How to guarantee funding for your charity!

If only it was that simple. With competition for funding ever-increasing and bid processes becoming more complex, charities now face a conundrum when deciding what bids to make. The days of freely given grants are an almost distant memory for some charities, replaced by contracts for services with strict conditions and reporting timelines.

So how do charities decide what contracts to bid for, and once they’ve decided, what makes that bid a winning bid?

Don’t use a scatter gun approach

Just because funding is available, this doesn’t mean you should necessarily bid for it. Ask yourself:

- What other projects will this affect?
- Does the charity have the skills/resource for the contract?
- Can the results be achieved, and in the required timescale?
- Does it fit the charity’s objectives?
- What are the risks if the project fails and is there a contingency plan?

Much time and resource can be wasted putting together bids that aren’t a good fit for the charity, or where it is clear that the charity does not meet the funder’s requirements. For example, a funder may require a charity’s building to be available for use by the local community as a whole. If your charity’s building cannot be used in this way, don’t apply for that particular funding as you don’t meet the basic criteria laid down by the funder.

Facts vs Story

Whilst funders will want to know the background story of the charity, in this competitive environment what they really want to know is the impact you will make, supported by cold hard facts. The landscape of funding has changed, with funders now effectively purchasing services from charities, so funders want to know how their money is going to be spent and that it will make a real difference. Charities are becoming increasingly forced to be more business-minded in this respect.

Measuring impact

The importance of being able to demonstrate impact in a bid can’t be emphasised enough. This is only possible when the charity has a good mechanism for measuring the impact of previous projects. Funders (including those that deal with public money) can’t often afford to “gamble” on promises of what a charity will do and how they will do it. They will want to see evidence of previous successes, so charities need to have systems in place to quantify and demonstrate historical performance so that it can be included in their bids.

Collaboration with other charities

If your charity is unable to undertake a contract on its own, consider making a joint bid with other charities. Such an approach will enable skills to be combined and resources pooled to help meet the terms of the contract.

How we can help

Funding is always going to be a huge pressure on charities, and as budgets continue to tighten this pressure will only increase. Whilst there is no fail-safe or proven method for winning funding, the above comments provide a few pointers to make the process more efficient and effective for charities. Hopefully they will decrease the risk of your charity’s time and resources being wasted.
If you would like to know more about securing funding for your charity, please speak with your usual Kreston Reeves adviser here or Sean Rodwell, Corporate Manager and Charity Specialist, here or on +44 (0)330 124 1399.

Charitable Incorporated Organisations (CIOs) - should unincorporated charities be converting?

Charitable Incorporated Organisations (CIOs) are a relatively new form of legal entity for charities, having first become available in March 2013. Three and a half years later there are now just over 8,000 CIOs registered with the Charity Commission.

Benefits of CIOs

- The charity will have its own legal identity meaning that it will be able to enter into contracts and own land in its own name.
- Trustees will benefit from limited liability.
- Trustees will not be personally liable for what the Charitable Incorporated Organisation (CIO) does, except in certain circumstances.
- CIOs only need to be registered with the Charity Commission. Before March 2013 charities wanting limited liability would have needed to form both a charity and a company. This resulted in two sets of filing requirements - one with Companies House and one with the Charity Commission.
- Two alternative forms of CIO are available – the association CIO if you want wider membership and the foundation CIO if you do not want a wider membership.

Disadvantages of CIOs

- A CIO will be a new legal entity and will be issued with a new charity number, potentially leading to the original charity losing its history.
- Setting up a CIO can be time-consuming, although the Charity Commission’s website does offer assistance.
- Unlike a company limited by guarantee a CIO will not exist until it is registered with the Charity Commission.
- CIOs are not yet open to all types of charities.
- Being a new structure, CIOs may be unfamiliar to some funders and donors.
- CIOs may be unable to take on secured borrowing. The Charity Commission is not able to maintain a register of charges in the same way as Companies House.

How easy is it to convert?

Importantly, at present only unincorporated charities can convert to a CIO. Existing charitable companies cannot currently convert and will only be able to do so once the Office for Civil Society makes these regulations.

Conversion is a relatively simple process:

- Close the original charity.
- Notify the Charity Commission that the old charity has closed.

There can be some complexities, for example, where there are permanent endowment funds or if the original governing document doesn’t allow a transfer of assets.

There are also some further points to consider which often take longer than you would expect. These include the new charity having to open new bank accounts and redrafting contracts in the new charity name. If the original charity employed staff, they will need to be transferred and a new PAYE scheme has to be set up. Contracts may need to be rewritten.

If you would like any further information regarding this article or if you are thinking of converting your charity please get in touch with your usual Kreston Reeves adviser here or Michelle Peters, Accounts and Outsourcing, or Peter Barton, Audit and Assurance, and Charities and Not for Profit Specialist here or on +44 (0)330 124 1399.

