

SCFDG News

a newsletter of the Scottish Charity Finance Directors' Group



Since our last e-newsletter, the programme of events for 2010 has proved most popular with a noticeable increase in attendance at seminars by members and guests. A most informative presentation by **June Jessop** (*Cornelian Asset Managers*) on **Investment Management for Charities** in early summer was followed in late September by an equally enlightening **Review of VAT** by **Scott Craig** and **Alan Glen** (*Scott Moncrieff*). I record my thanks to all speakers who have willingly given up all too precious time to support SCFDG. Thanks also to both SCVO and Scott Moncrieff for providing venues and refreshments for our seminars.

I believe our final event for this year is unlikely to disappoint members either. Exploring the theme of **Acquisitions and Mergers**, we welcome **David Manion**, Chief Executive of **Age Scotland**, who will provide an insight into the recent merger between Age Concern Scotland and Help the Aged. I look forward to hearing his views on the process of bringing together two of Scotland's well-known charities. I expect there may have been many challenges and, indeed, lessons from which we can learn, and I commend this event to you all.

Please also support our Annual General Meeting which will be held immediately prior to the seminar. We welcome nominations for new committee members as well as your views and suggestions for future SCFDG events and activities. The formal agenda and papers will be available shortly. In the meantime, a nomination form for new committee members is available on our website and attached to this e-newsletter.

The December seminar will, as is our tradition, close with a festive networking opportunity from 5 pm until 6 pm. I invite you to join us for drinks and canapés and look forward to catching up with you on 2nd December.

Paul Bannon
Convener

For all the latest news and Information on SCFDG, including full details of seminars and network lunches, visit our website at:

www.scfdg.org.uk



Registered Scottish Charity No.
SC022533

Thursday 2nd December 2010

'Acquisitions & Mergers'

David Manion, Chief Executive, Age Scotland

AGM: 3.30 pm

Seminar : 4.00 pm

Drinks, Canapes & Networking: 5.00 pm—6.00 pm

RSE Conference Centre, Edinburgh

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VAT UPDATE

Act now to reduce the cost of VAT

From 4 January 2011 the standard rate of VAT will increase to 20%. It has been estimated that this could cost the Scottish charity sector an additional £15 million - at a time when funding is already being cut!

Time is running out if the Government wants to do anything to help the charity sector. However, there are already a number of ways that charities can make VAT savings and efficiencies.

Advertising and publications – charities qualify for zero rated advertising. They should ensure that they do not pay VAT on advertising and that all publications are zero rated!

Fuel and power – where non-business activities exceed 60%, charities are exempt from climate change levy and should incur the reduced rate of VAT on fuel and power bills (5%). Charities should keep out the VAT chill by ensuring they avoid VAT on fuel and power wherever possible.

Staff – VAT should not be charged or incurred where seconded staff perform a non-business function.

Donated goods – the sale of donated goods is zero rated. While no input tax is due, the income should be included in VAT calculations as it will improve the recovery of VAT.

Change of VAT rate – by controlling tax points you could reduce the cost of irrecoverable VAT as the items will cost less. Consider making significant purchases before the VAT rate changes on 4 January 2011.

Funding agreements and VAT

Historically grant funding has always been outside the scope of VAT. This position still applies as long as no goods or services are provided to the funder.

In the current financial and political climate changes to funding agreements can often affect the VAT liability of the funding.

Where grant income is received in return for a specific and measurable supply of services or goods the income received is seen as consideration for a supply. If the supply is liable to standard or zero-rate VAT the income received will have to be recorded and accounted for. It could even result in a requirement to register for VAT.

If the correct liability is not identified it will expose a charity to challenge and assessments from HMRC. Furthermore, if standard-rate VAT is applicable, and this is not acknowledged or budgeted for, it could reduce the funding received by or available to the charity.

In our experience we have found that funding agreements do not normally identify or acknowledge VAT. In some cases the terminology used can be misinterpreted.

In an attempt to avoid confusion and unnecessary challenge or cost we would suggest that the terms of funding arrangements or agreements are considered from a VAT point of view at an early stage.

It is worth remembering that the application of VAT to grant funding could be beneficial. As long as the funder can recover the VAT charged, the increase in taxable activities should allow a charity to recover additional VAT from HMRC.

