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WATSON BUCKLE
CHARTERED ACCOUNTANTS

CHARITY BULLETIN

Welcome to Watson Buckle's Charity Bulletin, which brings you news and information on the financial issues facing charities.

In this issue, we take a look at declining staff turnover in the sector, a key change in the status of academy schools and how council cuts are affecting charity budgets.

We conclude by considering how the decision to save cheques will benefit charity donations and why trustees should be open about spending money on overheads.

We hope you enjoy reading Charity Bulletin and that you find it useful. We'd welcome your feedback on the content, or ideas for topics that you'd like to see featured in future issues, so if you would like to comment, please call **01274 516700** or email **SusanS@watsonbuckle.co.uk**

Status switch for academy schools

A key change in the charity status of academy schools took effect from 1st August 2011.

Academies remain charities but are now designated as having exempt status, which means they no longer have to register with the Charity Commission. Those that were registered must stop using their charity number.

Exempt charities are overseen by a principal regulator, a body other than the Charity Commission, which for academy schools is the Department for Education (DfE). The Young People's Learning Agency, which funds academies, is carrying out this role on the DfE's behalf until March 2012, when it will be replaced by the Education Funding Agency.

However, academies must continue to prepare accounts that comply with the Charities' Statement of Recommended Practice (SORP) and to publish their accounts, which must also be audited by an external auditor.

Academies have very specific accountancy, audit and business advisory needs, so whether a school is considering conversion to academy status, or is already operating as an academy, working with experienced advisers can help to maximise the financial benefits and freedoms the status brings.

Please contact us if you would like to find out more about our services for academy schools.

Staff turnover on the decline

Staff turnover in the charities sector has shown an encouraging fall on last year's figures, according to a new survey.

The 2011 People Count Third Sector, an annual HR benchmarking study carried out by Agenda Consulting in partnership with the National Council of Voluntary Organisations, revealed that average staff turnover in the sector fell to 16 percent from 20 percent. The UK average turnover is 13 percent.

The survey, published at the end of August, covers UK third sector organisations with more than 50 employees.

Roger Parry, director of Agenda Consulting, said organisations were facing the challenges of greater demands for their services, reduced resources and public sector cutbacks. He added: "Meeting these challenges successfully will only be possible if organisations are able to ensure that their costs are tightly managed and that their HR processes are very effective."

It is encouraging that this study shows staff turnover is declining. Employers will be well aware of the value of retaining skilled and experienced staff, to avoid the costs of recruiting and training new employees.

U-turn on cheques welcomed

The decision to save cheques from the scrap heap has been welcomed by the body that represents fundraising professionals.

The Institute of Fundraising, which supports more than 5,000 individual fundraisers and 300 charities, was responding to the Payment Council's announcement in July that "cheques will continue for as long as customers need them". A date of 2018 had originally been set for the possible scrapping of cheques.

Welcoming the Payment Council decision, Simon Morrison, director of marketing and communications at the Institute of Fundraising, said: "Some charities currently receive up to 80 percent of their funding by cheques."

The retention of cheques will be welcomed by many people who find these a convenient way to make payments, as well as organisations that are happy to accept payments in this way.

However, being flexible on payment methods is no bad thing, so charities may wish to look into being able to extend the payment methods they offer to supporters.

Trustees urged to be open on overheads

The chair of the Charity Commission has told charity trustees to help the public understand that spending money on overheads is essential to their work.

Speaking at a charity conference in London, Dame Suzi Leather said many trustees were reluctant to be open about the financial realities of charity work. She added: "Charities worry that people just don't want to understand that, for example, you can't provide effective support to young offenders without having well-qualified, full-time professionals on board.

"It's not helped when charities claim that 'every penny donated goes to the cause'. Not knowing that means the administration is simply paid for in another way, the public is encouraged to believe charities can live on thin air and love alone.

"Overheads are part and parcel of being effective. The public and funders aren't going to suddenly 'get it' unless it's explained to them."

While overheads are inevitable, it's always worth looking at ways to reduce these, for example by outsourcing certain services, such as payroll and bookkeeping, or making your accounting systems work harder for you, to improve financial efficiency. Please contact us if you would like more information on how we can assist you in these areas.

Councils cut deep into charity budgets

More than 2,000 charities and community groups are facing cuts totaling millions of pounds as local authorities reduce funding – or completely withdraw it – according to research from campaign group False Economy.

Its figures, based on Freedom of Information responses from councils across England, show that charities face net funding reductions of more than £110 million this year. The final figure is likely to be higher as some large authorities had not finalised spending plans when the research was published in August.

Responding to the research, Peter Kyle, deputy chief executive of the Association of Chief Executives of Voluntary Organisations, told the BBC: "Nobody knows how to deliver more for less, how to deliver bang for the buck, than the voluntary sector. What the government needs to do is to learn from that expertise, not actually eviscerate their ability to deliver at this tough time."

While charities are extremely adept at making the best possible use of every penny of their resources, it makes more sense than ever for them to work with experienced financial professionals.

With charities' budgets coming under increasing pressure, we can take an objective view of their circumstances and identify opportunities to improve financial efficiency. Please contact us if you would like to discuss how we can help you.

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