

Charities & Education

update



PUBLIC SECTOR CUTBACKS BEGIN TO BITE

October 2010's Comprehensive Spending Review now seems a long time ago, but many charities have already been affected and others are making plans for cutbacks over the next 4 years. The third sector leadership organisation ACEVO estimates that the cuts may take £4-5 billion out of the charity sector at a time when investment income is also reduced and there is greater demand from beneficiaries.

At the same time the setting up of a transitional fund was announced. The £100m fund is designed to help medium and large charities facing real hardship. The funding is intended to help protect front-line services from short-term problems.

But what can charities do to meet the challenge of reduced income? Each charity needs to look at its own particular circumstances and review the impact on funding, beneficiaries and staff. It may be that services will need to be remodelled and the charity may need to interact with beneficiaries in a different way.

The consideration of risk may be a suitable framework to assess the impact of public sector cutbacks, with operational and financial considerations of particular importance. All charity stakeholders - including trustees, management team, staff, volunteers and beneficiaries - need to be consulted in order that the impact of the cuts is properly assessed. Of course it is the response to the cuts which will be critical.

Charities need to consider their relationship with funders in order that they can plan ahead for future income reductions. This may involve consideration of the timing of cuts and looking to secure alternative funding.

Forecasting will also be vital. "What if" scenarios and break even analysis will be useful, and budgeting processes will need to be tighter. Some charities are reviewing all their costs by starting from a zero expenditure figure and working out what they really need, rather than the usual process of just making comparisons with the prior year. Many charities are sadly also making redundancies.

For those charities fortunate enough to have built up reserves, this may be a good time to consider using some of them to protect beneficiaries. Other charities may need to consider collaboration and merger, a route which is encouraged by the Charity Commission. Charity mergers have historically been difficult to achieve. The loss of independence has often been a major stumbling block, but in these challenging times charities may need to take drastic steps to survive.

JAMES COWPER TRIO OF CHARITY CLIENT WINS

James Cowper has recently been appointed by three charities to provide audit and general tax advice. The appointments were all made following competitive tenders.

In Reading, the firm has been appointed by Berkshire Maestros and Parents And Children Together (PACT), and in Newbury by The Watermill Theatre.

Mike Farwell, head of James Cowper's Charities and Education team, said: "We are delighted to have been appointed by Berkshire Maestros, PACT and The Watermill Theatre. They are all fantastic charities with excellent reputations across the Thames Valley.

"At James Cowper we take great pride in the work we do for local and national charities. The firm has a strong track record in this sector; we understand the issues and pressures facing charities and are able to respond accordingly."

Berkshire Maestros provides education opportunities to children and young people in Berkshire. It is regarded as one of the country's finest youth music organisations and provides music lessons for thousands of children each and every week.

Parents And Children Together (PACT) is a voluntary adoption agency and has worked to strengthen the relationships between children and their parents from vulnerable backgrounds for 100 years. PACT is celebrating its centenary year in 2011 with a packed calendar of special fund-raising and celebratory events.

We are delighted to have been appointed by The Watermill Theatre. The award-winning theatre is one of the most successful producing theatres in the country and in the 2009/10 season attracted a combined audience of more than 120,000. It also delivers an extensive programme of education and community activities in the local area.

Commenting on why Berkshire Maestros appointed James Cowper, its Chief Executive, Philip Litchfield, said: "We were impressed with both the quality of the service that James Cowper will provide and with the cost. We were very aware of the way in which the firm makes you feel a valued organisation and of their intention to get to know our work thoroughly to ensure that they provide the best possible service."

For further information please contact Mike Farwell on +44 (0)1635 35255 or mfarwell@jamescowper.co.uk

NEW VAT MANAGER



We have recently appointed Ruth Corkin as VAT manager.

Ruth has substantial experience of working with charities across a range of VAT issues. The VAT rules

affecting charities have become increasingly complex in recent years and the increase of the VAT rate to 20% earlier this year makes it an even bigger burden on the charity sector.

For further information please contact Ruth Corkin on +44 (0)1865 200500 or rcorkin@jamescowper.co.uk

Charities warned to be more fraud aware



The Charity Commission has recently encouraged charities to be more aware of fraud, after a report published by the National Fraud Authority. 1,000 charities were surveyed and they have estimated that 2.5% of their turnover is lost to fraud.

The Charity Commission is keen that charity trustees put in place strong financial controls to protect charities. Its internal financial controls document (CC8) is of particular relevance.

The Commission has produced some tips for charity trustees:

- Make sure you have access to accurate and up to date financial information and monitor the charity's financial performance against its budget

- Make sure that cheques and cash are kept securely, banked promptly and recorded in the accounting records
- Ensure cheque books are kept in a secure place - do not sign blank cheques
- Make sure there are proper controls in place to protect income received by post and bank it as soon as possible
- Make sure there are proper controls in place in relation to fundraising events, such as making sure two people handle and record the money received, that money is banked as soon as possible and that collection boxes are numbered and recorded
- Keep proper records when claiming Gift Aid - HM Revenue & Customs give advice on what should be recorded
- Make sure you have a clear policy on paying expenses to staff and volunteers and make sure they are authorised by someone other than the claimant
- Make sure you have controls to ensure that all income from trading is recorded and received

- Have monitoring procedures in place to make sure grants have been used for the agreed purposes

Charities should also consider controls over any internet banking arrangements.

For further information contact Alex Peal on +44 (0)118 9590261 or apeal@jamescowper.co.uk or visit www.charitycommission.gov.uk



Serious stuff

The Charity Commission has updated its guidance on Serious Incident Reporting and is likely to take a tougher approach in future. Charities should report serious incidents to the Charity Commission as they arise. There is also a requirement to report them on the annual return.

The guidance outlines a variety of issues which are considered serious. These include:

- Significant financial loss to the charity
- Serious harm to beneficiaries
- Concerns over the charity's independence
- Matters which might damage the charity's reputation

Charities should review the Commission guidance on Serious Incident Reporting to make sure that they have a policy and procedures in place to report any issues which may arise.

For further information visit www.charity-commission.gov.uk

Younger trustees

Research published by the Charity Commission found that only 0.5% of charity trustees are in the age range of 18-24, a category which makes up about 12% of the UK population. A further startling statistic is that only 2% of trustees are under 30.

The Charity Commission is encouraging charities to recruit younger trustees and has produced some guidance to help them.

The Commission notes that as well as benefiting the charities, younger trustees

should also benefit themselves. It highlights the new experience they will gain which will help them develop in other areas of their lives.

For further information visit www.charitycommission.gov.uk

Kreston Charities Group

James Cowper is a founder member of the Kreston Charities Group, which comprises charity specialists from the UK members of our international network, Kreston International.

The group works together to share experiences and expertise in the charitable sector, and shares technical resources to ensure that our clients benefit from a comprehensive range of services and specialisms. The Kreston Charities Group acts for over 1,000 charities across a wide variety of sectors.

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Charitable Incorporated Organisations (CIOs)

The new structure for charities, the CIO, has been promised for some time. The Charity Commission has now announced that the new structure will be introduced in late Spring 2011, with detailed guidance to be produced about how new CIOs can be set up and how existing charities can change their status. It is anticipated that the new model will be phased in over a period of time.

To keep informed of the changes, please contact Alex Peal on +44(0)118 9590261 or apeal@jamescowper.co.uk or visit www.charitycommission.gov.uk

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