July 2020.

Charities & Not for Profit newsletter

All things 'Digital'

Survey

Skills Platform have published their 4th report, The Charity Digital Skills Report 2020. The survey for the report was initially launched before lockdown, but the questions were updated to track the impact of Coronavirus on the digital environment. 429 charities took part in the survey between March and May 2020. Almost 60% of respondents were charities with income £100k - £1m.

Amongst the survey results were the following findings:

- ⅔ of charities surveyed were delivering all their services remotely.
- Almost half were collaborating with others digitally.
- Just over ¼ had cancelled their services because the charity or their beneficiaries didn't have the relevant technology or skills to move online.
- ½ of charities see lack of funding as the biggest barrier to benefitting from digital technology, with lack of skills in this area as the second most common issue.
- ⅔ of charity Boards rate their digital skills as low or having room for improvement, yet only 1 in 25 intend to invest in digital training for trustees.
- ⅔ of charities say that if they improve their digital capacity and understanding they will be able to further the reach of their organisation.

Toolkit

A digital checklist has been developed as part of the Charity Digital Code of Practice. It is designed to help charity leaders with decisions they need to make about "digital" during the Coronavirus pandemic and can be accessed here.

It has sections on remote working, services, people, fundraising, governance, strategy and resources.

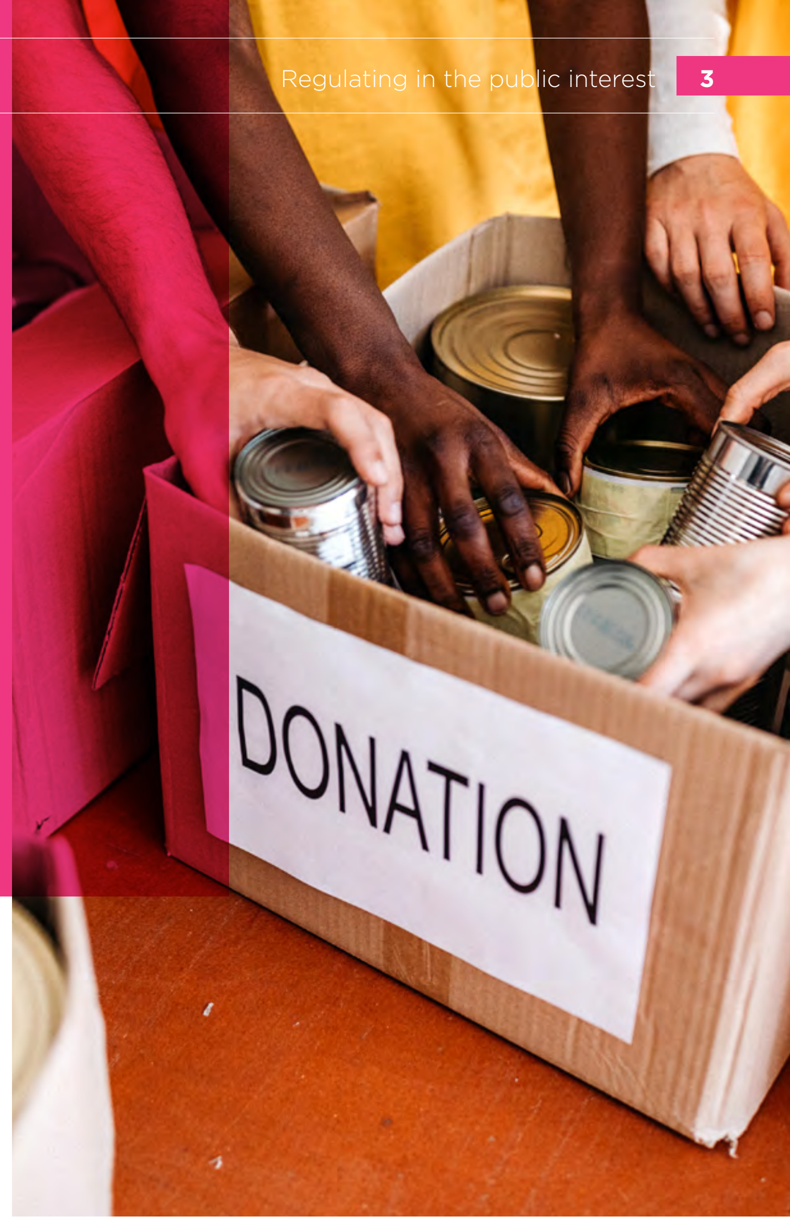
eBay online training

eBay have launched a series of free weekly seminars for new and existing charity sellers on how to boost sales on eBay. Sessions can be booked now and you can do so by following this link.

Charity shop volunteer finder

Visit www.charityshopvolunteer.org.uk to sign up to be a charity shop volunteer. This website has been set up in association with Charity Retail Association and seeks to match willing volunteers to charity shops who need to boost their volunteer network. Unfortunately, it is the case that many people who tirelessly volunteer in their local charity shops may be shielding or otherwise in the vulnerable category and are therefore not able to return to their shops. Until shops have a full complement of volunteers they cannot open and start to generate much needed income for their charities.

Regulating in the public interest



The Charity Commission has conducted several research studies looking at the public perception of charities. This work has been undertaken over the past couple of years (prior to February 2020) and with the help of the organisation Populus, the results have been analysed and were released in May 2020.

When analysing the data in terms of "the public", two measures were reviewed: Security (health, wealth and wellbeing) and Diversity (closeness to your neighbour re ethnicity, culture and population density).

