



## charities warned to protect against cheque fraud

The Cheque and Credit Clearing Company (C&CCC) has published new guidance for charities to help them protect themselves from cheque fraud. Although cheque use in general is in decline, 90% of charities still use cheques regularly, according to the Payments Council, the body responsible for overseeing payments services in the UK.

The 'Safeguard your charity from cheque fraud' poster is available to download free of charge as a PDF from the C&CCC website, and provides a number of practical tips. For example, to reduce the risk of someone interfering with a cheque by changing details after it has been written, charities are encouraged to ensure that a line is drawn through unused space after the payee name and the amount when writing out a

cheque, and to make sure there is as little space as possible between words.

They are also advised to check their bank statements regularly in order to spot any unfamiliar transactions, and carry out regular audits of cheque stock and working cheque books. Permanent black or blue ink should be used to write cheques, and cheques should not be visible through the envelope when sent by post.

Charities are also encouraged to source their cheques from one of the 57 printers accredited by the C&CCC Cheque Printer Accreditation Scheme.

The amount of money lost through cheque fraud fell by 22% between 2012 and 2013 to £27.5 million, according to new figures published by Financial Fraud Action UK. The majority of attempted cheque fraud is spotted during the clearing process, and in 2013, £389 million of attempted fraud was prevented in this way. Angela Thomas, Managing Director of C&CCC, said: "Charities can avoid some of the common pitfalls that often lead to cheque fraud by following simple and straightforward advice detailed in our new guide."

Read more at:

<http://snipurl.com/28sbyxw>



## academies slow to make use of new freedoms

Academies are not making full use of the freedoms that come with their new status, according to a survey of 654 academies carried out by the schools network SSAT and the think tank Reform.

The survey found that just a third of academies have used, or plan to use, their freedom to change the curriculum. A similar proportion had changed, or planned to change, their teachers' contracts, although 59% were using or planning to use their freedoms to determine teachers' pay. Less than 20% had changed the school day, or had plans to do so; this fell to 6% when it came to changing the school term, and only 3% had made changes to both the school day and the school term.

However, 80% of the academies surveyed indicated they would recommend conversion to academy

status, and 60% indicated that all schools should have the same freedoms as academies and free schools. Financial and educational autonomy were the two most popular reasons for converting to academy status, each cited by around 50% of respondents.

Just over half of the respondents stated they had employed additional staff since converting to academy status to manage services that had previously been provided by their local authority, while 45% still turned to their local authority for HR, legal or financial advice. Two thirds claimed their relationship with the local authority had not changed, while 14% said it had improved. A higher proportion, 86%, indicated their relationships with local schools had stayed the same or improved.

Andrew Haldenby, Director of the

think tank Reform, said that the survey results refuted criticisms that the academy programme had contributed to an "atomised" school system where individual schools were operating in isolation from one another. However, he said that the fact that academies were not making full use of their freedoms meant that the programme was an "unfinished revolution".

Read more at:

<http://snipurl.com/28s71ir>



## in brief..

### **Lack of digital literacy is holding charities back, report finds**

A survey of professionals in charge of digital technology in charities has found that more than half feel they are working in a culture averse to change. The survey, carried out by IT provider Eduserve, found that 66% of the professionals surveyed in 100 charities believed that a lack of knowledge about what digital could achieve in their organisation was their biggest barrier to success in future digital projects, 58% also blamed a culture that is averse to changing current ways of working. A similar proportion blamed lack of understanding at board or senior management level. Other key barriers identified included budget issues and a lack of digital literacy and skills across the organisation.

Read more at:  
<http://snipurl.com/28s6xts>

### **Demand for charitable services on the rise**

Almost one in nine UK charities experienced an increase in demand for their services in 2013, according to the 2014 Social Sector Tracker survey carried out by the Association of Chief Executives of Voluntary Organisations (ACEVO). The same number expect further increases throughout 2014, although less than a third predict that they will be able to meet the resulting demands. The survey also found that commercial costs had increased for 72% of respondents, while 80% had experienced a rise in direct costs.

Read more at:  
<http://snipurl.com/28sh9ep>

### **Number of charities seeking loans rises**

Charity Bank received more than double the number of loan enquiries during the first two months of 2014 than during the same period in 2013, according to figures released in March. The biggest source of loan enquiries was from organisations looking to buy property. The bank, which lends solely to charities, social enterprises and other social purpose organisations, also revealed that demand for loans has increased every month since October 2013.

Read more at:  
<http://snipurl.com/28sh9gq>

### **Charity Commission requires extra funds to avoid registration logjam**

Extra resources will be needed in order for the Charity Commission to register 30,000 church charities, when an exception exempting these charities from registration runs out in 2021. According to a spokesperson, it is unrealistic to expect the Commission to register this many charities as soon as the registration exception runs out. The Commission has also recognised that some charities would like to register well in advance of the deadline, although, at the time of writing, registration is not available.

