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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 how individuals are being encouraged to remember charities in their wills, an increase in the value of charity investments and a new online donation service from BT.

We conclude by considering how primary schools have benefitted from achieving academy status.

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 **DavidW@watsonbuckle.co.uk**

BT launches new giving website with 100 percent donations promise

Telecoms operator BT has launched its own online giving service with the promise that 100 percent of every donation will go to its intended charity.

BT, which goes up against established giving sites such as JustGiving with its MyDonate project, does not charge charities or donors subscription or set-up fees, or any commission. Instead, the company absorbs the cost of running the website as a key part of its corporate charitable programme, with the only charges being handling fees levied by credit and debit card companies, as well as PayPal.

Charities can also receive Gift Aid from UK taxpayers who donate through the website. In addition, fundraisers are able to customise their own pages to reflect the event they are organising or taking part in.

BT has worked with charities such as Cancer Research UK and the NSPCC to develop MyDonate, which is designed to be inclusive to all UK registered charities and increase the number of donations made online.

The company recently commissioned research which found that people were influenced to donate to a certain cause by how much of their money actually went to charity and what it was used for.

Increase in value of charity investments

New research has shown that the value of charity investments rose by nine percent in the 12 months up to the end of March 2011.

The report by market analysts WM Company also revealed that charity investment assets rose in value by 1.3 percent in the first quarter of 2011, and by 5.5 percent over a 36-month timeframe.

The WM Charity Fund Monitor is based on a survey of most of the UK's major charity investment managers. It relies on data covering up to the end of February, with estimates for March based on market averages.

The best performing asset class was the broad-ranging 'alternatives', which includes hedge funds and private equity. This rose by 10.9 percent.

All asset classes saw an increase in value over the 12-month period, although the value of cash deposits rose by just 0.4 percent.

Primaries opt for academy status

Almost 50 primary schools have gained academy status since the option became available to them last year.

Figures released by the Department for Education in March show that there are now 44 primary academies, including the Green Lane Primary Academy, in Leeds, Greetland Academy, near Halifax, and Scout Road Primary, in Mytholmroyd. The same report shows a total of 442 open academy schools.

Primaries that have made the change have spoken positively about the benefits that their new status has brought them.

Amanda Bennett, the principal of Greetland Academy, said: "We will have the freedom to make our own financial and curriculum decisions and this, in turn, will secure the future of the school, as well as our ability to deliver consistently outstanding education that is tailored precisely to the requirements of our children."

Academies are directly funded by the government and set up with the help of outside sponsors. They are established as private limited companies, which means they must comply with the requirements of the Companies Act, and those established before July 2010 were also required to register as charities with the Charities Commission, a requirement that is currently not being enforced ahead of forthcoming changes.

All academies became exempt charities on 1st August 2011, which means they will be regulated by a principal regulator – a government body – and those that are registered charities will be removed from the register.

It is interesting to see that the opportunity to switch to academy status has already attracted so much interest from primary schools, which are clearly enjoying the greater freedom the status brings them, both over the educational aspects of their work and in outsourcing certain services, such as payroll.

However, academy status also brings with it new responsibilities, including certain accounting requirements. Academies must prepare accounts that comply with the Charities' Statement of Recommended Practice (SORP), and this will continue to be a requirement in their funding agreements once they become exempt.

After they become exempt, they will still be required to publish their accounts, which must also be audited by an external auditor. At Watson Buckle, we have extensive audit experience, including the audit of charities, and can add real value to the process, by drawing out key data to help schools operate more efficiently and effectively and to inform decision-making, which is likely to be particularly welcome to schools new to managing their own budgets.

Budget offers IHT incentive to remember good causes

Chancellor George Osborne used his latest Budget to promote charitable giving by offering a new tax-saving opportunity to people who leave at least £325,000 to good causes in their will.

From April 2012, the 40 percent inheritance tax (IHT) rate on estates above the £325,000 nil rate band will be cut to 36 percent for people who leave ten percent or more of their estate to charity.

The move follows the launch of a government drive last December designed to boost private giving to arts organisations and to create a new generation of philanthropists, which included an ambition for the UK to become the first country in the world where it is the norm to leave 10 percent or more of one's legacy to charity.

This is an encouraging move by Mr Osborne that could provide a welcome boost for good causes – many of which have been hit hard by ongoing difficulties in the economy – in the coming years.

Legacies currently account for around six percent of voluntary sector income and this concession could prove a useful tool for increasing that total.

However, in planning charitable bequests, it is always wise to work with a professional adviser experienced in drafting wills and IHT planning so that these, or gifts given during a person's lifetime, are made in the most tax-efficient way.

A further Budget concession to charities means that from April 2013, they will be allowed to claim Gift Aid on up to £5,000 of small donations per year, without the need for Gift Aid declarations.

The Charities Aid Foundation welcomed the move, saying 80 percent of charities do not currently collect Gift Aid on donations of £5 or less.

Email: email@watsonbuckle.co.uk • Web: www.watsonbuckle.co.uk

York House
Cottingley Business Park
Bradford BD16 1PE

Tel: 01274 516700
Fax: 01274 516755
Email: email@watsonbuckle.co.uk