Four categories were identified:

1. HSHD High security and high diversity – typically highly educated, living in cosmopolitan areas
2. HSLD High security and low density – economically comfortable living in more rural areas
3. LSHD Low security and high density – less economically privileged in densely populated and urban areas
4. LSLD Low security and low density – blue collar workers in rural areas and small market towns

Some of the views on "charity" for each category were broadly:

- HSHD - Agree with giving aid overseas
- HSHD – Charities ought to have higher standards than other organisations
- LSLD – Charity begins at home
- HSHD – many more individuals believe that a high proportion of money reaches the end charitable cause.

All areas of the public agree that it is important for a high proportion of charity money raised to go to beneficiaries and all agree that charities have a collective responsibility to uphold the reputation of the sector as a whole.

At least 61% of the population, regardless of the category, believe that charitable endeavour is something that anyone can do, i.e. it isn't limited to the charity sector.

In 2008 72% of the public perceived charities as essential or important, however by 2020 this has fallen to 55%. It will be interesting to see the impact that the Coronavirus pandemic has on the public's attitude in due course.

The full report can be accessed here.

Fundraising Regulator guidance

The Fundraising Regulator (FR) issued new guidance at the end of June in collaboration with Public Health England and the Health and Safety Executive, looking at how fundraising will be impacted by the gradual easing of lockdown restrictions. There are two releases - fundraising key principles and public fundraising.

The guidance aims to support charities to return to fundraising in a responsible way – i.e. in line with the Code of Fundraising Practice and following the current Government advice on Coronavirus, such as how to work safely. The guidance covers the following areas:

How to plan future fundraising

This can only happen when it can be done safely, in line with Government guidelines and where all risks can be managed effectively. You must ensure you are following the most recent Government guidance for your area of the country. Your charity must undertake a risk assessment for each type of fundraising activity and those assessments must be properly documented and regularly reviewed. The Government expects organisations with more than 50 staff to publish their risk assessment on their website as well as sharing it with staff and volunteers. You should also be transparent with the public by setting out how you intend to fundraise in a responsible manner.

How to behave and interact safely and respectfully with the public

You should never apply undue pressure on donors or invade their privacy. You must remain polite and respectful and be aware that public attitudes to fundraising may have changed over the past few months.

