also explains how the Commission will intervene where there are serious cases of non-compliance or abuse. The new Framework has been issued in the light of a restructuring of the Charity Commission following funding cuts. It places greater responsibility on charity trustees to tackle risks head on, with the aim of preventing problems before they occur. The Commission will continue to provide guidance, but will encourage charities to be more self-sufficient. In most cases, the Commission will only get involved in instances where there is 'serious risk'. <http://snipurl.com/22w7gms>

## volunteering on the up

The number of charity volunteers rose by 9% in 2010/11, a study by Agenda Consulting and the Association of Volunteer Managers (AVM) has revealed. The Volunteers Count 2012 surveyed 50 large and medium-sized charity organisations with between 30 and 160,000 volunteers over a 12-month period.

The study revealed that the forms of involvement which attracted the greatest numbers of volunteers were direct service provision, communications and marketing, and fundraising. The average age of volunteers in the survey was 50, and 67% of them were female. The study also found that on average, for every

1,000 volunteers, the organisation spent £255 on recruitment costs. However, this varied widely, with a quarter of organisations spending nothing and a further quarter spending over £2,300. Respondents reported that 35% of volunteers had been recruited within the past year, and that word of mouth was the most effective form of recruitment. Volunteers generally gave around ten hours per month of their time, and the main reason they left the organisation they volunteered for was due to a change in home or work circumstances resulting in them having less time for volunteer roles.

Alan Murray, director of the AVM and head of volunteering at the RSPB, said that volunteering numbers often increase in times of economic difficulty as people are



keen to improve their skills and remain active in their spare time. He added that many larger charities had adapted to people's changing needs by offering more flexible volunteering opportunities. For example, he said that the RSPB is providing more roles for shorter time periods. Read more: <http://snipurl.com/22w7012>



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## new gift aid declaration

HMRC has clarified its guidance on Gift Aid declarations, stating that charities have until the end of 2012 to comply with new requirements by using new wording on declaration forms. In February, HMRC provided new model declarations, and a checklist of information to be included on declarations, stating that charities would be required to use the model declarations, or change the wording to their own declarations. However, the guidance did not make clear when the changes should take place, which led to a high volume of enquiries and expressions of concern from tax specialists.

HMRC released a statement on 23 March confirming that charities do not need to change their declaration forms immediately, and that existing 'old style' Gift Aid declarations will be accepted until 31 December 2012. However, charities are being encouraged to amend their declarations as soon as possible. Donors who have made recurring Gift Aid donations should also be informed of the change of

declaration wording, which clarifies the amount of tax that must be paid to cover charitable donations.

In order for Gift Aid to be applicable, a donor must have paid enough tax to cover all of their charitable donations, and not just one particular donation being made to one particular charity. The required declaration wording has been updated to make this clearer to donors, and enable them to make a more informed declaration. This should reduce the amount of Gift Aid claims challenged by HMRC.

In the revised guidance, HMRC also highlighted an error in its previous guidance, which stated that a four-year time limit on making claims also applied to the retention of records. In fact, Gift Aid records must be kept for a minimum of six years. Charities that may have already destroyed records over four years old will not be penalised in light of this error. However, charities that do still have those records must retain them.

<http://snipurl.com/22w73a0>