

In this issue we look at:

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- News in brief from the Charity Commission

Editor's welcome

A very warm welcome to our summer newsletter. When I wrote this editorial for our spring newsletter we were in the midst of weeks and weeks of awful weather wondering if it would ever come to an end. Well it did and what a fabulous summer we are now enjoying.

After two years of ever more guidance from the Charity Commission, mainly in response to things going wrong in the sector, their handy new guide for trustees is welcome and sets out at high level the key principles on how to be a good trustee.

Elsewhere key members of our ever expanding team provide updates on VAT, tax and news from the Charity Commission. Our congratulations go to Nicola Adams for being awarded a Diploma in Charity Accounting. This now

means that four members of our team have this qualification which showcases our expertise in advising charities on financial management.

We are looking forward to our Charity Conference on 7 November and are particularly delighted that Nigel Davies, Head of Accountancy Services at the Charity Commission and joint Chair of the Charities SORP committee and Andrew Hind, Professor of Charity Governance and Finance at Cass Business School will be joining us as key note speakers.

I hope you find the articles in this newsletter helpful in assisting you with your contribution to the charity sector.



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New welcome pack for charity trustees

The Charity Commission's new welcome pack for charity trustees is essential reading, Jane Marshall takes a look at its contents

The Charity Commission have produced a new welcome pack for charity trustees which focuses on the main duties of the role. It provides essential information to help understand governance basics, financial filing requirements and how the Charity Commission can offer support. It also suggests practical steps that can be taken to carry out trustee duties effectively.

The pack will be emailed to all new trustees who register their email address with the Charity Commission.

Here is a summary of its contents.

1. Get to know your charity

The first thing that you should do is to get to know your charity well. You should know all about what makes it a charity and why it exists including:

- its purposes;
- how it is trying to achieve them;
- who it helps – the beneficiaries.

Clarity on these is essential to making a successful contribution to the charity as

a trustee. They're also at the heart of how the charity promotes itself and accounts to the public. You will find your charity's purposes and the rules for how it must operate in its governing document.

Get to know your fellow trustees, because you are all collectively responsible and accountable for the overall management of the charity, including areas where you may not be directly involved. This relationship will be key to the charity's success; even in times of challenge, encourage and respect each other and the time and effort you are all prepared to give.

Pay particular attention to the charity's finances.

- How much money does it have?
- Where is it held?
- Where does it come from and what plans are in place for spending it?

Make sure you are well informed about any key policies on areas such as risk, safeguarding and fundraising. Safeguarding is a priority for all charities,

not just those working with groups traditionally considered at risk. As a new trustee you should take the time to read your safeguarding duties.

2. Expect to do these things soon

Trustee meetings will be a necessary and consistent call on your time as a trustee. It's important to attend and prepare for them and use them to contribute your views and ideas. Use these occasions to make sure that the charity is on track, and expect to be able to monitor its performance against plans and any key risks.

Be prepared to ask questions, particularly on things you are unclear about to increase your knowledge.

Making decisions is such an important part of your role. Some decisions will be straightforward, others more complex. Use the guidance to help you make sure your decisions are properly made, particularly when you are taking those more difficult strategic decisions, such as

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New welcome pack for charity trustees - continued

those affecting the charity's beneficiaries, assets or future direction.

You should ensure that you have the information you need and that decisions are considered as a group. While some trustees may have specialist knowledge that you will want to rely on, be careful not to let any one individual dominate the actual decision making process.

At meetings and when making decisions – and in everything else you do for the charity – you must always put the charity's interests first. Be alert to those matters affecting the charity in which you personally may also have an interest – this could be a direct financial interest but also be more broadly a loyalty or commitment to another organisation or person.

Where such conflicts of interest exist, they can be relatively straightforward to manage. Good awareness and having a system in place to handle them are crucial.

Getting this right is not just a matter of meeting legal requirements, it also shows integrity, honesty and openness about what your charity does and how it does it.

3. Get to know your 6 main trustee duties

It's important that you know these. In almost any trustee activity or decision at least one of the 6 main duties will be relevant. These are summarised in CC3a charity trustee: what's involved

Here's practical action you can take, for each of the 6 duties, in your day to day role as a trustee.

Always

1. Be clear that what your charity does supports its purposes and benefits the public.
2. Check that decisions you make are within the rules for your charity.
3. Ask yourself what's best for the charity and who it helps.
4. Satisfy yourself that the charity's funds, people and reputation are used sensibly and are protected from undue risk.

5. Be prepared. Have the information you need, in the format you need, and set aside time to read it prior to meetings.
6. Get your charity's accounts and reports to us on time. Make sure they are to the standard required, and clear about the charity's achievements.

