



# Compass Accountants

Not for Profit Bulletin - Jan/Feb 2018

(Including Charities, Museums, Galleries, Schools & Academies)

## Sector Expertise and Best Value.... Without Compromise

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### 3 Investment opportunities for charities

The Charity Commission has recently reported that in the year to December 2016, sector income as a whole enjoyed a welcome period of growth with total annual income of £71 billion for 2016, representing a 2.9% increase on 2015. This was backed by a 4.2% year-on-year increase in the total value of long-term investments.

This enabled charities to increase annual spending by 4.5% more than in 2015.

In order for charities to do more and help safeguard their future, they need to grow their income ahead of inflation. Inflation is the base that charities need to cover if only to maintain the level of their work.

So where are the opportunities for charities to access returns in excess of inflation?

#### 1. Equities

With equity markets hitting new "highs" they can be rewarding, although a cautious approach is necessary.

With rising markets, falling yields will throw up opportunities for charities to reduce their holdings in shares that now show lower yields and re-circulate proceeds into equities still yield better returns never ignoring quality instead of yields.

The average yield available is 3.6% which is relatively attractive compared with holdings of gifts and cash.

#### 2. Corporate bonds

Along with gifts, corporate bonds have enjoyed a strong 30 year run of delivering good income yields and capital growth too. This reflects the structural fall in inflation and low interest rates.

It is no surprise that at the higher quality end of the corporate market, higher inflation and rising base rates from record lows, will lead to capital erosion.

Higher yields can be obtained by investing in lower rated-bonds with the attending rise in risk.

Bond funds provide a useful diversification away from equities but are likely to have less attraction than we have become used to – at least until we see reductions in inflation and interest rates at some time in the future – however unlikely.

#### 3. Property

Standard commercial property funds continue to offer access to a stable asset class with reliable income and capital value. However prospects for future income and capital growth is uncertain with uncertainties surrounding BREXIT.

Once again higher yields are a trade-off with lower quality and higher risk.

The lesson learnt for charities with funds to invest is to rely on the advice of an active fund manager who specialises in handling funds for the sector. This article does NOT constitute investment advice.



### Quote of the month...

“Love is not patronizing and charity isn't about pity, it is about love. Charity and love are the same - with charity you give love, so don't just give money but reach out your hand instead.”  
- Mother Teresa



## **Funding available to help conserve the country's architectural heritage – The Wolfson Trust.**

The Wolfson Trust aims to support excellence in buildings of architectural and historic significance as well as the work of the organisation managing the building, including interpretation and public engagement, with the building, monument or landscape.

Where the building or monument is of national significance, they may also include funding of educational or interpretation spaces.

Capital projects may be eligible where:

- They include restoration or conservation work to the historic fabric of Grade I or II listed buildings.
- The building is accessible to the public for the majority of the year.  
Gardens or landscapes are exceptional historic significance, they may also be eligible.

Buildings or sites in private ownerships are generally excluded and a full list of exclusions may be found on its website.

You can find applications forms on:

[www.wolfson.org.uk/funding/arts-and-humanities/historic-buildings-landscapes](http://www.wolfson.org.uk/funding/arts-and-humanities/historic-buildings-landscapes)



## **VAT and Charity Advertising**

HMRC is challenging the applicability of VAT zero rating for advertising on third party platforms particularly via social media.

It argues that the nature of such advertising is targeted at individual browsers to meet with the zero rating criteria.

The sector and its associates have contacted HMRC to review the issue to get a clear policy objections over the next 3 months.

In the meantime certain agencies and advertising providers are taking the cautious view that this VAT relief does not apply until HMRC clarifies its policy.

## Google changes its rules for Charity AdWords Accounts.

Google has changed its policy for charities using its free advertising service. This means that if charities do not receive enough clicks their accounts could be closed.

Globally more than 35,000 charities are currently allocated US \$10,000 (£Stg.7450) monthly of free advertising.

Charity accounts operate in the same way as commercial AdWords accounts, where users create a text ad to direct users to their site and bid on keywords to appear in Google searches.

But from 1<sup>st</sup> January 2018 Google has announced that all ad grants AdWords accounts must maintain a 5% click through rate (CTR) each month or face being cancelled.

## Proposed format of Annual Return 2018

Charities and Not for Profits have raised concerns that the proposed 2018 format of the annual return appears to require disclosures relating to sources of overseas funding.

These concerns have been raised because of the burden it places on charities and the message it sends to other countries.

The announcement that the Charity Commission would begin collecting data about overseas funding services was first made by the Home Secretary in the summer of 2017 as part of anti-terrorism and extremism measures.

The Charity Commission wanted information on sources of funding from overseas so that they could “have a better understanding of the income sources of the charity sector, including a more complete picture of the flow of funding into and out of the U.K, and the provenance and income from outside the U.K.”

The Commission said that this information would allow the regulator to assess risks to individual charities and to the broader sector so that it can provide better targeted advice and guidance.

The Commission is at pains to point out that the income received from abroad or from certain countries is not necessarily “tainted” but for some sources there are greater risks that need to be managed.

Bond, an umbrella body for international agency charities said that concessions made by the Commission to date were only minor and that the requirement to report overseas income would prove unduly burdensome for smaller charities and NGO’s.

The regulator has stated that the proposed Annual Return asks 15 fewer questions for charities to answer. It will however include questions on executive pay.

## Virgin Money invites charities to apply for 2020 London Marathon.

Invitations for charities to apply to be the official partner to celebrate the 40<sup>th</sup> London Marathon.

The chosen charity will be the official charity partner but will also be Virgin Money’s corporate charity for 2019/20.

9<sup>th</sup> February is the deadline for applications.

Virgin Money is looking for an applicant charity that has or is looking to launch a project or program that encourages, support and develops people’s engagement in sport or which uses sport to make a difference in the world.



## Applications are open for £15million of Tampon Tax Funding – applications deadline 28<sup>th</sup> January 2018.

Tracey Crouch, Minister for Civil Society announced the opening of the Fund to bid applications.

Grants of at least £1 million are available.

For women's charities that:

- support mental health and well-being
- tackle violence against women and girls
- aimed to reduce drug and alcohol abuse
- Engage excluded and vulnerable women through sport.

All grants from this round of funding may be provided for one or two year projects. All activities must be delivered and funds spent by March 2020.

### Clarification of position on Tampax Tax Fund

Following criticism of the charities and NfP sector, the Charities Minister has clarified that charities can use grants from the Tampax Tax Fund for raising awareness as long as the intention is not to change government policy or to attract more funding.

The Tampax Tax Fund gives away money raised from VAT on tampons in grants to women's charities. The guidance contains several restrictions which has caused the sector's associations to challenge it.

Tracey Crouch, Minister for Sport and Civil Society clarified as follows:-

"Successful applicants can use the Tampon Tax Fund to promote their project to potential beneficiaries, and to organisations and individuals which may refer beneficiaries to the project".

"However," she went to say, "the following cannot be funded by the Tampon Tax Fund:

- Activity intended to influence or attempt to influence Parliament, government or political parties or
- Attempting to influence the awarding or renewal of contracts and grants or
- Attempting to influence legislative or regulating action.

In overall terms the government has clarified that activities which promote awareness of issues, including the promotion of awareness of certain issues facing women, are to be forwarded.

Thank you for reading this bulletin!

If you know of anyone who will benefit from this newsletter, please feel free to pass their contact details on to us, or they can email me at [stuartl@compassaccountants.com](mailto:stuartl@compassaccountants.com)

*If you have any queries regarding the items included, or have any other questions we can help with, contact Stuart Lawrance on :  
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