How to safeguard the public, staff and volunteers

Your charity must have in place sufficient measures to protect the public, fundraisers, staff and volunteers. This includes following the current guidance on working from home and making sure fundraisers, staff and volunteers adhere to the current advice on self-isolation. You must take into consideration the fact that some members of the general public are extremely vulnerable and are required to shield to protect themselves and their families.

Undertaking a risk assessment

Failure to undertake a risk assessment or completing an assessment but failing to put it in place properly could constitute a breach of health and safety law.

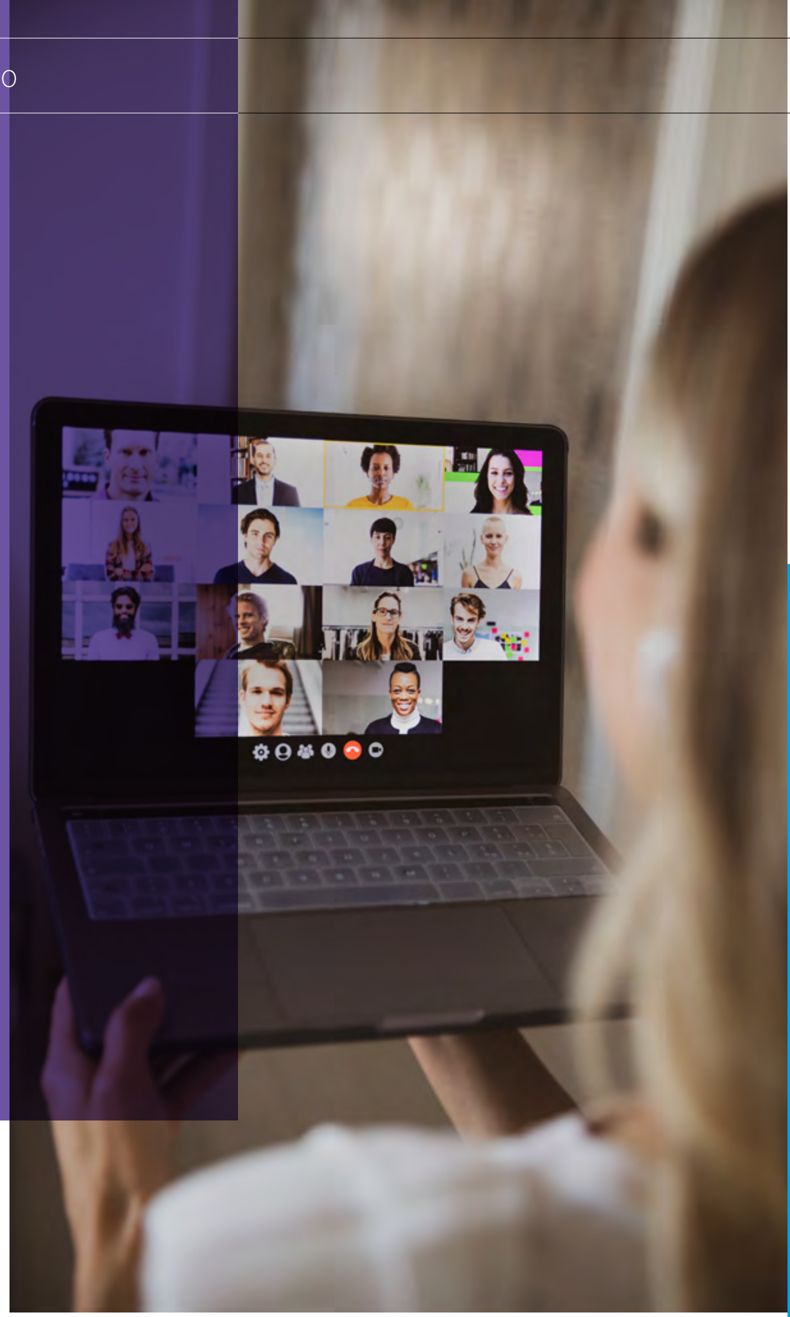
When making decisions about fundraising practices, all decisions must be properly documented, and risk assessments undertaken.

