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LEADING ADVISORS IN THE CHARITIES SECTOR

new pension auto-enrolment

Significant reforms to pension law under the Pensions Acts of 2007 and 2008 are to affect charities within England, Wales and Scotland from October 2012.

Under the Acts, charities will have to automatically enrol all eligible workers into a qualifying pension scheme. Whereas previously an employee would not benefit from a pension scheme unless they had opted in, under auto-enrolment they will automatically benefit from their employer's qualifying scheme unless they choose to opt out. Employees declining to opt out will have to contribute at least 5% of their earnings to the scheme, while employers will also have to contribute a percentage.

While these auto-enrolment provisions seem onerous, they are to be implemented with a degree of flexibility. Employers' duties under the Acts are to be phased in, meaning an employer will only be obliged to fulfil them once the relevant 'staging date' arrives. The staging date will depend upon the number of employees, with charities employing larger numbers having an earlier staging date than those employing relatively small numbers. The employer's contribution levels are also to be phased in. Contributions will start at 1% of an employee's salary and gradually rise to 3%.

Charities operating defined benefit schemes (also known as final salary schemes) are also to be subject to the requirements of accounting standard FRS17, which requires disclosure of the schemes' assets or liabilities on the balance sheet.

Several commentators have raised concerns about the effect this disclosure will have on the way a charity manages its reserves (the 'free' resources available once commitments have been met and expenditure covered). However, according to the Charity Commission, provided a charity is confident that scheme contributions can be maintained with no impact on planned levels of charitable activity, trustees are unlikely to have to designate any further funds when drafting their reserves policy.

If the trustees are uncertain as to whether increasing contributions can be met using expected future income or they feel doing so would mean 'significant curtailment' of charitable activities they are advised to seek 'immediate actuarial and legal advice'. Seeking professional advice becomes 'essential' if current and future resources are potentially insufficient to meet additional contributions, or if the impact of funding the scheme is to have an 'unacceptable' impact on charitable activities.

For more information go to http://snipurl.com/240fv8

public benefit reporting requirements

Compliance with the Public Benefit Reporting (PBR) requirements varies greatly between charities, according to a study carried out by Sheffield Hallam University. Responding to this research the Charity Commission has urged trustees to embrace PBR as a chance to 'tell the story of their charity's work and its impact.'

Less than 6% of the charities surveyed with an income below or equal to £500,000 clearly addressed all the PBR requirements. While larger charities were generally more likely to have met the requirements, in some cases this was as a result of work by external advisers and members of staff, rather than the trustees' themselves, with the research claiming that in some cases trustees' had only a 'vague awareness' of relevant guidance. Compliance 'general charitable purposes' charities being less likely than others to satisfy the requirements.

UK200Group charities

Charities and the Bribery Act

The Bribery Act 2010 came into force on 1 July 2011. It created four new offences, including failure by a commercial organisation to prevent bribery, and modernised the general law on bribery and corruption. In 'The Bribery Act 2010 – A Quick Start Guide' the Ministry of Justice (MoJ) confirmed that the Act applies to charities.

The Charity Commission recommends that all charities adopt a risk-based approach to compliance and advises them to carry out risk assessments when faced with situations that have the "potential to involve bribery or corruption". When drafting anti-bribery policies and procedures a charity should consider the six informing principles outlined by the MoJ, which include principles of proportionate procedures, due diligence and communication.

The MoJ is particularly clear on the issue of facilitation payments. While these small payments for the purpose of speeding up a service are treated as the norm in some cultures, they are nevertheless counted as bribes under the new law just as they are under the old law.

According to the Commission, the Government recognises that facilitation payments may be necessary to protect against 'loss of life, limb or liberty,' and in such cases is likely to allow the common law defence of duress; however, it stresses that there 'is no general exemption' in respect of facilitation payments, and describes prosecution as usually taking place unless it is sufficiently within the public interest to do otherwise.

