

CHARITIES



July 2014

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

In July's Focus On... Charities, we highlight the consultation recently launched by the Charity Commission seeking views on the proposed changes to the Annual Returns 2015. Meanwhile we mention the first anniversary of the ICAEW website where individuals can register financial volunteering roles. We also cover the Charities Statement of Recommended Practice (SORP) that has now been approved for publication. Finally, we conclude with the news that charities have been urged to publish full details of senior executives' pay in order to help them maintain public trust and to use their Trustees' Annual Report to show how they are tackling the potentially serious risk of a pension scheme deficit.

If you would like to discuss any aspect of our specialist charity audit and accountancy services, please contact Emma Murray, Audit and Compliance Partner at Nicholsons, at [emma.murray@nicholsonsca.co.uk](mailto:emma.murray@nicholsonsca.co.uk) or phone 0845 27 66 555.

## Pay transparency 'vital for public trust'

Charities have been told to publish full details of the pay of their senior executives, to help them maintain public trust.

The recommendation came in the report of an inquiry into executive pay set up by the National Council for Voluntary Organisations (NCVO).

Legally, charities are required to indicate in their annual report the number of staff in pay bands over £60,000.

But the report, published at the end of April, recommended that to sustain public trust, they should go further and publish the exact salaries of named senior staff members in an accessible place on their websites, ideally no more than two clicks from their homepage.

It also recommends charities consider publishing the ratio between their highest and median salaries, to give an indication of pay throughout their organisation.

The inquiry examined extensive evidence on charity salaries, finding that senior staff in charities tended to earn substantially less than their counterparts in equivalent private or public organisations of up to 25-45 per cent at senior levels.

The recommendations and associated guidance produced by the inquiry on how charity trustees should go about setting senior pay have received the backing of the Charity Commission.

NCVO chair Martyn Lewis, who also chaired the inquiry, said: "Many of the charities the British public are proudest of are major operations employing thousands of people and managing tens or even hundreds of millions of pounds.

"They need highly skilled professionals in order to run to the highest standard possible and make the best use of our donations. But we believe that where they feel they need to pay high salaries in order to recruit the right people, they should be clear in explaining this to donors.

"Doing this will make it clear that they believe in being open and honest with donors. We don't want anyone to be able to claim that charities have hidden or obfuscated information about their salaries. I hope charities will consider this an extra opportunity to explain their work and the difference that they make."

The team at Nicholsons have extensive experience in working with charities, which means that we are able to offer expertise in all financial issues affecting this sector, including those relating to remuneration. For more information, please contact us.



## Increase in volunteer roles registered with ICAEW

An increasing number of professionals are lending their financial skills to a range of charities and not-for-profit organisations through the ICAEW website [www.icaewvolunteers.com](http://www.icaewvolunteers.com).

Celebrating its first anniversary recently, the site was set up in order to help more charities have access to their members. It is also celebrating the fact that it is now the

number one website for financial volunteering roles.

It is essential that charity boards can find the skilled finance volunteers they need in order to ensure they can adhere to compliance regulations, especially in the area of accounting.

As well as the charities themselves, the volunteers

found the experience very rewarding too, helping charities to achieve their goals and prosper.

The website has had around 36,000 visits so far, with over 900 roles having been posted. The ICAEW also confirmed 66 successful matches between volunteers and other not-for-profit organisations in April.

## SORP approved for publication

It has recently been announced that the charities Statements of Recommended Practice (SORP) have been approved for publication by the Financial Reporting Council, the Office of the Scottish Charity Regulator (OSCR) and the Charity Commission.

The Financial Reporting Council (FRC) – the standard-setting body for UK accounting rules – approved the SORPs in May with final documents expected to be published soon.

The SORPs have been developed in response

to feedback to a consultation in order to govern charity accounts. We have therefore now got two SORPs, one being applicable to smaller charities that follow the Financial Reporting Standard for Smaller Entities (FRSSE) and meet the small company criteria, and larger charities then following the second SORP, which is written in line with FRS 102.

Sam Younger, chief executive of the Commission and joint chair of the SORP Committee said: "The FRC's approval is a culmination of many years'

work; we and OSCR are especially grateful to the members of the SORP committee for their commitment and attention to detail. The result is a high quality accounting and reporting framework for charities."

At Nicholsons, our specialist team can provide expert advice to charities seeking clarification about the implications that the new SORPs may have for them. For more information please contact us and we will be more than happy to go through how this will affect your charity.

## Charity Commission launches Annual Return Consultation

The Charity Commission has launched a consultation seeking views about proposed changes to the Annual Return for 2015. The consultation follows changes to the Annual Return for 2012 and 2013, which were made as a result of information collated from previous consultations. In future, the Commission intends to ask charities with incomes between £10,000 and £500,000, and Charitable Incorporated Organisations (CIOs) with an income under £500,000, to provide detailed financial information as part of their Annual Return. Currently, only charities with an income over £500,000 are required to do this.

By collecting and analysing additional financial information, the Commission says it will be able to identify potential risks for charities and improve accountability and transparency. It will also help with public and donor demands for more information about where charities obtain their funding and how they choose to spend it.

The proposed additional information required from smaller charities includes details about their total income (including voluntary income and income from investments) and total expenditure on charitable activities.

The Commission is also seeking views about further proposed questions that would reveal:

- how much of a charity's income has been spent on campaigning activities
- how much is received from public service delivery and private donations
- whether the charity has a remuneration policy for paying executive staff

For more information on what this could mean for your business, please contact us.

## Charities urged to better explain pension deficits

The Charity Commission has urged charities to use their Trustees' Annual Report (TAR) to explain how they are tackling the potentially serious risk of a pension scheme deficit.

The message, issued in May, follows a Commission review of the accounts of charities whose pension schemes are in deficit. It identified 740 charities with an income of over £500,000 whose accounts showed a deficit and randomly selected 97 of these for scrutiny.

The review found that only 31 of the 97 TARs included an explanation of the financial implications of the charity's pension scheme deficit and of the trustees' plans for tackling the issue.

Commission chief executive Sam Younger said: "Pension deficits can pose a potentially serious risk for charities. This report demonstrates that some charities do not adequately explain how they are dealing with their pension deficit in their Trustees' Annual Report, thereby missing out on an opportunity to demonstrate to their donors and beneficiaries that they are tackling the problem appropriately."

Other key findings included:

- the 97 charities selected reported a total pension scheme deficit of more than £617 million, more than half of which related to just three charities

- seven charities had deficits that amounted to more than their unrestricted funds and more than 20% of their annual income.

The commission acknowledged that some trustees whose charity's pension scheme deficit was relatively small may have decided the financial risk was minimal and did not merit inclusion in the TAR.

Nicholsons can provide comprehensive advice to charities on all aspects of their finances and our team includes pension specialists who can assist on issues including tackling deficits and implementing pensions auto-enrolment. For more information, please contact us.

t: 0845 2766555

f: 0845 2766559

newland house  
the point  
weaver road  
lincoln ln6 3qn

info@nicholsonsca.co.uk  
www.nicholsonscharteredaccountants.co.uk