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Charities & Not for Profit newsletter

Good Financial Grant Practice (CFGP) certification

In 2018, the Global Grant Community (GGC) introduced an online pre-certification-assessment tool, a certification scheme, and a pool of licensed Certification Bodies for an internationally approved standard for Good Financial Grant Practice.

GFGP standard was established for non-governmental, research, government and academic institutions of any size to rate or measure their compliance to the GFGP standard and hence how effectively they manage funding.

GFGP is now used globally in 50+ countries across 5 continents and is revolutionising and strengthening the global financial management system. Some of the major global funders who are using GFGP with their grantees include UK Department of Health and Social Care UK (DHSC), National Institute of Health Research (NIHR), Wellcome, Bill and Melinda Gates Foundation, Segal Family Foundation and Africa Population Health Research Council (APHRC). Discussions with additional funding agencies are ongoing to ensure global adoption of GFGP.

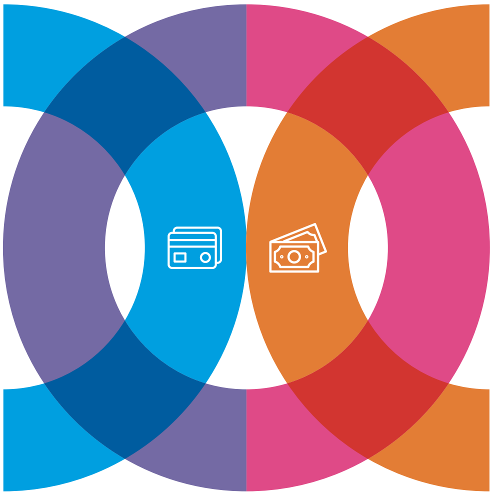
CFGP Certification value and benefits

Trust and Accountability

Internationally **accredited symbol of Trust and Accountability** (Analogous to being certified to GCP or GCLP except in this instance for finance)

Directory of the Global Grant Community

Be listed as a GFGP certified organisation in the Directory of the Global Grant Community which private and corporate donors can use to find trusted partners to fund.



Funders assurance

Assurance to funders that an organisation provides governance of their funds to the highest standards

Grants Management capabilities

Organisations strengthen their grants management capabilities

Attracting more funding

A GFGP certificate can be used in communication materials to enhance an organisation's ability to attract further funding

Getting started

The GGC supports the certification of an organisation to the global financial standard on Good Financial Grant Practice (GFGP). It is a timely opportunity to streamline and strengthen the organisation's due diligence process while promoting greater trust and transparency in the use of funds to ensure efficiency and greater impact in transforming people's lives and livelihoods on the globe. PEM is licensed to provide GFGP Certification services across the UK.

If your organisation would like to know more about the GFGP standard, the certification journey and benefits, please contact globalgrantcommunity@aasciences.africa or jrowe@pem.co.uk to obtain the necessary information.

The Global Grant Community (GGC) is a financial governance platform of the Alliance for Accelerating Excellence in Science in Africa (AESA), an initiative of the African Academy of Sciences (AAS), the African Union Development Agency (AUDA-NEPAD) and global partners. GGC u**ses the disruptive power of technology to digitise, standardise and de-risk the due diligence** process for both funders and grant receivers.

How does the Budget announcement affect charities?

There was widespread disappointment that there was very little announced specifically for charities in the recent Budget.

Many charities have faced significant financial difficulties at a time when their income has fallen dramatically, so were hoping for some targeted support. A notable omission was any increase in Gift Aid, which many charities had been lobbying for. However, there was positive news:

- The Job Retention Scheme has been extended until the end of September, albeit with some contributions from employers from July.
- Some charities may also be able to continue receiving benefit from the temporary reduced rate of VAT for goods and services supplied by the tourism and hospitality sector.
- Restart grants were announced to support businesses in opening up, but it is not clear whether the State Aid rules still apply, as this could impact on some charities' ability to claim.
- Social Investment Tax Relief, which was due to expire this year has been extended until April 2023.
- 100% business rates relief will be available until 30 June 2021 for retail, hospitality, and leisure properties, which may help charities with such properties who do not otherwise qualify for full relief.
- A further £300m will be provided to the Culture Recovery Fund and £90m for National Museums and cultural bodies in England. The opening date for applications has not yet been confirmed.
- A £150m Community Ownership Fund was also announced, which is intended to allow communities to continue to benefit from local facilities and amenities. This will open in the summer and community groups will be able to bid for up to £250,000 matched funding to help them buy local assets to run as community-owned businesses.