When fundraising in public, the following need to be considered:

- Cleaning and hand hygiene practices must be adhered to. For example, hand sanitiser should be used before and after touching a doorbell.
- Social distancing measures must always be complied with and you must be aware of the current guidance, which may change. If social distancing is not possible in an area, then you should not fundraise in that location. If a location becomes noisy then you should move elsewhere because you should not be fundraising in an area where you need to raise your voice as this could increase the risk of transmission of COVID-19.
- You should remain static rather than taking any steps alongside the public.
- You must always be respectful and recognise that many members of the general public will be anxious and cautious about interacting with others.
- All fundraisers will need to be trained (virtually) about how to fundraise safely in the current climate.
- Make sure all licences and permits are still valid for public fundraising.
- Review your processes for collecting donor information and make sure that I.D. badges are clearly visible.
- Do not go door-to-door in an area that is likely to have a high number of individuals who are shielding.

The FR guidance is available in full here and here.

Changes to Corporate Insolvency & Governance Act 2020



The new Corporate Insolvency and Governance Act 2020 came into force on 25 June 2020. The Act introduces a range of measures to help businesses weather the Coronavirus pandemic. These measures will last until 30 September 2020 (unless extended by parliament) and apply to companies, charitable incorporated organisations (CIO) and a range of mutual trusts.

Key changes

Corporate governance and members' meetings

Organisations that are required to hold meetings on a date between 26 March 2020 and 30 September 2020 have been granted greater flexibility in how the meetings are held, even if not permitted by the constitution. For example, the meetings can be held virtually and at any time before 30 September 2020.

The Act does not apply to unincorporated charities. However, the Charity Commission has suggested that trustees amend governing documents to permit the flexibilities afforded by the Act. Given that the provisions only last until 30 September, all organisations should consider amending their governing documents to permit greater flexibility in future. As always, professional advice should be sought when changing the governing document.

Companies House filing

From 25 March 2020, companies have been able to apply for a three-month extension for filing accounts. This Act introduces further relaxations to filing deadlines to help companies focus on running their businesses during the pandemic (see our article on changes to filing deadlines).

Changes to insolvency law

The Act introduces several temporary provisions to help organisations survive the pandemic.

The provisions regarding wrongful trading have been suspended from 1 March 2020 to 30 September 2020 to encourage directors to keep their organisations afloat without fear of being penalised for wrongful trading.

The Act also suspends the use of statutory demands and winding up petitions where the financial distress is caused by the Coronavirus pandemic.

Arts & culture funding

Arts Council England, Historic England, the National Lottery Heritage Fund and the British Film Institute are among the arts organisations who will be assessing applications for the £880m worth of performing arts grants in the government's £1.6bn Coronavirus arts rescue package.

The grants will be shared between theatres, music venues, heritage sites, museums, galleries and independent cinemas and will be supplemented by £270m worth of repayable loans.

In addition to the £880m worth of grants and £270m of repayable loans, other measures announced for struggling arts organisations were:

- £100m of targeted support for the national cultural institutions in England and the English Heritage Trust
- £120m of capital investment to restart construction on cultural infrastructure and for heritage construction projects in England that were paused due to the Coronavirus pandemic
- An extra £188m of arts regeneration funding for the devolved administrations in Northern Ireland (£33m), Scotland (£97m) and Wales (£59m)

The Chancellor stated that Britain's galleries, music venues and independent cinemas were critical to keeping the economy thriving and this new funding aims to safeguard these and protect jobs.

Details have not yet been released but the websites of the bodies mentioned above will be updated as more information becomes available.

Trust in Charities

In June the Charity Commission issued an overview of the findings of a its biennial survey, this year conducted by Populus, on trust in charities.