Auto enrolment - pensions for your employees

Automatic enrolment is a government initiative to help and encourage employees to save for later life through a work pension scheme. All employers are now required to automatically enrol their eligible workers into a pension scheme. The employer must also contribute to the scheme.

Eligible workers will be those employees who:

- Are aged between 22 and the state pension age.
- Earn more than £10,000 per annum.
- Work in the UK.

Auto enrolment is being phased in and the Pensions Regulator will notify employers of their staging date. Most large employers should be registered by now but smaller employers will need to set up schemes over the next year or so.

The Pensions Regulator website suggests that 60% of employers with one to four employees incurred no overall set up costs. Whilst this may be true, it does not take into account the time that has to be spent to set up auto enrolment, which can run into many hours. There are many pension schemes available to employers and you must choose the one most suited to your and your employees’ needs. We recommend that you start work on auto enrolment about six months before your staging date.
Once the scheme is set up, employees will have to decide whether they wish to opt out. The regulations set out minimum contributions that must be paid into the scheme:

<table>
<thead>
<tr>
<th>Date</th>
<th>Employer minimum contribution</th>
<th>Total minimum contribution</th>
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<tr>
<td>Staging date to</td>
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<tr>
<td>5.4.18</td>
<td>1%</td>
<td>2% (including 1% staff)</td>
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<tr>
<td>6.4.18 to 5.4.19</td>
<td>2%</td>
<td>5% (including 3% staff contribution)</td>
</tr>
<tr>
<td>6.4.19 onwards</td>
<td>3%</td>
<td>8% (including 5% staff contribution)</td>
</tr>
</tbody>
</table>

Both the employer and employee contributions must be paid into the scheme by the 22nd day of the month after deduction was made from the employee’s pay.


If you have any specific questions regarding auto enrolment and your charity please speak to your usual Kreston Reeves adviser [here](#) or Peter Barton, Audit and Assurance, and Charities and Not for Profit Specialist [here](#) or on +44 (0)330 124 1399.

### Employing staff

New charities often start with a few volunteers who try to do everything. As the charity grows and secures more funding the time then comes for the charity to consider employing staff. The trustees, on behalf of the charity, suddenly find themselves as employers and responsible for applying all the rules and regulations that come with this role.

A typical recruitment process might be as follows:

1. Make sure you have a clear job description showing roles and responsibilities. Think carefully about what you really want the new employee to do.
2. The recruitment should be open to everybody to give you the best chance of employing the best person.
3. Consider forming an interview panel. This does not need to comprise all trustees and a panel of two or three may work best.
4. Take up (and follow through) references and make any necessary Disclosure and Barring Service checks.
5. Ensure the salary being offered is in accordance with the National Minimum Wage Regulations.
6. Make any offers in writing and ask for confirmation of acceptance in writing.
7. Issue and agree contracts of employment within 12 weeks of the employment commencing. It is good practice to send the contract with an offer so that any contractual issues are ironed out at the earliest opportunity.
8. Consider a probation period with early milestones to monitor achievement and suitability.
9. Set up a PAYE scheme with HM Revenue & Customs. Software can be acquired to calculate tax and National Insurance deductions or the HMRC online program can be used.
10. Auto enrolment legislation requires all employers to set up a pension scheme even if no employees wish to make use of it. When making offers to potential employees be careful not to agree to match an existing pension scheme as this can be expensive. Also, be careful if any staff are taken on under the Transfer of Undertakings (Protection of Employment) Regulations, commonly known as TUPE.
11. When starting work for you, the new employee should have a P45 from a previous employment. If no P45 is available the new employee should complete a Starter Checklist, available on the HMRC website.

So what happens once your new employee starts working for you?

1. PAYE and National Insurance must be deducted from all salary payments made to employees. These deductions, together with employer’s National Insurance, must be paid to HMRC by the 19th of the month. Details are submitted to HMRC online every time a payment is made.
2. Pension payments have to be paid over within certain time periods.
3. Staff should be set employment goals and these should be used to regularly monitor their performance. Annual appraisals of staff should be undertaken – senior staff appraisals may need to be undertaken by the trustees.
4. As staff numbers grow, trustees should consider setting up a staff manual. This should include all terms and conditions of employment.

**What happens if someone tells you they are self-employed? Do you need to deduct tax and National Insurance from their pay?**

This is an important area as the employer will be responsible for any tax and National Insurance that should have been deducted if it turns out that the self-employed person is, in fact, an employee. It is the charity’s responsibility to decide whether someone is really self-employed. If you are not sure, seek expert assistance as the stakes are too high to guess.
It is important to remember that volunteers are not employees. Charities should be careful to make sure that the roles do not become blurred. Volunteers, by definition, should not be paid for any work they do. As soon as they are paid, they become employees. Volunteers can attend training sessions but they should not be paid for attending. Out of pocket expenses can be reimbursed to volunteers in the same way as for employees. Some charities do create a Volunteer Policy to help clarify the relationship between the charity and the volunteer.