For more information go to: http://snipurl.com/1960n3

To view the MoJ guidance go to: http://snipurl.com/1mlszg

grant applications – learn from rejection

A set of new guidelines has been published to help charities learn from and improve on unsuccessful grant applications and to assist grant-making organisations to support rejected applicants more effectively. The research, published by the Centre for Charity Effectiveness at the Cass Business School, aims to improve policy and practice among grant makers and grant seekers.

'The Art of Refusal: Promising Practice for Grant Makers and Grant Seekers' was funded by the Charities Aid Foundation (CAF) and includes qualitative research from around 40 grant-making and 100 grant-seeking organisations.

Jane Arnott, senior advisory manager at the CAF, explained that many charities that had failed to secure a grant were 'puzzled as to why an application failed.' She added that as competition for grants is becoming increasingly fierce, it is important to help charities improve their applications and grant makers enhance their processes to cut down on the time they spend on rejected submissions.

Jon Fitzmaurice of Cass Business School said they had found 'a lot of frustration on both sides', as grant seekers wanted feedback even when applications were successful, while grant makers struggled to find time to give detailed feedback. He added that 'if both sides work harder at this process the sector will benefit enormously.'

The guide provides advice to grant seekers on how to make pre-application contact with the grant makers, how to identify the appropriate individual and suitable timing for the contact. It also advises on how to gain good quality feedback and how to manage the communication of a grant refusal within their organisation.
For grant makers, the guide makes suggestions for attracting the best applicants, setting clear criteria throughout all stages of the process, and best practice for communicating the refusal of funding, as well as methods of providing feedback and post-refusal support.

Read the guide at: http://snipurl.com/22182x

in brief..

Charities' independence could be questioned

Charities and social enterprises established by public sector employees under Government reforms could be in danger of having their independence questioned, two experts in the sector have claimed. Responding to a consultation by the Independence Panel, Rosie Chapman and Belinda Pratten, former policy heads of the Charity Commission and National Council for Voluntary Organisations (NCVO) respectively, said the reforms could cause the public to doubt a charity's independence, and therefore, the extent to which it is working in their interest. They also argue that this is particularly true of charities with Government-appointed trustees and other such links to Government.
There is more on this story
http://snipurl.com/14h8vk

'Donation by default' most effective, research finds

Adding a donation to a customer's bill and giving them the choice to opt out is the most effective way of getting people to give to charity, research by the Cabinet Office's Behavioural Insight Team (BIT) suggests. The research, which was conducted in a restaurant, found 'donation by default' to be more effective than other methods such as informing diners about a charity and leaving an envelope on the table. The BIT estimated that the average obtained in this way was equivalent to 1.2% of each diner's spend, and that if this method was rolled out across UK restaurants, it could generate £50 million for charities.
There is more on this story at:
http://snipurl.com/1vz49o

Social enterprises more resilient in recession, report finds

Social enterprises are more likely to survive in a difficult economic climate than traditional business models, according to research by New Philanthropy Capital (NPC). The study found that social enterprises reported an average of 17% annual growth over the last five years, compared to just 6% growth in normal firms. Two thirds of social enterprises were still operating five years after starting up, compared with 47% of normal businesses. A spokeswoman for NPC attributed the resilience of social enterprises to their "diverse sources of funding", as they get income from both commercial activities and grants.
There is more on this story at:
http://snipurl.com/2i4f6

Charity Commission publishes guidance on Equality Act

The Charity Commission has published guidance on a key section of the Equality Act 2010 that may affect charities' activities. The guide focuses particularly on the 'charities' exemption' in the Act, which allows charities to restrict the help they provide to a section of society that shares a protected characteristic, provided it can be justified as a fair, balanced and reasonable way of carrying out a legitimate aim. A spokeswoman for the Commission said that “trustees must remember that the general principle of fair and equal treatment for all applies to charities." She added that trustees should "familiarise themselves with this guidance to ensure that their charity is working within the law."
There is more on this story at:
http://snipurl.com/1wjlz8

