

welcome...

We are in very different economic conditions since our last newsletter in the summer of 2008 although I suspect that most of us saw the writing on the wall at that point. Hopefully, our lead article in the last issue 'Risk, what risk?' prompted you to take actions to safeguard and strengthen your position.

We continue to build our involvement with charities and not-for-profit organisations in the South West and now act for over 170 covering a wide variety of activities. Our team is stronger now than ever with six advisers holding the Diploma in Charity Accounting qualification.

We continue to run our very successful Charity Forums in Plymouth and Exeter, and will shortly be running one for Bristol.

These are for board members and members of charity management teams who wish to discuss issues in a small workshop environment. Latest topics discussed were the 'Credit Crunch' and 'Getting the Best from your Board'.



In the next 8 months we will be running a series of seminars for charities across the South West. We will let you know dates, venues and subject matter when further information is available.

If you would like any further information on any of the issues covered in this newsletter please do not hesitate to contact us.

Reporting Public Benefit



The Charities Act 2006 requires all charities to show that they exist to benefit the public in some way in order to gain or maintain charitable status.

The public benefit provisions came into force in March 2008 and charities will begin reporting on public benefit as part of their annual reports from March 2009. Reporting is not required for accounting periods beginning before 1 April 2008 although early adoption of the new requirements is encouraged.

To assist with these requirements the Charity Commission has now published its revised guidance on public benefit. This explains how the public benefit requirement operates in practice and how charity trustees must report on their charity's public benefit. The Charity Commission has also issued example annual reports showing how the new disclosures will apply in practice.

For all charities the trustees will be required to include additional explanation in their trustees' report of the main

activities undertaken in order to carry out the charity's aims for the public benefit. The level of disclosure will depend on the size of the charity with larger charities required to provide a fuller explanation than smaller ones.

For most trustees this should be a fairly easy exercise, and should not require much change to existing reports. They simply need to continue to explain their charity's activities and achievements during the year, but set them in the context of the charity's aims, to explain how they have been carried out for the public benefit. Providing this information in the context of the charity's aims should give a better understanding of how in practice the trustees are setting strategies and carrying out their charity's aims for the public benefit.

In addition, all charities must confirm that the trustees have paid due regard to the Charity Commission's guidance on public benefit in deciding what activities the charity should undertake. This requirement can be covered by the addition of a brief paragraph in the annual report and suggestions for the wording can be found in the Charity Commission's example annual model reports.

The detailed guidance on public benefit is contained on the Charity Commission website but if you have any queries on how this applies to your charity please do not hesitate to raise these with your usual Bishop Fleming contact.

Coping with the credit crunch

The current economic situation is proving challenging for the voluntary sector. Charities are having to adapt to extremely unfamiliar market conditions. At Bishop Fleming we have had many conversations with our clients recently and have identified some major issues that your organisation should be addressing. How many of these can you tick to say they have been looked at?

- Make contact with your bank manager - do they have the power to make a quick decision should you ever need to borrow?
- Work out what security you might have to support a borrowing facility - and is the charity allowed to borrow to meet its objectives?
- Review your contracts. What do they say about late payment? When are they up for renewal?
- Do you have any verbal contracts? How secure are they?
- What are your contingency plans should your funders fail to make payments on time?

- Balance return on investments with risk and review your investment policy - does it cater for current conditions? Can you offset any existing borrowings against surplus credit balances to maximise returns?
- Review your reserves policy - how much do you need to survive should a funder withdraw support. Work out your monthly cash burn rate.
- Review all your overheads closely to save costs where possible. Sometimes it's the simple things like sending post second class that can make a difference.
- Review your management information - is it up to scratch and providing you with accurate data on which to make decisions?

The well managed organisation can still get into difficulty if it is not geared up to cope with an emergency and doesn't have a contingency plan. Trustees should be making sure the management team are addressing these issues before it's too late. Make sure these issues are a regular item on your agenda and ignore them at your peril!

Selling donated goods?

It has always been the case that if your charity is given goods worth £100, it can sell them and raise £100 towards its funds, with no tax or VAT to pay. But you could be missing out on further income because gifts of goods for sale as such do not qualify for Gift Aid.

As an alternative example, if the goods are sold by your charity as an agent on behalf of a potential donor, you raise £100 of cash, which you hold for the donor. The individual can then decide that he or she will donate the cash to the charity and the donation can qualify for Gift Aid as it is now a gift of money. Another £28 can be claimed by the charity, so £128 in total.

This "Retail Gift Aid" scheme has now been available for over a year and a number of larger, mainly national, charities have put arrangements in place. More and more regional and local charities with a number of charity shops are also examining the implementation of one of these schemes.



Tim Borton

Charities must be careful to ensure that all the correct records are kept and HM Revenue and Customs have issued guidelines on how to operate these schemes. Software packages are now available that also assist with this process, but charities must still be careful not to fall foul of VAT or tax legislation due to poor record keeping or the wrong charity structure.