If you would like to know more about any of the points raised in this article or have another tax issue you would like to discuss, please contact us or speak to your usual PEM adviser.

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Avoiding HMRC scams

HMRC have published guidance to allow the general public to check any suspicious contact received from HMRC to see if it is genuine.

The information can be access here.

The guidance sets out the different ways in which HMRC might contact you and what about. For example, HMRC may email customers about a rejected claim for the Coronavirus Job Retention Scheme or may send a text to confirm that they have received a form. The list covers the types of contact to be made by phone, text, email, or letter.

They should not be asking for personal or financial information but may ask you to contact HMRC directly in some instances to provide information.

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National minimum wage

The national living wage (NLW) for individuals aged 23 and over will increase to £8.91 from April 2021.

It previously applied to workers over the age of 25 and from 2024 the threshold will be reduced to encompass all those over the age of 21. The national minimum wage (NMW) will increase as from April 2021 as follows:

	NMW
For those aged 21 – 22	from £8.20 to £8.36
For those aged 18 – 20	from £6.45 to £6.56
For those aged 16 – 17	from £4.55 to £4.62
Apprentice rate	from £4.15 to £4.30

VAT - HMRC's response to the impact of COVID-19 on Partially Exempt Charities

In our last newsletter we mentioned that we were expecting HMRC to make an announcement in relation to the impact of COVID-19 on partially exempt businesses including charities.

As expected, HMRC has now published a Brief setting out its position on the subject.

The purpose of partial exemption methods, both standard and special, is to ensure businesses, which make a mixture of taxable and exempt supplies recover a fair and reasonable proportion of their input tax.

HMRC's Brief sets out that where a business's taxable supplies have been adversely impacted by the pandemic, but are expected to get back to normal as restrictions ease, HMRC is likely to allow the business to use a recovery percentage based on its pre-pandemic taxable supplies. Alternatively, HMRC will look favourably on projected income as an appropriate method of apportionment where costs were incurred in relation to an activity which was delayed due to the pandemic.

HMRC will be using an accelerated process to speed up the approval process for making pandemic-related changes to partial exemption methods.

Requests for such changes should be sent to the email address: PESMcovid19@hmrc.gov.uk.

For businesses using the standard method, HMRC suggests using the standard method override, where it applies, rather than applying for a PESM (partial exemption special method). (This is relevant where the input tax recoverable under the standard method calculation differs from that calculated by the actual use of the input tax by £50k or 50% of the residual input tax and £25k).

For businesses using a special method, a Special Method Override Notice served by a business on HMRC will be considered by the accelerated process where the reason given is the impact of coronavirus.

The default time limit for such changes in method will be one tax year. If it becomes clear that this will not be sufficient, it will be necessary to apply for an extension. Normally special methods cannot be applied retrospectively but HMRC accepts that the pandemic is an exceptional circumstance and retrospective approval is, therefore, available.

HMRC will also be sympathetic to requests for changes to the recoverable percentage applied within any Capital Goods Scheme calculations where the business has been adversely impacted by the pandemic.

Partial exemption annual adjustments will need to be calculated over the next few months. If you would like any assistance with communicating with HMRC or with understanding what needs to be done, please contact Leila Ong at long@pem.co.uk.

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Government response to 'Technical Issues in Charity Law' report

The Department for Digital, Culture, Media & Sport has issued its response to the Law Commission's report "Technical Issues in Charity Law", which followed up on a number of issues originally raised in Lord Hodgson's 2012 review of the Charities Act. The Minister for Civil Society confirms that the majority (but not all) of the report's 43 findings are accepted and will be implemented in due course.