The Charity Commission expect all trustees to read their detailed guide on trustee duties and this is the guidance that you should come back to if you are unsure how to act.

The Charity Governance Code can help you put these duties into practice.

4. What you need to send Charity Commission

All registered charities must by law keep their register entry up-to-date. Many charities also have to send financial information each year together with an annual return. You and the other trustees are all responsible for getting this right, so you'll need to know what your charity has to send Charity Commission, when and how it needs to be sent, and that its records are accurate.

You can send information, update details and access the relevant online forms. To do this your charity will need an online password which is sent to the registered contact for your charity. If your charity doesn't have one, the charity contact can request a new or replacement one.

5. How the Charity Commission can help you

The Charity Commission are there to help you understand your role and duties as a trustee; how to avoid mistakes and get it right. Use their website to:

- look through their guidance - you'll find here an extensive library of advice and guidance to match the many queries that can arise, including shorter 'how to' guides covering topics such as fundraising, managing your charity, and staff and volunteers
- help you if you need to change your charity's name or rules - you should use their online services to

make these changes or to get their permission for other actions

- keep yourself informed – the Charity Commission will send you a quarterly newsletter [CC News] with information for trustees on key matters for your role. So, please keep your email details up to date

You can also keep up-to-date by following the Charity Commission on Twitter and by reading their Blogs.

6. If things go wrong

As a trustee you are not expected to be perfect; we know things can go wrong. While it is rare for trustees to be held personally liable, understanding your potential liabilities will help you protect yourself. This is explained in more detail in the guidance the essential trustee [CC3]. If something goes wrong make sure that you and the other trustees:

- act quickly to prevent further loss or damage
- communicate and plan what you want to say
- review the situation and learn how to stop it happening again
- let the right people know, for example contact the police if there's been a crime

You will need to let the Charity Commission know when there has been a serious incident.

So, over to you. We've outlined the basics for you here, so that you can check your understanding of the role and the responsibilities that you have. Getting to know your duties from the outset will help you run an effective charity that will have a positive impact for the good of others.

Keep the guide handy, there is more information and help available from the Charity Commission website if you need it.

A copy of the guide can be obtained from the Charity Commission website www.gov.uk/government/organisations/charity-commission



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Tax update

Rachelle Rowbottom provides a round-up of current discussions in the sector regarding charity tax reliefs

NCVO's Charity Tax Commission

The last review of tax reliefs available to the sector was undertaken by government over 20 years ago and since then significant change has taken place in the way that charities operate.

With Brexit around the corner, NCVO established [in October 2017] an independent Charity Tax Commission to undertake a review of the impact that the tax system has on charities. The aim is to make evidence-based recommendations to government which increase the efficiency and effectiveness of the tax system. A call for evidence closed on 6 July 2018 and so we wait to hear the outcome.

Small trading exemption

At a recent conference, a question was posed to Robert Jenrick, Exchequer

Secretary to the Treasury, regarding the level of the small trading exemption. It has been set at £50,000 (where total income of the charity is £200k) for some time and the question was whether this level could be increased.

As charities become more self-sustaining we are increasingly discussing the need to establish trading subsidiaries. An increase to this threshold could reduce the admin burden for charities and would be a welcome move. We are expecting the sector to make budget representations in this respect.

Office of Tax Simplification (OTS) – Inheritance Tax (IHT) review

The OTS are undertaking a review of Inheritance Tax with the aim of simplification. A consultation ran until 8 June 2018 and at the time of writing the

feedback is being analysed.

Specifically relevant to the sector was the question "How well do you think the charitable exemption and the lower rate of tax on death is understood by advisers or the public?" The consultation requested feedback regarding areas of complexity and suggestions for improvements.

Where charities mention legacies in their marketing material, they should inform potential donors of the IHT exemption for the legacy and lower rate of IHT where 10% or more of the net estate is given to charity. This should increase awareness and ultimately more funds will hopefully be left to charities.



For further information please contact Rachelle Rowbottom
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Making Tax Digital (MTD)

As the deadline looms ever nearer, Simon Buchan provides an update

In 2017 HMRC announced that MTD will be introduced with effect from 1 April 2019 and will be compulsory for VAT registered organisations whose taxable turnover exceeds £85,000.

Despite rumours to the contrary HMRC are confident that they are on track to meet this deadline.

MTD introduces the requirement for VAT returns to be compiled from records held in digital format and that they are also submitted via digitally enabled accounting products via an Application Programming Interface (API).

HMRC is not developing any software products or API's itself but expects software producers such as Xero, Sage, Quickbooks etc to provide digital packages that will comply with the MTD legislation.