Up to 2014, public trust in charities had been relatively stable running at between 6.6 and 6.7 out of 10. Thereafter it took a nosedive falling to 5.7 in 2016 and 5.5 by 2018. In 2015 some of the reasons for this fall were cited as media stories about a charity/charities generally; media coverage about how charities spend donations; a lack of trust particularly regarding where the money goes; pressuring techniques used by charities particularly in fundraising; and too much money being spent on advertising and wages. Further controversies surrounding charities such as Age UK and Oxfam continued to harm the public's trust in charities resulting in a further fall in the score.

The results for 2020 show a modest increase in trust with a rise in the score of 0.7 to 6.2. While this is heartening, trust remains below pre-2014 levels. The key findings are that:

- The perceived importance of charities has fallen over time falling to 55% in 2020 compared to 76% in 2012.
- 55% believe charities remain the best way to channel support for good causes.
- Younger people are less likely to see charities as relevant.
- Nearly 70% believe charities ought to have a greater role and over 60% think they are easier to engage with locally.
- 79% gave resources reaching their intended recipients as the most important factor in assessing how effectively a charity operates. Of those, 79% believe that being registered by the Charity Commission gives them confidence that this is happening.

Interestingly awareness of the Charity Commission has not increased overall, standing at 53% but the percentage of those who feel they know it 'fairly well' or 'very well' has increased to 36% from 25% in 2018.

So, while public trust is improving, significant challenges remain if it is to maximise its potential to improve society.

Access to the full report can be found **here**.

Transparent & accountable governance

On 25 June 2020, the Charity Commission issued guidance to large charities (income over £9 million) on how to improve governance and mitigate risks during the Coronavirus pandemic.

The Commission will contact a sample of recipients later in 2020 to understand what procedures are in place to manage risks. Although aimed at large charities, the guidance is also applicable to charities of all sizes.

Guidance for trustees

Trustees must hold management to account and have robust oversight of the charity's operations. The following steps can be taken to ensure trustees have the oversight they need:

- ensure there is a strategy for regular and effective communication with executives;
- regularly review the charity's risk management process (at least every year);
- review the charity's governance and management committees regularly to ensure members have the right skills, appropriate terms of reference and clear reporting lines; and,
- ensure there is a clear and effective process for handling complaints.

Trustees can find more advice by referring to the Charity Governance Code.

Guidance for management/executives

Management should be able to identify failures and have the confidence to disclose them to trustees and/or regulators. The following steps can be taken to ensure management have the oversight they need:

- report incidents to the board regularly;
- consider whether the reporting of governance matters to the board can be improved; and,
- regularly review arrangements with third-party suppliers to ensure they remain appropriate.

Guidance to charity

- Establish effective safeguarding policies and ensure all trustees, staff and volunteers undergo training. Ensure these policies are reviewed and updated regularly.
- Ensure there are adequate and effective resources for safeguarding people.
- Foster a transparent culture in which staff have the confidence to disclose safeguarding concerns. Ensure the process for reporting such concerns is clear.

Temporary reduced rate of VAT

On 8 July, as part of his summer economic update, the Chancellor announced the introduction of a temporary reduced rate of VAT for supplies of hospitality, holiday accommodation and admission to certain attractions.

The reduced rate applies to relevant supplies from 15 July 2020 to 12 January 2021 and the hope is that they will give the beleaguered leisure industry a much needed boost.

The following supplies will benefit from the VAT temporary reduced rate of 5%:

- all food and non-alcoholic beverages sold for on-premises consumption, for example, in restaurants, cafes and pubs
- hot takeaway food and hot takeaway non-alcoholic beverages
- sleeping accommodation in hotels or similar establishments, holiday accommodation, pitch fees for caravans and tents, and associated facilities
- admissions to the following attractions that are not already eligible for the cultural VAT exemption such as:
  - theatres
  - circuses
  - fairs
  - amusement parks
  - concerts
  - museums
  - zoos
  - cinemas
  - exhibitions
  - similar cultural events and facilities

For charities, it is important to note that where admission charges are eligible for the VAT cultural exemption, the exemption will take precedence. However, related supplies of catering and/or holiday accommodation will benefit from the temporary reduced rate of VAT.