If you think that a gift aid scheme could be relevant to your charity then please do not hesitate to contact me or your usual Bishop Fleming adviser.

focus on schools

Economic Climate

Private school closures blamed on falling pupil numbers or the withdrawal of bank facilities have already hit the headlines. Whilst parents will often do everything they can to pay the fees once they have committed to an independent education, the current economic outlook is certain to put some parents off an independent education for their children altogether. This means the effects of the credit crunch on pupil numbers are likely to be felt for years to come.

Parents who might have remortgaged or turned to grandparents for help with fees are now finding that with falling house prices, volatile stock markets and low interest rates their options are significantly reduced. These market conditions will also affect the income schools can budget to receive from their investments. However, low interest rates mean that parents with cash to spare are increasingly taking advantage of the fee discounts often offered for advance payments, according to the Independent Schools' Bursars Association.

A survey by Halifax Financial Services revealed that only those in 18 occupations can now afford private school fees (compared to 30 in 2003), with average fees rising twice as fast as the retail price index. Interestingly, teachers were among those that the survey claims are no longer able to afford private schooling. The survey's assumptions were challenged by the Independent Schools Council, but nevertheless a trend is visible to those familiar with the independent sector. According to the survey, the fastest rate of increase in private school fees in the last five years has been in the South West.

Academies

The Department for Children, Schools and Families five year strategy published in 2003 committed the Government to having 200 Academies open or in the pipeline by 2010. The Government has since indicated that it is committed to establishing 400 Academies. At the time of writing approximately

130 Academies have been opened nationwide, with around 50 of these having opened in September 2008.

The Academies' fifth annual report suggested that middle class parents who would not have considered the local state school will consider it if it has converted to an Academy. The report also says that most Academies are oversubscribed with an average of 3 pupils for every place. This makes it difficult to assess the likely impact on pupil numbers for independent schools. In some localised pockets, Academies will inevitably put pressure on pupil numbers for the independent sector.

Public Benefit

Public benefit continues to be a "hot topic" in the sector. There is now a large amount of guidance on the Charity Commission website with final revised supplementary guidance on Public Benefit and Fee-charging and Public Benefit and the Advancement of Education issued in December 2008. The requirement to report on public benefit applies from 31 March 2009.

The Charity Commission have selected a number of fee-charging school charities for a public benefit assessment programme, namely: The Manchester Grammar School Foundation, Manor House School Trust Limited, Pangbourne College Limited, St Anselm's School Trust Limited, and Highfield Priory School Limited. The conclusions of this assessment programme are due to be published shortly.

In the meantime, the Office of the Scottish Charity Regulator (OSCR) highlighted 4 Scottish private schools when it conducted its first phase of rolling charitable status reviews earlier in the year. OSCR concluded that the schools in question had not done enough to help those unable to afford the high fees to benefit. As a result, these schools must now provide and implement a plan to address OSCR's findings. Having said this, 26 organisations passed the OSCR review.

Revamp of the Charity Commission Website



In October the Independent Charity Regulator launched its updated website which provides colour graphics, details of activities, trustees, key financial information and whether charities file their accounts and return on time. For larger charities with incomes over £500,000 there are enhanced financial profiles showing monies received and how they are spent. The move is aimed at increasing transparency and accountability in the charity sector and to help people access information more easily about charities. In addition to the detailed financial profile mentioned above the site has enhanced search facilities, trustee cross referencing and new print options. The new website also has a news and recent updates section and a good range of quick links for common query areas. Charities can now set themselves up with a password and use the secure online services to update data and even file annual returns and accounts on line. If you want to take advantage of these services Bishop Fleming are happy to help you with the provision of PDF copies of the signed accounts.

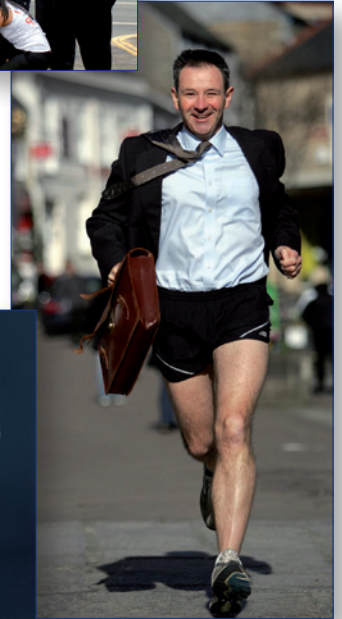
BISHOP FLEMING CHARITABLE ACTIVITY

Over the last year our staff have been very busy supporting local and national charities. Here is a sample of our activities.

A team of fifteen volunteers from our Plymouth office completed the last Plymouth Half Marathon in support of one of their colleagues and team members, who has a young daughter suffering from Cystic Fibrosis. They raised more than £3,000 for the Cystic Fibrosis Trust.

Truro-based Ewan McClymont, head of the Grants Advice Service for Bishop Fleming raised over £1,100 for St. Petroc's Society after taking part in the 2008 Flora London Marathon.

Additionally we have supported a number of organisations by helping raise funds for them. These activities include St Luke's Hospice Ladies Day, Jeans for Genes, Wear it Pink Day, Children in Need, Truro Pancake Race for Marie Curie and Hospicecare, who we donate our Tuck Shop profits of over £1000 to, to name just a handful.



formore information...

Bishop Fleming has a team of specialists, dedicated to the charity and not-for-profit sector including:

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