When MTD compliant products have been developed HMRC have confirmed that they will be included on a list in the MTD section of their website.

At the moment there is still a great deal of uncertainty as to the exact details of MTD especially the status of spreadsheets – are they regarded as digital records? It seems the answer is, that it depends on how they are used!!

HMRC have confirmed that adjustments such as partial exemption can be calculated separately and transferred into the digital records either manually or digitally – in other words this step does fall outside of the digital records.

We expect HMRC to issue a formal notice on MTD which will hopefully clear a lot of the MTD fog anytime now.

So what should you do now?

- Contact your software provider to see whether your current package will be MTD compliant.
- Contact your usual BHP contact for more detailed help and advice.



For further information please contact Simon Buchan
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Save the date!

Date announced for 2018 BHP Charity Conference

BHP is pleased to announce that it is holding its eleventh Charity Conference on Wednesday 7 November 2018 at Doncaster Racecourse.

This year's highly relevant programme will provide an update on several important issues affecting charities with speakers from both BHP's specialist charity team and guest speakers from the sector.

The free full day conference is open to all charities and full details will be issued shortly. If you would like more information at this stage, please contact Louise Bright. Louise.bright@bhp.co.uk or call 0114 266 7171.

News in brief

In our regular feature, Nicola Adams reviews the latest news from the Charity Commission.

Annual Return 2018

Charities should prepare now for new requirements of the 2018 Annual Return which will be available from the end of August 2018. The return contains new questions which for some charities will require additional work. However, certain questions will be optional this year to give charities time to put systems in place to collect the information easily, requiring less effort in the future.

New questions have been included in the following areas:

Income from outside the UK

The return requires a breakdown of sources of income from each country a charity receives funds from. The options provided for you to choose from are:

- overseas governments or quasi government bodies
- overseas charities, non-governmental organisations or non-profit organisations (NGOs/NPOs)
- other overseas institutions (for example private company donations)
- individual donors resident overseas
- unknown

Overseas expenditure

As all money transfers bear risk, the return has expanded to include questions regarding overseas expenditure to establish how charities transfer and monitor funds sent overseas. The return asks if money transfers have been made outside the regulated banking system, what methods the charity has used to transfer funds and the value of these funds, are risk management procedures adequate for the funds transfers made and are there systems of controls in place to monitor overseas expenditure.

Salaries and benefits

The return asks charities to provide more information about salaries as a response to public concern about high levels of pay in charities. This is to increase accountability.

For employment benefits paid to staff

above £60,000 a breakdown of salaries across income bands will be required. You will also need to provide the amount of total employee benefits for the highest paid member of staff. However, details of benefits given to the paid member of staff will not be published on the public register.

Safeguarding in charities

In April 2018 the Charity Commission sent out an email to remind all charities and trustees of the importance of trustee responsibilities in relation to safeguarding.

Safeguarding is a key governance priority for all charities, not just those working with groups traditionally considered at risk.

The Charity Commission have 4 clear expectations of trustees.

- Provide a safe and trusted environment. Safeguarding involves a duty of care to everyone who comes into contact with your charity, not just vulnerable beneficiaries like children and young people.
- Set an organisational culture that prioritises safeguarding, so it is safe for people to report incidents and concerns in the knowledge they will be dealt with appropriately.
- Have adequate safeguarding policies, procedures and measures to protect people and make sure these are made public, reviewed regularly and kept up to date.
- Handle incidents as they arise. Report them to the relevant authorities including the police and the Charity Commission. Learn from these mistakes and put in place the relevant mechanisms to stop them happening again.

The advice from the Charity Commission is that you should now:

- carry out a thorough review of your charity's safeguarding governance and management arrangements and performance if you haven't done so within the last 12 months

- contact them about any safeguarding issues, or serious safeguarding incidents, complaints or allegations which have not previously been disclosed to the charity regulator

For more information about these updates, please visit www.gov.uk/government/organisations/charity-commission

Changes to the 'update charity details' service

The Charity Commission are improving their current service in order for charities to keep a regular check on their details and make updates to information as it changes. It is a legal requirement for charities to keep their details up to date and the improved service will aid charities with compliance.

The Commission will be asking you to check that the register details for your trustees remain up to date which includes adding any new trustees and their contact details. You will also need to remove the details of any trustees who have resigned.

All trustees will be required to supply their email address or confirm they do not have one. Where any personal information is updated on the register of charities the Commission will notify people of the change via email. This is to comply with GDPR regulations.

They will also use email to help trustees comply with charity law and run their charity effectively by sending important regulatory alerts and updates.

The improved charity update details service is expected to go live later this summer, the same time as the 2018 annual return.



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