It is a commercial decision as to whether to pass on the benefit to customers, but many businesses have taken advantage of the marketing opportunity to announce price reductions.

Although the temporary reduced rate will only impact on the supplies of a limited number of charities, many more charities will benefit from price reductions on their purchases, especially in relation to employees' expenses, e.g. subsistence expenses, accommodation at conferences etc, staff Christmas parties etc. Care needs to be taken when inputting expenses to ensure that VAT is recorded correctly especially in relation to VAT inclusive receipts.

If you have any questions as to how the changes apply to your charity, please contact Leila Ong at long@pem.co.uk.

Changes to the Coronavirus Job Retention Scheme

The UK government has released details of how the Coronavirus Job Retention Scheme (CJRS) will operate until its closure on 31 October 2020.

Changes from 1 July

From 1 July, employers can bring furloughed employees back to work and claim a CJRS grant for any hours not worked. The £2,500 cap is proportional to the number of hours not worked, meaning a grant for an employee furloughed 50% of the time is capped at £1,250.

The table below shows how the support offered by the CJRS tapers off from 1 August 2020. Note that the table is based on an employee furloughed 100% of the time.

Employers can continue to top up employee wages above 80% and £2,500 if they wish.

Eligible employees

From 1 July, only employees who have been furloughed for at least 3 consecutive weeks between 1 March and 30 June 2020 are eligible. The number of employees you can claim for in any period cannot exceed the maximum number claimed for in any period before 30 June 2020.

	August	September	October
Government contribution: employer NICs and pension contributions	No	No	No
Government contribution: wages	80% up to £2,500	70% up to £2,187.5	60% up to £1,875
Employer contribution: employer NICs and pension contribution	Yes	Yes	Yes
Employer contribution: wages	-	10% up to £312.5	20% up to £625
Employee receives	80% up to £2,500	80% up to £2,500	80% up to £2,500

How to show emergency measures in accounts

There have been many different emergency measures available to charities during the current pandemic, but how should you reflect these in your financial statements?

For any emergency measures received during this pandemic Trustees will need to ensure the accounting policies are updated to show the accounting and recognition treatment.

Charities are already required to report in their accounts information on income from government grants plus an indication of other forms of government assistance from which the charity has directly benefited. These grants should be recognised when any performance conditions are satisfied, and where there are no specific future performance-related conditions when proceeds are received or receivable.

Below are some of the most common emergency measures available and how these should be accounted for.

Coronavirus Job Retention Scheme (CJRS) / Coronavirus Statutory Sick Pay (SSP) Rebate scheme

These schemes meets the definition of a government grant.

Each month, as a payroll expense is recognised, an equal amount of grant credit will also be recognised. The grant should be presented as income either separately or under a general heading such as 'other income'.

The CJRS grant can be applied for up to 14 days before a payroll run or at any time afterwards, so there may be a mismatch between the cashflows for paying staff that have been furloughed and the receipt of the grant income. Where grant claims are made late, a debtor and related accrued income can only be recognised when there is reasonable assurance that the entity will comply with the conditions attached to the grant and that the grant will be received.

Coronavirus Business Interruption Loan Schemes (CBILS) /Bounce back loan scheme (BBLS)

While these loans themselves do not constitute a government grant, certain elements embedded within these schemes do. Under both schemes the government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees.

Business Interruption Payments are government grants and the accounts treatment will be the same as for the CJRS i.e. the interest expense will be 'matched' by an equal amount of grant credit, shown separately in the Income Statement.

Under the CBILS, the government will also provide lenders with a guarantee of 80% on each loan and for BBLS it is 100%. It is possible that the guarantee results in a lower rate of interest than would otherwise have been payable, which could represent a second government grant and would be recognised in a similar way to the Business Interruption Payments.

In practice though this may be difficult and the accounting deemed to be unnecessarily complex. An acceptable alternative may be to simply disclose qualitatively in the accounts that the entity has benefitted from this form of government support, without quantifying what the interest saving may have been.

