

# Charity update



Welcome to our latest edition of our specialist Charity and not for profit newsletter – Charity Update.

In this issue we look at the relationship you may have with your bank, how to save costs on your utility bills and VAT on staff. We also have our helpsheet series that look at key issues in more depth, for your copies simply fill in the faxback.

We issue Charity update across South Wales. If you would like to receive additional copies or recommend a friend, then please email us at [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk).



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## Banking Relationships under review

A recent review found that more than half of the charities asked had reviewed their banking arrangements in the past year and two in five had spread their money over two or more banks. This is a flurry of activity compared to previous years, many charities previously having used the same banking arrangements for ten years or more.

Whilst two thirds of the charities questioned said that the current banking crisis had had no significant impact on their banking relationships other charities were worried about the security of their deposits, the reduction in their returns and the increased bank charges. Many charities will have the majority of their funds with one of the four big high street players using the smaller more specialised banks for small ring fenced deposits or investments.

There has never been a better time to consider your banking relationships and even if you only bring a second banking arrangement into the mix you will halve any potential loss from a future banking crisis. The review found that only 2% of the charities polled had lost money in Icelandic banks however for most charities this has to be a real concern with reserves in excess of £50,000 at risk. Any banking collapse could surely threaten the ability of a charity to continue to operate.

There are many specialist players in the banking world for charities, Unity Trust Bank and the CAF bank being just two. Locally Monmouthshire Building Society have recently launched accounts specifically for charities as have Clysdale Bank. One thing is certain – sole banking arrangements no longer seem an option in the current economic climate.

For more information on the Monmouthshire Building Society contact Dan Goulding, [dan.goulding@monbs.com](mailto:dan.goulding@monbs.com) and for Clysdale Bank contact Samantha Cole, [samantha.cole@eu.nabgroup.com](mailto:samantha.cole@eu.nabgroup.com)



## Public Benefit Requirements and what it means for you

From 1st April 2008 all charities are now legally required to include in their Trustees report details of those activities undertaken by the charity to further its charitable purposes for the public benefit.

Charities also have to include a statement by the charity trustees as to whether they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Commission.

For more information on how these new public benefit requirements affect your charity and some example guidance please request a copy of our public benefit helpsheets using the enclosed faxback.



## Can your charity save cash on your bills?

**In the current climate every little saving really can help, and rising utility bills can represent a large proportion of a charity's overheads.**

Conducting a utility audit might seem like a time consuming distraction but you could be pleasantly surprised by how much it adds to your bottom line. By understanding your utility services and implementing conservation habits, you can reduce energy waste and develop energy savings and solutions.

Don't get left in the cold! Use the checklist (below) to identify potential savings for your organisation.

**Make a member of staff responsible for checking all utility bills** – Make sure they know how the bills are calculated, what tariffs are available, and question any suspect charges.

**Carry out your own readings of all energy and water meters each month** – Use the information to plot patterns of use.

**Annually review the tariffs you use** – Not only do your usage patterns change, your suppliers also change the deals they offer.

**Shop around for cheaper electricity and/or gas suppliers** – Even as suppliers raise their prices, you could shave pounds off your bills.

**Monitor overnight energy usage** – Check if it is being used by essential equipment and if so that you have the best overnight tariff.

**Make the best use of cheap rate electricity** – If you can arrange usage by water heaters etc so that 15 per cent of total electricity usage occurs during off peak hours, you might benefit from switching to a day/night tariff.

**If you are on a Maximum Demand tariff, review your supply capacity** – If your declared supply capacity is more than 15% higher than your highest Maximum Demand, contact your supplier to have it lowered.

**Find ways to reduce usage during peak hours** – Try rescheduling non-essential activities.

**If you are on a monthly tariff, check your power factor** – Check that you are not being penalised for a poor power factor.

**If your site has more than one gas meter, make sure they are aggregated for billing purposes** – This can reduce both standing and unit charges and could lead to a better rate.

**Make sure your water meter is the right size** – Standing charges are calculated according to meter size – don't pay for an unnecessarily large one.

**Invest in energy efficient appliances and equipment** – There are enhanced tax savings called capital allowances for energy saving equipment?

**Contact us for more details on the allowances available to you.**

# Do you need an internal audit, and what benefit does it have?

An internal audit is a series of reviews looking at your organisation's processes, procedures and compliance, and is designed to give feedback, good and bad, to management and trustees. In contrast an external audit is performed in order to give and sign on an audit opinion, where matters will only be raised with management and/or trustees if they arise out of the normal course of audit testing.

