

29th May 2009

PUBLIC BENEFIT DISCLOSURE

The Charities Act 2006 has introduced new requirements for Trustees to demonstrate that the charity is operating for the public benefit. The Charity Commission has issued statutory guidance setting out the principles of public benefit and how compliance should be reported. There are two main principles and a number of sub-principles as follows :

1. There must be an identifiable benefit or benefits.

- (a) It must be clear what the benefits are.
- (b) The benefits must be related to the aims.

(c) Benefits must be balanced against any detriment or harm.

2. Benefit must be to the public or to a section of the public.

- (a) The beneficiaries must be appropriate to the aims.
- (b) Where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted:
 - by geographical or other restrictions
 - by ability to pay any fees charged
- (c) People in poverty must not be excluded from the opportunity to benefit.

(d) Any private benefits must be incidental.

For accounting periods ending on or after 31 March 2009, the Trustee Report must explicitly state how the objectives, activities and achievements of the charity are providing public benefit under each of the above principles and sub-principles, as appropriate. In addition, the Trustees are required to make a formal statement that they have paid due regard to the Charity Commission guidance when reviewing the charity's aims and objectives.

VAT: CHANGES TO PARTIAL EXEMPTION

From 1 April 2009, there are a number of changes to the partial exemption standard method. Apart from one mandatory change, which is unlikely to affect many charities, the other changes are optional and can be applied without HMRC approval. The two optional changes which are likely to be of most interest are:

1. Early annual adjustments. Adjustments will be able to be made in the last VAT return of the VAT tax year rather than in the first VAT return following the end of the tax year. This change may provide a very welcome cashflow boost depending on the circumstances.

2. In Year Provisional Recovery Rate. Instead of calculating the partial exemption percentage by reference to each quarter's figures, the previous year's partial exemption rate can be provisionally used, subject to the normal annual adjustment. Some charities had already operated this system but, strictly, this would have represented a "special method" under the old rules. This is therefore a very welcome change.

HERITAGE ASSETS

Following a long period of consultation, the Accounting Standards Board (ASB) is due to issue a new Financial Reporting Standard (FRS) on Heritage Assets. The ASB had originally suggested that, where practicable, all heritage assets held should be disclosed on the Balance Sheet, preferably at valuation, in accordance with best accounting practice.

However, following consultation with the sector, it was recognised that, for many charities with large collections, this would result in disproportionate cost and complexity. Consequently, the existing FRS 15 requirement to value and capitalise, where practicable, only newly acquired heritage assets will be confirmed in the new FRS.

However, there will be an additional requirement to provide greater disclosure on the nature and scale of heritage assets held as well as on policies relating to their acquisition, preservation, management and disposal. To encourage heritage asset valuations, the new FRS will permit internal valuations.

SMALL CHARITABLE COMPANIES: AUDIT CHANGES

For accounting periods ending on or after 31st March 2009, small charitable companies will be exempt from the auditing requirements of the Companies Act and will, instead, be subject to the auditing requirements of the Charities Act. This will not change the way the audit is conducted but will require some additional disclosures in the audit report and financial statements.