Grants – Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF).

These schemes also meet the definition of government grants. Amounts receivable should be recognised when there is reasonable assurance that the grant will be received. The recognition of the Retail, Hospitality and Leisure Grants Fund is still subject to much debate.

Other financial support

Deferral of VAT payments - This is not a government grant and the outstanding VAT would normally be presented as a current liability in the Balance Sheet.

Relaxation of rules on carrying over annual leave - This is neither government grant nor government assistance – but it will mean that more unused holidays are carried forward by employees in key industries, which will, in turn, increase the size of the holiday pay accrual to be carried forward in the Balance Sheet.

Business rates relief - This holiday is not a government grant as there is no transfer of resources. As a form of government assistance it will require disclosure in the notes to the accounts. Government guidance and emergency measures are continuously being updated. Charites should engage with their professional advisors if they have any queries on how to account for any of the measures available to them.

This article originally appeared in the July Edition of Charity Finance Group's Finance Focus.

Charity Trustee Survey

On behalf of the Charity Commission, Populus has undertaken a survey of the views of 2,200 charity trustees. All trustees were sampled from the register of charities. The findings include:

- Trustees and the general public both believe that charities have a collective responsibility to uphold the sector's reputation.
- Charity trustees are more likely than the general public to say that how a charity behaves matters more than what they actually do. 71% of Trustees but only 51% of the public think this is the case. 28% of the public and only 16% of Trustees think that the outcome of the charitable objective is more important than the means.
- Trustees are confident in their abilities to deal with wrongdoing and harm and are content that they are fulfilling their responsibilities under charity law. 97% of surveyed trustees are very or somewhat confident in their roles.
- Trustees are more understanding of high salaries for charity CEOs than the public. 32% of trustees but only 17% of the general public believe that CEOs of large and complex charities should be paid in line with their private sector counterparts.
- There remains further scope for trustees to engage with the Charity Commission as a source of help and guidance. 2/3 of charity trustees have used the services (website, telephone or specific advice) of the Charity Commission, with at least 86% saying it was useful. However only 32% of trustees regularly utilise the Commission services. Trustees predominantly turn to fellow trustees or colleagues for advice (80%) with only 38% turning to the Commission.
- The main topics that trustees turn to the Commission for advice on are:
  - Raising funds and securing grants
  - Trustees' key responsibilities
  - Managing and filing accounts

The full report can be accessed on the **Charity Commission website**.

Changes to Companies House filing deadlines

We have previously advised that a filing extension of 3 months was available to charitable companies. From the 27 June 2020, companies have more time to file documents at Companies House, including:

- accounts;
- confirmation statements;
- event-driven filings (changes to registered offices, directorships, etc); and,
- mortgage charges.

The extensions are intended to enable businesses to focus on their operations during the Coronavirus pandemic.

Filing accounts

If the filing deadline falls within 27 June 2020 and 5 April 2021, it has automatically been extended from 9 months to 12 months for private companies and from 6 months to 9 months for public companies.

Note that this extension will not be added to any extension already granted by Companies House.

Confirmation statements and event-driven filings

The current 14-day filing deadline has been extended to 42 days.

Mortgage charges

The deadline for filing particulars of a mortgage charge has increased from 21 days to 31 days. This extension applies to charges created on or after 6 June 2020. Companies can check their new filing deadlines by visiting the **Companies House service**.

The extensions discussed above will be applied automatically. They are all temporary extensions; they will cease to apply from 6 April 2021. From that date, companies will have to apply for extensions.

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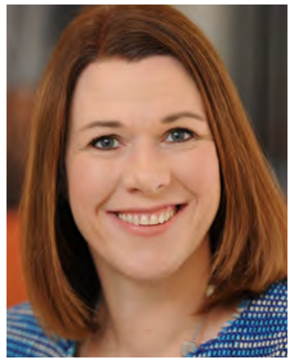

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