We will not list all recommendations here, but some of the suggestions include:

- Periodic review of financial thresholds in the Charities Act with a view to increasing them in line with inflation. The Government agree that a review should be made at least every 10 years, with the next review being in 2022.
- Simplification of the processes to amend a charity's governing document and align them across different types of charity. This would make the Charity Commission's (CC) decisions on such changes simpler.
- Some relaxation to the rules for failed fundraising appeals. Sometimes the proceeds of fundraising appeals raise too much or too little and under current legislation, the charity needs to contact donors to offer to return their donation if the fundraising target is not met. The Law Commission has suggested a threshold (£120) below which charities would not be required to contact a donor if a fundraising appeal failed to meet the target (unless the donor had given specific stipulations to the contrary). Where proceeds of a failed appeal are in excess of £1,000, CC agreement is required before the funds are diverted.
- Simplifications to the rules surrounding the purchase, sale and mortgage of charity land have been suggested to include amongst other things, a widening of the category of designated advisers on land transactions.
- A simplification to the definition of permanent endowment to give greater clarity; removal of the current exclusion for corporate charities to release restrictions on permanent endowment; and to allow a statutory power to borrow up to a set limit from permanent endowment as long as it is recouped within a stated number of years.
- Changes to the powers to remunerate trustees. Under the 2011 Charities Act Trustees may be remunerated for the supply of services but not for goods. It is proposed that the power be extended to cover both services and goods. The CC should have the power to authorise a trustee to be remunerated where work has been undertaken for the charity and it would be inequitable for the trustee not to be remunerated.
- Ex gratia payments made from charity funds. "Ex gratia" payments out of charity funds are ones that the trustees feel morally obliged to make but they have no legal power to do so. This can sometimes arise when administering wills if a change is made to include a payment to a family member. Currently, CC permission must be sought for any ex gratia payments and this can be time consuming and cause delays. The Government agrees that small ex gratia payments should be permissible without CC approval on a sliding scale as follows:
  - Up to £1,000 for a charity with gross income in the prior year of < £25,000
  - Up to £2,500 for a charity with gross income in the prior year of > £25,000, <£250,000
  - Up to £10,000 for a charity with gross income in the prior year of > £250,000, < £1m
  - Up to £20,000 for a charity with gross income in the prior year of > £1m
- The CC's power to require a charity to change its name. The CC would have the power to require a charity to stop using a working name (and reject a formal name) where the name is too similar to another existing charity or if the name is inappropriate/offensive. The CC would also be within its right to delay entering a charity into the register.

The full document can be accessed here.

Government proposal for stricter audit rules

The Department for Business, Energy & Industrial Strategy has opened a consultation on new proposals, which has a closing date for comments of 8 July 2021.

This is directed at Public Interest Companies (PIEs). The current definition of a PIE is a publicly listed company, but the consultation includes options to extend this to large private companies and the possibility of including third sector entities with a public benefit purpose.

The document extends to 232 pages and includes the following points:

- This would apply to the largest companies where there is greatest public interest.
- The current framework does not hold directors to account in an adequate manner.
- The basic audit has not changed for decades but public expectation has moved on and it is suggested that the audit report should be more forward looking and informative.
- Shareholders in corporate entities are the primary users of company reporting and audit and should have a strong interest in the quality, accuracy, and reliability of the information. Institutional shareholders have a stewardship role and it is suggested that they be given greater engagement on audit matters.
- A review carried out on the effectiveness of the FRC (Financial Reporting Council) highlighted that weaknesses exist in the effectiveness of the FRC to oversee and hold directors, auditors and investors to account and inadequacies in enforcement powers surrounding audit supervision and director accountability.

The full document can be accessed **here**.

Consultation on charity responsible investment guidance

The Charity Commission (CC) has opened a consultation into its updated guidance on charity responsible investments. The consultation closes on 20 May 2021.

Responsible investments are financial investments that align with a charity's mission and purpose. The CC had received feedback that the existing guidance did not give Trustees the confidence that they needed to consider that type of "ethical" investment.

Views can be put forward on the CC website here.

For example a health charity might avoid investments in entities whose products are harmful to health etc.

Feedback was given to the CC from the public who said that their guidance implied that as the overriding responsibility of the trustees was to maximise financial returns, they were not able to make ethical decisions.

Section 3.3 on page 8 of the guidance gives more information.

Certainty in uncertain times

The Charity Commission has launched a campaign in a bid to give certainty in uncertain times and will be targeting trustees via a number of different social media channels.

The press release can be accessed here.

The campaign asks Trustees to consider 5 key questions:

- Does every decision made by the charity help with its mission?
- Could the charity be drifting into activities that they are not set up to do?
- Is the charity reporting the right things at the correct time?
- Are Trustees able to spot conflicts of interest and manage them satisfactorily?
- Could the charity be doing any more to prevent fraud?

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