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Charities & Not for Profit newsletter



Reporting on Reserves

Over 75% of charities do not accurately report the level of reserves held in their trustees' annual report, while a third fail to include a figure. A further 30% fail to exclude fixed assets or designated funds when calculating unrestricted reserves.

The Charity Commission has raised concerns that this indicates that there is an incomplete understanding of what reserves are which could lead to charities making poor decisions about their finances.

The Commission do have guidance available to help trustees manage reserves properly ([available here](#)). Later this year we will issue an article looking at reserves in detail.



Review of material matters for auditors

In May 2017 the list of reportable matters that auditors and independent examiners were required to report to the charity regulator was updated. Not only were any matters of material significance reportable but also if a modified audit opinion and/or an audit opinion that included an emphasis of matter or a material uncertainty in relation to going concern. This also applied to modifications to Independent Examiners' reports.

In the first 6 months following the updated reportable matters list, only 28 reports had been received from auditors compared with the 114 audit opinions containing information that auditors were required to report to the Commission as a matter of material significance.

The Charity Commission has therefore taken a number of steps to follow up these findings and improve the guidance available. They have:

- Contacted the auditors of the charities for which a report had not been submitted
- Followed up a further 14 charities that had submitted sets of accounts with a reportable opinion but had no date on the audit report
- Engaged with the accountancy profession to raise awareness of the duty to report matters of material significance

The Commission has emphasised that trustees need to be aware of the list of matters of material significance and of the duty placed upon auditors and independent examiners to report these matters to the regulator. Trustees should report any serious incidents directly to the regulator.

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Legacy notification system

The government has announced that arrangements with the current legacy information provider, Smee & Ford are not consistent with the department's legal duties. Currently, Smee & Ford offers charities a paid for service which gives them an early notification when someone has left them a donation in a will. In 2017 more than 122,000 charitable bequests were contained in wills.

The government plans to introduce a new system from 31 July to notify charities when they have been left gifts in wills. The government is working closely with key charity stakeholders including Acevo, NCVO, the Institute of Fundraising and the Institute of Legacy Management to implement a new system which the government will run directly.

The government will continue to work closely with Smee and Ford to ensure there is minimal disruption over the period of change.





Updated guidance for organisations promoting CAM

The Commission have carried out a review on this specialist area, with regard to assessing the charitable status of charities who promote or use complementary and alternative medicine therapies (CAM).

Charities in this area wishing to register will need to provide evidence to match any claims that they make in order to demonstrate that they provide public benefit. This evidence needs to be of a standard that would be recognised by a court. The Commission recognises that benefits may be measured in ways other than purely the results of scientific trials, such as outcomes experienced by patients.

The Commission stresses that in allowing an organisation to register as a charity, it is not endorsing that treatment.

After registration, the Commission will continue to monitor any reports about safeguarding and treatment of beneficiaries.

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Benefits and pitfalls of reliefs for council tax & business rates

Charities and not-for-profit organisations can often benefit from relief from both Council Tax and Business Rates. However, it is important to avoid the pitfalls which may stop the reliefs being available. This is particularly important as many Local Authorities are asking more questions, both about new claims and existing claims.

Council Tax

Relief is limited to:

- a dwelling;
- owned by a body established for charitable purposes only;
- which is unoccupied and has been so for less than six months; and
- was last occupied in furtherance of the objects of the charity.

The relief ends after six months or when the property becomes occupied. A recent case denied the relief on the basis that the occupant of the property, although in considerable need, was charged a full market rent and was evicted for non-payment. Also, he did not fit within the charity's definition of its beneficiaries. The Tribunal came to the conclusion that this must be commercial letting, not letting for charitable purposes, so relief was denied on the grounds that the last occupation was not in furtherance of the charitable objects.



Business Rates

These have a wider range of reliefs, with charities able to claim 80% relief from business rates if they use the property wholly, or mainly, for charitable purposes. If the property is unoccupied, charitable organisations can claim 100% relief from rates, providing the intention is to use it for charitable purposes in the future.



Charities generating commercial income from properties they own should be aware that they may risk losing the reliefs they would expect to receive. A common area of risk is charity shops. A case with Oxfam stated that the sale of donated goods and bought in goods were not linked to a charitable purpose, whereas the sale of third world goods were. The sale of donated goods was treated as fund raising for the charity, which was

not, at the time, defined as a charitable purpose. The law was changed after this case so the sale of donated goods now qualifies as a charitable purpose. The test for whether or not relief applies is that the property must be “wholly or mainly used for charitable purposes”. Based on the relative income from the different goods it was found that the third world goods income was small in comparison to the total income so charitable relief was denied. The case used relative income to decide the proportion of use of the property but other measures, such as floor area, may be more appropriate for other situations.