Proposed inheritance tax relief welcomed

The Charities Aid Foundation (CAF), Charity Finance Directors’ Group (CFDG) and National Council for Voluntary Organisations (NCVO) have welcomed proposals to introduce inheritance tax relief for charitable legacies in their joint response to an HM Revenue & Customs (HMRC) consultation. However, the groups have urged the Government to introduce further initiatives to encourage more people to make charitable donations both in their will, and during their lifetime. Hannah Terry of CAF explained that new incentives could "help to establish a norm of leaving 10% of an estate to charity" but that this tax relief alone "will not have a major impact." There is more on this story at: http://snipurl.com/20x5p

Cheques to continue as long as they are needed

The Payments Council announced in July that cheques would continue to be used, after proposals to scrap them provoked widespread criticism. It also said that the target date of 2018 for the closure of the cheque processing system would be abandoned. The Payments Council consulted around 600 stakeholder groups and concluded that many, particularly charities and small businesses, would suffer if the cheque payment method was removed. The Payments Council Board has said that it will work on improving the security and efficiency of all payment methods and encourage innovation in payment options. There is more on this story at: http://snipurl.com/4wos

Guide to ethical investment for charities launched

The National Ethical Investment Week (NEIW) Action Guide for Charities has been launched in partnership with the Charity Finance Directors' Group (CFDG). The Guide provides advice on how social impact investing and other green and ethical forms of investment can help charities achieve their mission. Research by NEIW found that impact investing is becoming more popular with charities and 36% of private investors want to know more about it. Caron Bradshaw, chief executive of the CFDG, explained that green, ethical and impact investments ‘reap significant social, mission related, reputational and financial benefits’ for charities and charitable foundations. Read more at:
http://snipurl.com/2bpefe
Read the guide at:
http://snipurl.com/2bpenn

charities still fail to 'showcase' benefits

Charities must do more to demonstrate how the public benefits from their work, the Charity Commission has warned. Research carried out for the Commission by Sheffield Hallam University found that many charities are failing to meet the legal requirement to demonstrate public benefit in their Trustees' Annual Reports (TARs). Almost a third of the charities included in the research did not provide descriptions of the benefits that arise from their activities, and a further 50% provided only vague or unclear descriptions. Less than 20% provided clear descriptions of public benefits in their TARs.

According to the Charity Commission, which regulates charities in England and Wales, trustees are generally able to describe their charity's aims and describe who benefits from their work, but are less able to demonstrate how people have benefited in practice. Small charities in particular were found to be at fault. According to the research, while 26% of charities with an income of more than £500,000 had prepared TARs that met the requirement, only 10% of charities with an income of between £100,000 and £500,000 did so. Among charities with an income of less than £100,000, only 2% managed to meet the requirement.

The requirement to demonstrate public benefit was introduced in April 2008, following the implementation of the Charities Act 2006. Prior to this, charities with

aims to relieve poverty or advance education or religion were presumed to provide public benefit, but were not required to demonstrate this. The Charities Commission has published guidance for charities on demonstrating public benefit, along with sample TARs, on its website.

For more information go to: http://snipurl.com/1olgap

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tougher competition for funding

High levels of demand and increasing competition for diminishing funding streams mean that nearly three quarters of organisations applying for funding from BBC Children in Need are unsuccessful, according to chief executive David Ramsden.

Speaking at the Action Planning 2011 Charity Funding Roadshow, Mr Ramsden went on to say that fierce competition meant that funding organisations would increasingly be "using the language of outcomes" when considering applications. "We've had to do some pretty careful analysis about where we can make the most difference," he said.

Mr Ramsden also commented that, of the organisations whose funding applications were successful, many were not awarded the full amount they had requested.

Other funding bodies are looking at ways of enabling more organisations to benefit from their support. For example, the Lloyds TSB Foundation for England and Wales is looking to increase the length of time that must elapse before an organisation can re-apply for funding after receiving one of its grants. At present, organisations must wait two years before being eligible to apply again.

Other sources of funding are being cut off altogether, such as the Government's Civil Society Transition Fund, which was set up to help small charities and social enterprises struggling under public sector spending cuts.

According to Nick Hurd, minister for the civil society, no more funding will be available now that the Transition Fund's £107 million has been allocated. "It's finished, there's no money to do another one," he told delegates at the Roadshow.

For more information go to http://snipurl.com/197v3o