Equality Act 2010

The Equality Act 2010 combines and replaces nine separate pieces of legislation providing a new cross-cutting legislative framework to protect the rights of individuals and advance equality of opportunity for all; its aim is to update, simplify and strengthen the previous legislation; and to deliver a simple, modern and accessible framework of discrimination law which protects individuals from unfair treatment and promotes a fair and more equal society. A phased approach to enforcement is planned to allow time for people and organizations affected by the new laws to prepare for them. However, 90% of the provisions did come into force on 1 October 2010.

Caroline Christie outlines some key changes below:

Disability discrimination - the Act will deliver improved protection from discrimination for disabled people. The definition of disability has been broadened – making it easier to show that a person has a disability. Two new ways of claiming disability discrimination have been introduced – discrimination arising from disability and indirect discrimination. The duty to make reasonable adjustments remains.

Harassment - employees will now be able to complain of behaviour that they find offensive even if it is not directed at them. Also, the Equality Act makes employers potentially liable for harassment from people who are not employees, such as customers or clients (**third party harassment**).

Equal pay – employees who can show evidence that they would have received better remuneration from their employer if they were of a different sex may now have an equal pay claim, even if there is no-one of the opposite sex doing equal work in the organisation.

The Act protects employees and potential employees against different forms of discrimination including **discrimination by association, discrimination due to perception and indirect discrimination**.

Indirect discrimination can be justified if you can show that it is **‘a proportionate means of achieving a legitimate aim’**. A legitimate aim might be any lawful decision you make in running your organisation. Being proportionate means being fair and reasonable including showing that you’ve looked at ‘less discriminatory’ alternatives.

Pay secrecy - the Act makes terms of the contract of employment that require pay secrecy unenforceable. An employer can require their employees to keep pay rates confidential from some people outside the workplace, for example a competitor organisation.

Pre-employment Health Checks – the Act bans pre-employment health checks (with some exceptions).

It is still lawful to enforce retirement at 65.

Further details on the Equality Act 2010 can be found at http://www.equalities.gov.uk/equality_act_2010.aspx

ACIE Conference 2010

The second ACIE (Association of Charity Independent Examiners) conference, dedicated to independent examination (IE) and charity accounts, will be held at Perth Concert Hall on Tuesday 7 December 2010. The conference is suitable for charity accountants, finance workers, trustees and treasurers and those both experienced in IE and new to it. Pre-booking is essential.

To register your interest and obtain further information contact the ACIE office.

E: info@acie.org.uk T: 01524 348920

News, in brief, from OSCR

- ◆ New guidance notes setting out requirements for charities seeking voluntary removal from the Scottish Charity Register have now been published. The guidance explains the implications of removal to existing trustees, and aims to help former charities understand their ongoing responsibilities to OSCR.
- ◆ A report into concerns raised about the Sick Kids Friends Foundation (SKFF) has now been published. The report sets out specific recommendations to strengthen the charity's governance as well as key lessons for the wider charity sector.
- ◆ A report evaluating the monitoring of cross border charities has now been published. The report looks at the level of compliance by cross border charities following the introduction on the new monitoring scheme in May 2009.
- ◆ OSCR's Inquiry and Intervention policy (charity complaints policy) has recently been updated. The policy sets out what complainers and charities can expect from OSCR's complaints process and outlines those areas that will not be investigated. It is hoped the more user friendly format will provide clarity to the process.

Further details on all the above available on OSCR's website at www.oscr.org.uk

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 16th Annual General Meeting of the Scottish Charity Finance Directors' Group will be held on Thursday 2 December 2010 at the RSE Conference Centre, 22-26 George Street, Edinburgh, commencing at 3.30 pm

Agenda

- 1 Welcome & Apologies
- 2 Approval of minutes of 15th AGM held on 3 December 2009
- 3 Convenor's report on the Group's activities in the preceding year
- 4 Approval of Statement of Accounts and Balance Sheet for the year ended 31 March 2010
- 5 Re-appointment of Independent Examiner
- 6 Election of Executive Committee
- 7 Approval of annual subscription rates for 2011/12
- 8 AOCB

Mike Crerar
Secretary

Scottish Charity Finance Directors' Group

Annual General Meeting – 2 December 2010

Nomination for Election to Executive Committee

Please complete the form below and return to Irene Cameron, SCFDG Administrator, PO Box 2781, Glasgow, G61 3YL by Friday 26th November 2010. Nominations should be signed by both the nominee and the sponsor.

Name:	
Organisation:	
Nominee signature:	
Sponsoring signature:	

Name:	
Organisation:	
Nominee signature:	
Sponsoring signature:	

Name:	
Organisation:	
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Name:	
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