Read more at:  
<http://snipurl.com/28sh9j9>

### **Legal definition of charity shop should be tightened**

The criteria that must be met for a shop to be deemed a charity shop, and therefore eligible for up to 100% business rates relief, should be tightened, according to the Business, Innovation and Skills Committee. In a report on the retail sector published in March 2014, the Committee recognised the part charity shops play in raising revenue for good causes and providing community space, but warned that the rates relief can be abused by businesses pretending to be charitable, and suggested that it could threaten the survival of shops paying full business rates.

Read more at:  
<http://snipurl.com/28sh9lj>



# HMRC's paper on 'charities for tax avoidance'

A discussion paper published by HMRC has sought views about how to reduce the setting-up and use of charities as vehicles for tax-avoidance schemes. The paper called 'Approaches to Preventing Charities Being Set up to Avoid Tax', highlights the Government's revised approach to the issue, which, according to HMRC, has changed since the 2013 Autumn Statement following consultation with the charity sector. According to the paper, HMRC's approach now seeks to discover whether the motivation for the setting up of a charity is to secure a tax advantage. Previously HMRC was concerned with whether an organisation's main purpose was to facilitate or enable tax avoidance.

Two possible versions of draft legislation have been published to reflect the change in approach:

- The first version would prevent an organisation being recognised by HMRC as a legitimate charity if it were shown that one of the main reasons or intentions for its establishment (or one of the main outcomes) was to secure tax advantages or benefits. According to HMRC, representatives from the charity sector were reportedly concerned that this would have a negative effect on private and corporate charitable foundations, one of the main purposes of which is arguably the securing of tax advantages.

- The second version would reduce or narrow down the 'purpose test' to a single main purpose of securing a tax advantage. According to HMRC's discussion paper this approach would result in legitimate charities being largely unaffected, but might make it easier for anyone who is determined to avoid tax.

Industry commentators have expressed concern that the new HMRC proposals could affect charities which are genuine, and have also questioned whether any such change in the law would actually prevent people from finding a way to abuse charitable tax relief.

Read more about proposals at: <http://snipurl.com/28shoft>



One Bell Lane  
Lewes  
East Sussex  
BN7 1JU  
Tel 01273 480480  
Fax 01273 476941  
admin@knilljames.co.uk  
www.knilljames.co.uk

If you would like further information on any articles in this newsletter, please contact one of the partners at the telephone number, or email address above.

Registered to carry on audit work and authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales.



The UK200Group is a modern and proactive professional membership association of chartered accountants and lawyers which provides training and business services to enhance the performance of member firms. As well as being focused on the general small to medium businesses, members have specialist knowledge and experience of the agriculture, healthcare, charities, legal and property and construction sectors to provide effective support and advice in the areas of tax, financial management, business planning and legal issues.

[www.uk200group.co.uk](http://www.uk200group.co.uk)

This newsletter has been prepared for general interest and it is important to obtain professional advice on specific issues. We believe the information contained in it to be correct. While all possible care is taken in the preparation of this newsletter, no responsibility for loss occasioned by any person acting or refraining from acting as a result of the material contained herein can be accepted by the UK200Group, or its member firms or the author.

UK200Group is an association of separate and independently owned and managed chartered accountants and lawyer firms. UK200Group does not provide client services and it does not accept responsibility or liability for the acts or omissions of its members. Likewise, the members of UK200Group are separate and independent legal entities, and as such each has no responsibility or liability for the acts or omissions of other members.

## companies still waiting for CIO conversions to open

Companies in England and Wales intending to convert to the new Charitable Incorporated Organisation (CIO) status are still waiting to find out when registration will open to them. The new CIO legal status gives a charity some of the benefits of company status without requiring them to comply with all the requirements of company law. It was created to provide charities with a way of limiting trustees' liability and operating as a separate legal entity, without having to register with Companies House. CIOs only need to be registered with the Charity Commission, and the Commission expects the status to be most suitable for small and medium-sized organisations that employ staff or enter into contracts.

The first CIOs were registered in early 2013, and more than 1,500 have been registered since then. However, registrations have so far only been open to newly established charities and existing unincorporated charities. The regulations required to enable existing companies to convert into CIOs were expected to

have been finalised in 2013 to allow for the first conversions to begin during 2014. However, a spokesperson from the Office for Civil Society said in March 2014 that the conversion regulations would not be made until later in the year.

Until the regulations are in place, CIO conversions remain closed to existing charitable and non-charitable limited companies, as well as Community Interest Companies (CICs) and charitable Industrial and Provident Societies. The Charity Commission will update its website as soon as further information about the creation of the new regulations is available.

In Scotland, the Office of the Scottish Charity Regulator (OSCR) has been registering Scottish Charitable Incorporated Organisations (SCIOs) since 2011, and conversion by charitable companies has been available since 2012.

Read more at: <http://snipurl.com/28s6s0p>