

Welcome to Charities in Brief No. 1 Spring 2010



Champion's newly formed Charities Division brings together a team with over 25 year's experience of providing solutions to the unique issues facing charities and not-for-profit organisations.

Our team's in-depth and specialist sector knowledge makes us ideally placed to deliver the highest levels of service to our charity clients and work in this sector represents a sizeable part of our business

We currently act as "Trusted Advisor" to charities of various sizes across the North West and it is our empathy with the work of charities, coupled with a deep understanding of the legal and accounting framework in which they must operate, which makes these relationships successful.

I hope you find value in this first issue of Charities in Brief and I would urge you to contact us in relation to any articles included within it, or indeed anything else which may be causing you concern.



Stephen Robinson, FCA
Group Charities Director

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The UK is emerging from recession, yet we continue to witness variable effects on the charity and not-for-profit sector. While some organisations have been hit hard, others have been fortunate enough to continue on as previous, with some even experiencing growth.

We believe that the impact of the recession will continue to evolve and in the foreseeable future fundraising will continue to be increasingly difficult. Charities must therefore work to retain the confidence of those who support them. If you have not already done so, now is the time to reassess the situation and take protective measures. Below are our top ten tips:

1. Improving your cash position must be your primary focus. Measure impact by closely monitoring cashflow via monthly or even weekly income statements. Compare this with income statements from the previous year and use the variance to project the impact on cash reserves going forward, on a rolling 12 months.
2. As the recession continues to bite, funders may find they have reduced resources and may not be able to put new funding in place when existing agreements expire. Analyse funding agreements – grants or public sector – to identify expiry dates and consider the impact on cashflow. Review your fundraising strategy to ensure you have diversified and spread risk as far as possible.
3. Focus on the charity's core work as during a boom, organisations often drift away from their core activities. Review your projects/activities to ensure that they are serving your central mission – it may be that some of them need to be cut or deferred.

4. Review the level of activity and bring costs into line. Ensure you are using resources as efficiently as possible and that if necessary, staff can absorb the roles of others. Do not avoid difficult decisions on staff but consult, communicate and explain.
5. Don't be afraid to negotiate with suppliers. Review supplier contracts and work with them to produce more cost effective solutions. There will be savings to be made, no matter how small.
6. Review treasury management to ensure that your cash reserves are both safe and earning the best possible return. Be sure to seek professional advice.
7. Review capital expenditure/projects. Although many businesses have cut back on these, some sectors are expanding and for those with resources it can be a good time to invest, e.g. new buildings, etc.
8. Many businesses have been hit hard by the tightening of credit conditions as they come to renew facilities. Review the terms of your facilities and test these out with your cash flow projections.
9. Financial pressure and legal structures should be considered as a recession brings into focus the question of liability when things go wrong. Consider the structure of the charity and whether it would be appropriate to move to an incorporated structure with limited liability.
10. Maintain fundraising spending. Provided it is cost effective, fundraising remains vital – even if the actual amount raised is down on the previous year. Maintaining the support of donors and funders will be absolutely critical as we come out of recession and need resources for future growth.

For further information or advice, please contact Stephen Robinson, Group Charities Director, on 01772 735000 or e-mail stephen.robinson@champion-accountants.co.uk

How Do You



ADRIAN SHANDLEY from Champion Wealth Management discusses how charities and not-for-profit organisations should approach investments...

VAT: ARE YOU

We may be emerging from recession, but with the cautionary measures - tightening the purse strings

Charities are no exception and with money saving By ensuring the correct amount of tax is being paid more of the following ways:

1. Advertising and publications

Charities qualify for zero-rated advertising, which Don't forget that all publications are zero-rated.

2. Fuel

Where non-business activities exceed 60%, charities should only incur the reduced rate of VAT on fuel 60% test, it can still receive a pro-rated benefit.

3. Staff

No VAT should be charged on seconded staff who

4. Donated goods

The sale of donated goods is zero-rated. While no improves the recovery of VAT.

5. Sundry items

Stickers, pre-printed letters, envelopes and badges given away freely with donations.

KNOW THAT YOUR INVESTMENTS ARE RIGHT?

When you are investing as a Charity, you need to ensure three things. Firstly, that you are not taking too much risk with the Charity's money. Secondly, that you are not incurring excessive charges and, thirdly, that your investments can achieve the goals and performance required to fulfil your charitable objectives.

After all, the Trustees are liable for investment decisions.

Historically the assessment of a Charity's attitude to risk has fallen into some very broad categories, for example, either "balanced", "cautious", "income seeking" etc., etc. No longer is this sort of "broad brush" approach sufficient and it is increasingly important to make sure that the approach to risk adopted by the Charity is scientifically calculated. At Champion Wealth Management, we have a scientific psychometric risk profiling system which enables Trustees to prove that they took the appropriate attitude to risk, through the creation of a documented audit trail.

Equally, at Champion Wealth Management we can ensure that your Charity does not run the risk of picking the wrong fund manager or fund management group. After all, past performance is no guarantee of the future and an investment that has been very consistent in the past may well perform poorly in the years to come. Charges are another important aspect of investing, and very often the headline charge rate is not actually the charge that the Charity pays. This is because the annual charge is declared by a fund or fund management group that does not include other associated costs such as dealing. The total cost is judged by the "total expense ratio" which is often much higher than the quoted annual management fee. At Champion Wealth Management, we operate our charitable portfolios at a little over 1% per annum making them some of the most competitively charged investment arrangements in the market place.

Finally, from an objective perspective, we can ensure that we manage your funds in accordance with your charitable aims, especially if your charity is endowed.

If you are a Trustee of a Charity and you are involved with the Finance Committee, then we believe you should ensure that you are thoroughly covered in your audit trail relating to investment decisions.

As specialists in the field, we will be more than happy to have an informal discussion with you and your co-Trustees.

For further information or advice, please contact **Adrian Shandley**, Head of Champion Wealth Management on **0845 6077300** or e-mail **A.Shandley@premierwealth.com**

PAYING TOO MUCH?

The effects still visible many of us continue to take and keeping a watchful eye on our expenditure. In mind, one area for careful consideration is VAT. Indeed, a charity could be making savings in one or

means they do not pay VAT on advertising costs.

ities are exempt from climate change levy and and power bills. Even if a charity doesn't satisfy the

to perform a non-business function.

to output tax is due, the additional 'taxable' income

es are all zero-rated when supplied to a charity and

6. Grants and service level agreements

A grant is outside the scope of VAT. However, payments under a service level agreement can be a business supply (for VAT purposes) and liable to VAT. Ensure your funding structures are arranged in a VAT efficient manner.

7. Maximising VAT recovery

Many charities are neglecting to recover input VAT that they are entitled to. The recovery of VAT can be maximised in the following areas:

- Bad debt relief and unpaid sales (more than six months old)
- Employee expenses
- EC VAT – you may be able to make an 8th Directive claim to get this back

8. Controlling your tax points

Many charities fail to consider the timing of payments to HMRC. Issuing pro-forma invoices is one way to delay the payment of output tax to HMRC. In some cases, charities should be able to recover the VAT on the purchase invoice before paying suppliers.

For more information, contact **BOB THOMPSON** on **01704 735000** or e-mail **bob.thompson@champion-accountants.co.uk**

CHARITIES IN BRIEF

Scope of Champion's Services

Champion provides a comprehensive range of services focused on adding value to your business.

Audit & Accounts

Business Support

Corporate Finance

IT

Management Accounts

Payroll

Tax Compliance

Tax Enquiry Insurance

Tax Planning

Vehicle Solutions

Wealth Management

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