Internal audits are useful to inform management and trustees and providing the assurance they feel they need in particular risk areas

such as operational procedures, governance, HR, management reporting, IT as well as core financial controls. Your trustees determine an internal audits content but one suggestion would be that it is driven by the key risk areas identified within your risk register and linked with your strategic aims and objectives.

The final report should provide positive assurance, summarising the key findings, with useful and practical suggestions, not just best practice, and involve the management team in developing recommendations to ensure their

buy in. By outsourcing internal audit you should gain from the accumulated knowledge of your auditors in advising other similar organisations and have proactive and practical recommendations.

Finally, keep internal audit alive, act upon the recommendations and update regularly to reduce your risks.

If you would like to discuss setting up an internal audit with us then please call our team on 0800 052 1387 or email us at [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk)

## FOCUS ON VAT: Supplies of staff

In normal circumstances a supply of staff is seen as a taxable supply for VAT purposes. Often, charges for supplies of staff are labelled as management services, and by using the supply of staff concessions VAT can effectively be ignored.

There are a number of circumstances where supplies of staff are not seen as taxable supplies;

### 1. Joint employment contracts

If the contract of employment, or letters of appointment, make it clear that the staff are employed by more than one employer any charges between the two named employers are not supplies for VAT purposes.

### 2. Paymaster services

If there are a number of entities, who each employ their own staff, but with one who pays all salaries and other costs on behalf of the other employers, the recovery of the money paid out is not a supply for VAT purposes as long as only the amount paid by the paymaster is recovered.

### 3. Secondment of staff between businesses

Where a businesses seconds a member of its staff to another business, with the other businesses exercising exclusive control over the staff during the period and is responsible for paying the employees remuneration directly to the employee and/or discharges the obligations of the employer to pay any third party PAYE NICs, pension contributions or similar, any payment is disregarded for VAT purposes. The employer, or anyone connected with them, cannot gain any financial benefit from the exercise.

### 4. Secondment of staff between charities

Where staff are seconded between one charity or non profit making organisation to another the income from the hire or loan can be treated as non business and therefore outside the scope of VAT. The seconded person must be engaged in only non business activities of the lender and be similarly used by the borrowing organisation. The payment must not exceed normal remuneration, which is means the total costs of the employee include tax and NIC etc.

The key consideration in all of these examples is that the employer should not make a profit on the supply of staff. If a little care is taken in the arrangement, a supply of staff, in many cases, need not be a taxable supply, which could result in charities and other organisations avoiding a VAT charge which may not be recoverable.

If you think you may have a VAT issue as a result of management service charges please call us on 0800 052 1387 or email us at [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk)



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## Red tape cut for small charities

Thousands of small charities can save money as the Government cuts red tape by raising the income thresholds above which stricter accounting rules apply.

Key income threshold changes, which came into force on 1 April 2009 include:-

- > Raising the threshold above which charities prepare accruals accounts from £100,000 to £250,000
- > Raising the threshold above which accounts must undergo external scrutiny from £10,000 to £25,000
- > Increasing the threshold above which charities submit annual accounts and Trustees Annual Reports to the Charity Commission from £10,000 to £25,000.

All charities including those with annual incomes under £25,000 must prepare accounts and make them available on request. The changes to accounting thresholds followed a consultation held jointly by the Office of the Third Sector and the Charity Commission.

For further advice on the latest accounting standards please call our Charities team now on 0800 052 1387 or email them on [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk)

## We've done it again!

We are delighted that Joanne Bartlett a Manager within our Charities team has been awarded the diploma by the Institute of Chartered Accountants in England and Wales and joins an elite group of just 500 senior professionals in the UK whose extensive experience in charity accounting and financial management makes them eligible to hold the Diploma.



Joanne, who is now entitled to use the designatory letters DChA after her name, said she was extremely proud to have been recognised for the knowledge and experience that she had acquired and put to use for a range of not-for-profit organisations.

*"It's very exciting and gratifying to have gained this Diploma" explained Joanne. "Working with charities is fulfilling both professionally and personally – they are operating in a very particular environment and when it comes to accounting for their finances, specialist capability is increasingly needed to understand the regulations, structures and issues of probity within which they are obliged to operate."*

Joanne joins Sarah Case our Charities Director who both hold this prestigious Diploma, offering our Charity clients the reassurance that we really are proven Charity Accounting specialists.