If a charity decides to pay an honorarium to someone, tax and National Insurance must be deducted from the gross amount.

Charities can face different issues from the average employer, as follows:

1. **Conflict of interest** – all trustees and employees must act in the best interests of the charity. Sometimes a personal or other interest may make this difficult or impossible. Certain steps need to be followed to ensure the conflict of interest does not affect the best interests of the charity. Extensive guidance is available in this area on the Charity Commission website.

2. **Risk management** – trustees should identify and manage risks to their charity. Some of these risks will relate to employees and their roles in the charity. Trustees should actively manage all risks and should keep a proper Risk Register.

3. **Fraud** – effective procedures should be put in place to reduce the risk of fraud. Clear policies should be set up in all financial areas so that trustees and employees know what is expected of them.

Employing staff for the first time can be difficult for charities. Trustees will have generally run the charity in its formative weeks or months and passing work and responsibilities to new staff is not easy. Setting clear roles and responsibilities will help to avoid disputes, especially between charity governance and the management and daily running of the charity.

If you would like any further information regarding this article please get in touch with your usual Kreston Reeves adviser here or Peter Barton, Audit and Assurance, and Charities and Not for Profit Specialist here or on +44 (0)330 124 1399.

**HMRC publishes charities most common tax mistakes**

The Charity Tax Group has published the statistics released by HM Revenue & Custom's (HMRC’s) Charities Outreach Team outlining common tax mistakes made by charities.

Topping the list is the **wrong authorised official/agent/nominee** submitting the claim. If your charity appoints new personnel or agent/nominee, you should complete a change of details form to let HMRC know.

Next, the report cites two issues with Gift Aid Small Donations Scheme (GASDS) claims. The GASDS, which came into being in 2013, allows charities to claim a Gift Aid style payment on individual cash donations they receive under £20 even where they do not hold a Gift Aid declaration.

The first issue with GASDS is charities **claiming excessive GASDS income**. Charities are reminded that the annual income from the scheme is capped at £8,000 from 6 April 2016 (previously £5,000). HMRC found that some charities had entered the total donations collected rather than capping this at the amount for which they are eligible, leading to excessive claims.

The second issue with GASDS is **out of date GASDS claims**. This highlights some slight confusion with claiming for previous years. For clarity, GASDS runs tax year to tax year and charities can claim back for the previous two years only – whereas Gift Aid runs from accounting periods and charities can claim for the previous four years.

**Errors completing a paper claim form** came in fourth, followed finally by charities **trying to claim “non-qualifying donations”** – those which are “out of date, joint donations, company donations, etc.”

If you need any assistance with your charity tax queries, please contact your usual Kreston Reeves adviser here or Helen Littlestone, Audit and Assurance Supervisor, here or on +44 (0)330 124 1399.

**Merger with Spofforths increases our Charity team**

The Charity team at Kreston Reeves has expanded following the recent merger with Spofforths. The two firms’ dedicated Charity teams will not only complement each other but will enhance the service that we can provide to our clients in this specialist sector.

Our combined experience and knowledge of the sector (and the challenges it is facing) mean that we can provide relevant support in a timely manner.

We have been discussing the new SORP with our charity clients over the past year or so and are delighted that Mark Spofforth, one of the merged firm’s partners, is a member of the new SORP Committee. If you have any issues or concerns with the new SORP, do please contact Mark here or on +44 (0)330 124 1399 and he will be able to consider them with his fellow SORP Committee members.

If you prefer, please continue to deal with your existing Kreston Reeves or Spofforths adviser, but please also be aware of the wider experience that the expanded team can offer.
Making the most of your assets

The Kreston Reeves Charities team, alongside Gerald Eve, is holding an update seminar to address ways of safeguarding your charity for the future, including legal and financial issues.

Date: Wednesday 25 January 2017  
Time: 4.30pm - 7.15pm  
Location: Gerald Eve, 72 Welbeck Street, London, W1G 0AY  
Please click here for directions.

Further details of the event will be available in due course here. To book your place please contact Ellie Pickering at events@krestonreeves.com or on +44 (0)330 124 1399.

Alternatively please use our online booking form here.

For more regular and topical updates, please keep an eye on the Charity and Not for Profit news page of our website here.

If you would like to discuss any of the topics covered, or have any other queries that we could help with, please speak to your usual Kreston Reeves contact or call Susan Robinson, Partner and Head of Charities and Not for Profit on +44 (0)330 124 1399 or email susan.robinson@krestonreeves.com.


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