rdp focus on charities

Issue 11 | Spring 2017

Future not so bright for charity sector staff, says survey

More than half of charity sector staff feel "very negative" about the country's decision to leave the EU, a study has revealed

+

- Probate fees could cost sector seven per cent of legacy income, says research
- Government proposes "get-out clause" for charities caught in pensions trap
- Business rates bill will double, says CFG

Welcome

Welcome to RDP Newmans' Focus On Charities, the publication which brings you the latest news, developments, and financial issues facing your sector.

This bulletin looks at why new probate fees could cost the sector; the move Government is taking to free charities from pensions traps; the impact Brexit has had on charity staff; and finally, the effect of business rates on charities.

We hope you enjoy reading our bulletin and that you find it useful. We would welcome your ideas for topics that you would like to see featured in future issues, so if you would like to comment, please call **020 8357 2727**.

Probate fees could cost sector seven per cent of legacy income, says research

Forthcoming changes to probate fees could cost the charity sector more than £18 million a year, research has revealed.

The figure, published by the Institute of Legacy Management (ILM), is based on the Ministry of Justice's (MoJ) new fee structure for executors.

From May this year, the fixed £215 fee will be increased to £1,000 on estates worth more than £300,000, and all the way up to £20,000 for estates worth more than £2 million.

The ILM estimate that the additional fees could cost charities £8 million – or seven per cent of all money raised from legacy donations.

It added that this was a conservative estimate, and the true figure could be much higher.

Chris Millward, chief executive of the ILM, said: "We are fairly disappointed that the Government has ignored the wishes of 80 per cent of the respondents to its consultation, and gone ahead with these plans anyway.

> "Probate fees are a charge for a service, and these increases seem quite disproportionate. We will be making further representations to the Ministry of Justice."

Andrew O'Brien, head of policy and engagement at the Charity Finance Group (CFG), added that the Government was making a U-turn on incentives previously handed out to encourage charitable giving in wills.

Commenting on the report, he said: "Legacies are a growing and important way that the public supports good causes. It is critical that we make giving as easy and effective as possible.

"So it is important that the government does not undermine existing incentives through increasing probate fees on estates that leave money to charity which could have significant unintended consequences."

Keep up to date with charity news and developments by following RDP Newmans on Twitter and Facebook. And for more information on any if the issues discussed in this bulletin, contact one of our experts today.

Government proposes "get-out clause" for charities caught in pensions trap

Charities will be given more time to pay to leave a multi-employer scheme under new plans announced by the Government in April.

The Department for Work and Pensions (DWP) consultation looks at employer debt legislation for employers in non-segregated defined benefit multi-employer pension schemes.

Generous defined benefit pension schemes, which used to be popular with charities, are now growing more and more affordable.

But to exit a scheme, charities are required to make a large one-off payment.

The Charity Finance Group said charities are currently caught in a catch-22, "where they can neither afford to exit a multi-employer scheme, nor to remain in the scheme".

But a move by the DWP to implement a transitional period for charities to make a one-off payment may alleviate the problem.

It has proposed to introduce a new option for employers in multi-employer schemes to defer the requirement to pay an employer debt on ceasing to employ an active member.

This would essentially defer the debt arrangement, subject to a condition that the employer retains all their previous responsibilities to the scheme and continues to be treated as if they were the employer in relation to that scheme.

Anjelica Finnegan, Charity Finance Group policy and research manager, said: "The significant response from the sector to the consultation demonstrated the threat – seen as a ticking time-bomb – to the sustainability of charities in multi-employer pension schemes.

"The proposals should allow charities who cease to employ active members in the scheme to defer the requirement to pay a cessation debt and focus on paying down the technical provisions. In theory this should free charities from the current catch-22 where they can neither afford to exit a multi-employer scheme, nor to remain in the scheme."

Future not so bright for charity sector staff, says survey

More than half of charity sector staff feel "very negative" about the country's decision to leave the EU, a study has revealed.

The research, published by charity publication Third Sector, questioned the sector's staff on factors such as their workload, job satisfaction, how they feel about their pay, and their attitude towards Brexit. In an early sneak peek of its results, the survey found that while 22 per cent of respondents feel "negative" about the UK leaving the EU, some 53 per cent feel "very negative".

Comparatively, just nine per cent of respondents feel either "positive" or "very positive".

Frances Hurst, co-founder of Birdsong Charity Consulting, said: "It's quite striking to see just how many charity staff are feeling negative about the vote to leave the EU.

"Once we have the final results in we will be able to further analyse this data and see what impact staff think Brexit is having on their charities."

Last year, the Britain Stronger in Europe group had warned that charities could face a £200 million cut in EU funding each year if Britain were to leave, while concerns with the upcoming apprenticeship levy have left the future of charity finances uncertain.

Our services:

- Preparation of accounts and financial statements
- Audit
- VAT advice
- Tax advice, including gift aid issues
- Advising on trading and commercial activities
- Compliance with Charity Commission and OSCR requirements
- Registration of new charities

rdp newmans

FOR MORE INFORMATION ON THE SERVICES WE OFFER PLEASE CALL 020 8357 2727

Business rates bill will double, says CFG

The Charity Finance Group (CFG) has estimated that the sector's business rates bill jump to £432 million after April's revaluation – more than double what charities paid seven years ago.