Charities often have trading subsidiaries to enable any taxable trading income to be separated from the charitable activities, which gives a better corporation tax position as the profit of the subsidiary is gifted to the charity. Property in shared use can be difficult when looking at relief, as it may not be clear who is liable for the rates. If the trading subsidiary is liable then there will be no relief, however if the charity is liable then the proportion of use must be measured. It may be that the income of subsidiary is greater than the charity, but the amount of space, or the length of time that each uses the property may give a different result.

For vacant properties, if the charity is the owner, and the intention when next occupied is to use the property wholly or mainly for charitable purposes, the property will be given 100% relief from rates. If a charity is selling the property then it is clearly not intended to be used for charitable purposes. Once the charity occupies the property wholly or mainly for charitable purposes relief reduces to 80%. This can cause difficulty if the occupation is of only part of the building. A charity may find it moves from having a vacant building with 100% relief, to a partially occupied building with no relief. It should be noted that fundraising is not a considered to be charitable purpose and most charity offices will contain some level of fundraising activity.

PEM has contacts who can help charities determine their Council Tax.

For further information on your Business Rates position please contact Lynda Borg at Savills (lborg@savills.com).

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Volunteering - results of a national survey

In January 2019 the National Council for Voluntary Organisations (NCVO) published “Time well spent: A national survey on the volunteering experience.”

The report findings were drawn from a survey of 10,103 people aged 18 and over, taken in May 2018 and highlighted the following:

- 70% of people have volunteered at some point in their lives.
- 48% of volunteers in the last year had a degree.
- 20% of those volunteering in the last year had no qualifications.
- 34% of men have never volunteered compared to 29% of women.
- 44% of people in rural areas volunteered in the last year compared to 37% in urban areas.
- 45% of people over age 65 have volunteered recently, as compared to 31% of those aged 25 to 34.

Feedback was good, with:

- 70% saying they would recommend volunteering to a friend or family member.
- 96% saying they are very or fairly satisfied with their volunteering.
- 70% say that they feel they have made a difference through their volunteering.
- 68% of new volunteers say that volunteering helps them to feel less isolated.
- 85% of volunteers feel as though they belong to their organisation.



BT 'MyDonate'

In January 2019, BT announced that they will be closing their "MyDonate" charity platform on 30 June 2019.

Donations can still be made up midnight on Sunday 30 June 2019. Funds raised will be sent to charities with 30 days and they have confirmed that they will work with HMRC to ensure gift aid is paid as quickly as possible.

No new charities will be accepted by MyDonate with immediate effect.

BT stated that there are a number of different platforms in the marketplace now, with different offerings and they have decided instead to concentrate on helping customers and communities embrace the freedom of a technology-driven world. They are committed to helping Barefoot CAS, a charity dedicated to enhancing the UK's digital

skills. They will also continue their commitment to Comic Relief; will keep their long running employees volunteering programme going; will allow staff to make donations to charities of their own personal choice through a payroll giving scheme; and are part of a national campaign to promote payroll giving to entities across the country.

JustGiving, Virgin Money Giving and GoFundMe have all made announcements and offers to assist charities needing to move away from MyDonate. GoFundMe does not charge a flat platform fee, however JustGiving charges a flat fee of 5% and Virgin Money Giving 2%.

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Choosing a charity name

The Charity Commission has recently updated guidance on choosing a charity name. For a charitable company, you also need to meet Companies House rules too.

A charity's name must not:

- be the same/similar to another charity.
- use trademarks or famous names.
- contain any offensive words.
- be misleading.
- break intellectual property rules.

It is not possible for the Commission to guarantee, reserve or suggest a charity name and any application for a name containing a non-English word must also include a translation.

You need to show evidence of permission if you wish to use the name of someone famous, the name of a famous or copyrighted work or "Royal" words, such as Queen, Prince or Windsor!

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Charity events

Charity Health check talk

Thursday 28 February 2019 - 4:30pm | The Tamburlaine Hotel, Cambridge, CB1 2FB

How healthy is your charity? If we have a physical illness we can usually feel the symptoms quite quickly, however for an organisation it can take a while for the symptoms of poor financial health to fully manifest itself. Phil Reynolds from FRP Advisory gives you an oversight and the tools to give your charity a health check. This event is free to trustees and the senior management team of charities.

Charity lunch

Wednesday 20 March 2019 - 12:30pm - 2:00pm | PEM, Cambridge, CB1 2LA

Transparent reporting- what does sector leading look like. We will be looking at how charities can address the ever increasing regulatory requirements combined with intense scrutiny from the public through their trustees' report. The lunch is free to trustees and the senior management team of charities. Spaces are limited.

To book a place at either of these events, please contact events team (events@pem.co.uk)



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