

CHARITIES

July 2009

Welcome to Focus On..., our special bulletin looking at issues relevant to particular sectors and topics of interest.

This latest bulletin focuses on the charity sector, reflecting the particular pressures charities face in the current economic climate. With supporters tightening their purse strings, charities need more than ever to be operating in the most cost-efficient way.

If you have any feedback on this issue of Focus On...or would like to know more about our services, please contact Jeannine Peta Thornley at Jeannine.Thornley@nicholsonsca.co.uk or phone 0845 27 66 555.



Charities feel full force of recession

New figures reveal that the credit crunch is having a serious impact on charities that could have long-term implications for their work.

A survey of 1,003 charities in England and Wales for the Charity Commission found that 52 per cent of those questioned said they had been affected by the financial downturn. Of these, 58 per cent had suffered a fall in income.

The survey, published on 17 March, found that although charities with an annual income of £1 million or more were least likely to have experienced a drop in income, 64 per cent of charities in this group feared the downturn would affect their future work.

Almost one third of charities surveyed (32 per cent) had taken steps to reduce the impact of the challenging economic climate. These included reducing costs (14 per cent), drawing on financial reserves (14 per cent of

the largest charities and six per cent across the board), cutting or postponing new services or reducing staff numbers (two per cent).

Dame Suzi Leather, chair of the Commission, said: "Clearly the impact of the financial downturn on charities is widening and deepening. Some charities still face that double whammy of a drop in income as well as an increased demand for services."

Emma Murray, partner at Nicholsons, says: "The Charity Commission really highlights just how vital it is for charities to be operating as efficiently and cost-effectively as they can.

Charities are always conscious that they need to make every penny count. By seeking expert advice from advisers experienced in working with charities, like Nicholsons, they may be able to identify ways to reduce costs without having to cut back on services or dipping into reserves.

Getting together makes financial sense

In the tough economic climate, joint working by charities, or even mergers, could make sound sense, says Nicholsonsons.

But few charities seem to be considering greater collaboration as an option. The Charity Commission's March survey found that only three per cent of charities were considering collaboration, while the same percentage had considered a merger.

In England and Wales, there are just under 169,000 charities, which in 2008 had a joint income of £48.4 billion. Of these, almost 80,000 have an income of £10,000 a year or less, sharing just 0.5 per cent of the total income.

Emma Murray said: "Many small charities are

struggling to meet increasing overheads from an annual income of perhaps just a few thousand pounds. From our work with charities, we know that even where charities have a similar theme, their focus could be quite different.

But where organisations do have compatible aims, joining forces and sharing expenses and expertise could make a real difference to their financial health."

The Charities Act 2006 has made it easier for charities to merge and the current economic climate provides a perfect opportunity for charities to review their long-term future. A merger or collaborative working are clearly not steps to be taken lightly and expert advice is essential.



All change on financial thresholds

Charities should be aware of changes to accounting and reporting thresholds in the Charities Act, which have increased with effect from 1 April 2009. The changes, which follow public consultation, are:

- the threshold for requiring accounts to be externally examined rises from £10,000 to £25,000

- the threshold for the preparation of accruals accounts (rather than audits) by non-company charities rises from £100,000 to £250,000
- the assets element of the audit threshold rises from £2.8 million to £3.26 million and the lower income trigger from £100,000 to £250,000

- the threshold for registered charities to submit annual accounts and trustees' annual reports to the Charity Commission is raised from £10,000 to £25,000.

The revised thresholds apply to financial years ending on or after 1 April 2009. For more information, please contact us.

Spotlight on... Emma Murray and Sally Dickinson

Emma Murray and Sally Dickinson are Nicholsonsons' charity specialists, working with clients ranging from small trusts to regional organisations with an annual income of several million pounds.

Sally, who qualified last year as a member of the Association of Chartered Certified Accountants, and Emma, a partner at the firm, agree that variety is a way of life in charity accounting.

Differing aims, size, income and sources of income all add up to mean that no two charities are the same, which means that everything from a set of accounts to ad hoc advice must be carefully tailored to their particular circumstances.

The unique nature of charities as a sector also makes an interesting contrast to Emma and Sally's work with business clients. Businesses must operate on a commercial basis, with profits as their key consideration, while charities "have a different way of looking at things," as Sally puts it. "Until you get involved, you don't really appreciate just what they do and the commitment of the people who are drawn to charity work."

Much of Emma and Sally's charity work involves traditional support services, such as accounts and audits or providing advice on a specific tax or VAT issue, but they are also very conscious that the current difficulties in the economy have hit many charity clients hard financially.

With that in mind, Emma and Sally are always willing to give support and advice to help clients through the downturn. Emma says: "Just being able to talk things through can open up options for things they might be able to do."

In the specialist world of charity accounting, staying up to date on the latest developments to the relevant rules and regulations is important. As Emma says: "The more you deal with charities, the more you learn", so Emma and Sally's ongoing involvement in charity work – plus the continuity of relationships they build up with clients – delivers real added value.

t: 0845 2766555
f: 0845 2766559

newland house
the point
weaver road
lincoln ln6 3qn

info@nicholsonsc.co.uk
www.nicholsonsc.co.uk