The rates, which totalled just £210 million in 2010, are calculated using the rental value of commercial properties.

The CFG predict that charities will pay £348 million in 2016/17, £391 million in 2017/18, and £432 million in 2018/19.

The not-for-profit sector currently receives an 80 per cent mandatory relief on business rates on property occupied for charitable activity, while an extra 20 per cent relief can be awarded at the discretion of local authorities.

However, in a letter penned to the Chancellor, the CFG called for charities to be entitled to 100 per cent mandatory relief.

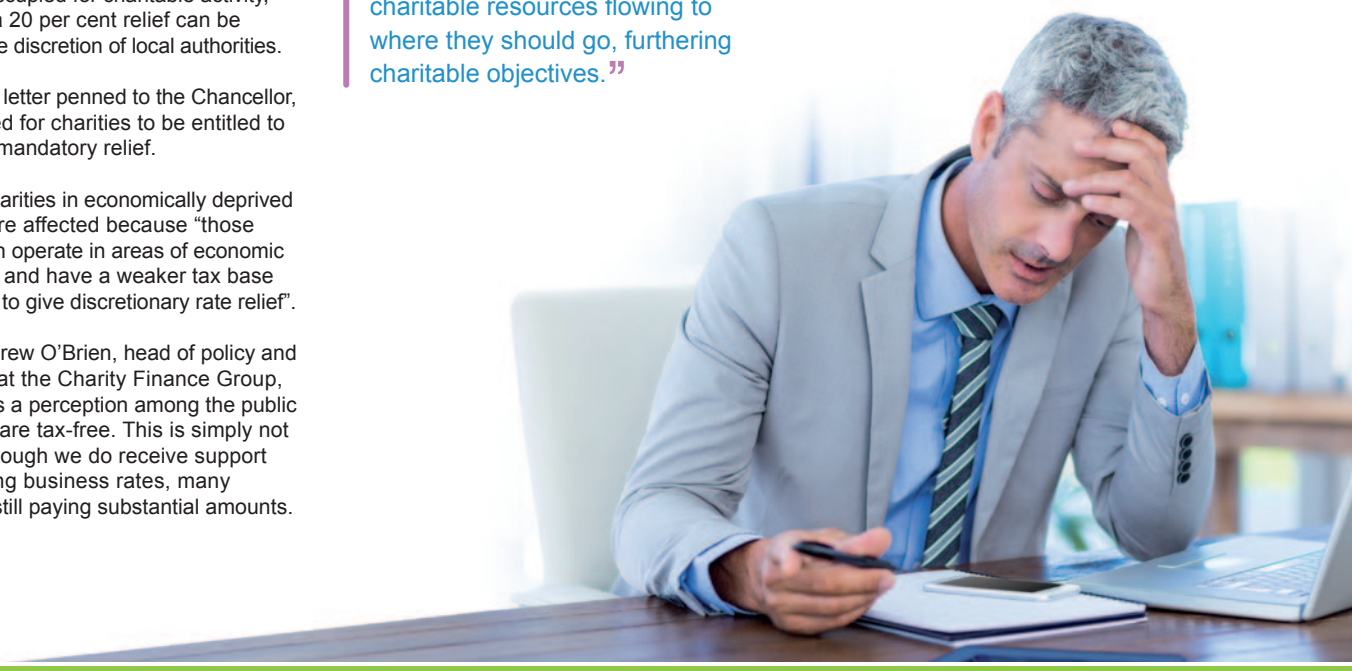
It says that charities in economically deprived areas are more affected because "those councils which operate in areas of economic disadvantage and have a weaker tax base are least able to give discretionary rate relief".

Likewise, Andrew O'Brien, head of policy and engagement at the Charity Finance Group, said: "There is a perception among the public that charities are tax-free. This is simply not the case. Although we do receive support towards paying business rates, many charities are still paying substantial amounts.

> "This, alongside taxes such as IPT and irrecoverable VAT, should be seen as indirect taxes on people's donations because it means that there is less money left over to help beneficiaries. It is time to correct this anomaly and create a simpler system that will see charitable resources flowing to where they should go, furthering charitable objectives."

For a full review of your finances, contact RDP Newmans today.

Our detailed knowledge of the technical and legal requirements of the accounting regime affecting charities means that we can keep your charity compliant while adding value to the organisation.



www.rdpnewmans.com • enquiries@rdpnewmans.com

London Office:
2 Bath Place, Rivington Street,
London, EC2A 3DR
Telephone: 020 7749 1931

Harrow Office:
Lynwood House, 373/375 Station Road,
Harrow, Middlesex, HA1 2AW
Telephone: 020 8357 2727

Southend-on-Sea Office:
457 Southchurch Road,
Southend-on-Sea, Essex, SS1 2PH
Telephone: 01702 466 886