FOCUS FINANCE

The magazine for CFG members
October 2021

CFG INSPIRING FINANCIAL LEADERSHIP

WEIGHING UP REPUTATIONAL RISK

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EDITORIAL

A season of fruitfulness, tricks and treats

Welcome to this edition of *Finance Focus*, the penultimate of 2021. These past four weeks have been both busy and fruitful, with huge amounts of activity within the CFG community and wider sector.

October began with our annual Gift Aid Awareness Day which saw hundreds of charities reminding donors to #TickTheBox and thanking them for their support. Our campaign video was the first of its kind – a joint project between CFG and more than a dozen other charities (see page 3).

The campaign was just one collaboration among many that we're celebrating this month…

Just days after Gift Aid Awareness Day, charity finance leaders and corporate partners came together to 'lead the way' at CFG's Annual Conference. For the second year running, the event was held online, which meant we were able to welcome even more delegates from all four corners of the UK.

Turn to page 10 for just a few highlights from this year's Annual Conference, including Helen Stephenson's opening comments, our panel discussion on EDI, and lessons from two inspiring leaders who turned around their charities' fortunes during the Covid crisis.

At this year's conference we heard several stories of great change - and courage. We also saw the launch of the updated edition of *The Finance Journey*, an invaluable development tool for charity finance teams. Turn over to find out how you can access your copy, and look out in next month's issue for more on how it is being used.

> *I learned that courage was not the absence of fear, but the triumph over it*
> *- Nelson Mandela*

Also in mid-October, the government announced a new minister for civil society – Nigel Huddleston. In his first day in the job, his department published an analysis of how the Coronavirus Community Support Fund was spent and the impact it had on thousands of people and communities.

On page 5, Caron Bradshaw welcomes our new minister and invites him to work with the sector to help realise the government's levelling up ambitions. Caron points to the report's findings that clearly show that investing in civil society is a wise move.

On the topic of investment, Tatyana Mursalimov shares advice on how to review performance, and Rorie Evans looks at the latest trends revealed in a new survey (pages 13-14).

This week, we watched the Chancellor unveil his autumn budget. Was it trick or treat? It was a bit of both, with some good news on business rates and some very welcome investment in the heritage and culture sector, among others. The trick? Millions are still left out in the cold, facing rising living costs and a lingering public health crisis.

On page 6, CFG's Richard Sagar looks at what the budget means for charities and shares insights from a few of our corporate partners.

And finally, in our cover story on page 8, we take a look at the tricky issues around reputational risk and culture wars – words that can strike fear into the hearts of many. David Ainsworth speaks to Gary Forster and Jay Kennedy about why reputational risk matters to charity finance leaders, and what charities can do to prepare for any unexpected knocks at the door.

We hope you enjoy this edition!

Emma Abbott

Communications Manager

NEWS

New Recovery Loan Fund launched

Charities and social enterprises that have been operating for a minimum of two years can now apply for loans worth up to £1.5m from Social Investment Business (SIB).

Eligible organisations can apply for loans of £100k to £1.5m with a one-to-six-year term, and no early repayment penalty. BAME-led organisations and those based in Wales or Scotland will be able to apply for loans upwards of £50,000.

The new Recovery Loan Fund is the successor of the Resilience and Recovery Loan Fund and aims to help organisations that have been affected by Covid-19. It is also open to organisations looking to refinance short-term debt – all loan purposes will be considered, including refinancing.

The Fund will work under the terms of the Government's Recovery Loan Scheme and offers a fixed interest fee of 7.9% per year, with an arrangement fee of 2.5% to 3% depending on the size of the loan.

The deadline is Sunday, 21 November 2021 and applications will be reviewed on a first-come, first-served basis. It takes approximately 20 minutes to apply.

For full information and to apply, visit SIB's website.

Hundreds of charities encourage donors to #TickTheBox

On Gift Aid Awareness Day on 7 October 2021, hundreds of charities took to social media to urge donors to #TickTheBox and thank you for supporting their charities. Held every year in October, the campaign gives charities the chance to share how vital gift aid is.

More than £560 million in gift aid goes unclaimed or wrongly claimed each year. To help reduce that amount, CFG launched Gift Aid Awareness Day in 2018. Since then, the #TickTheBox campaign has gone from strength-to-strength.

For the first time ever, in 2021 CFG has collaborated with other charities to launch a short video that explains why ticking the box matters. It has now been viewed more than 5,000 times across social media channels and YouTube.

Emma Abbott, Communications Manager, CFG, comments: "We're delighted that so many charities took part in this year's campaign and so many collaborated in the making of our #TickTheBox video. The film aims to explain simply why it's more important than ever to tick the box.

"We thank all those who took part in this year's Gift Aid Awareness Day campaign because, although the worst of the Covid crisis is now hopefully behind us, resources are still stretched and every penny counts. I'd especially like to thank those who took the time to collaborate in the making our new #TickTheBox film."

View and share the #TickTheBox film

With heartfelt thanks to the following charities for taking part in this film:

- Berkshire Women's Aid
- Charity Tax Group
- Chester Zoo
- Crohn's & Colitis UK
- Devon Air Ambulance
- East Cheshire Hospice
- Heart of Glass
- Little Lifts
- London Transport Museum
- Marie Curie
- Oxfam
- Restore
- RNLI
- Royal College of Surgeons Edinburgh
- RSPCA
- Stewardship

giftaid it

CFG launches new leadership tool for finance teams

CFG has launched the second edition of The Finance Journey, a development and leadership model for charity finance teams and professionals. The second edition of *The Finance Journey* was unveiled at CFG's Annual Conference on 12 October 2021 by Pete Knight, Finance Director of Mercy Ships UK, Dan Haigh, Director of Finance & Information at St Richard's Hospice, and Judith Miller. They are among the co-authors of the 2021 edition.

The Finance Journey was first published in 2014 by Simon Hopkins and CFG. Since then, it has been used by organisations, including Mercy Ships UK and St Richard's Hospice, to develop their finance teams' skills.

Simon Hopkins, Director of Resources at Blind Veterans UK, first authored *The Finance Journey* in 2011. Since then, has seen it become an indispensable development tool. He explains: "The Finance Journey is targeted at charity finance professionals and is designed to help them make the transition from the 'back office' stereotype into redefining finance as a platform for strategic organisational leadership. The model contains a set of techniques and approaches to help charity finance operate at an ever more transformational level.

"Ten years ago, myself and a group of like-minded people within CFG recognised that if we want to grow transformational and strategic leaders in charity finance, then we must give them the tools to embark on that journey with confidence. The finance professional is critical in making sure that we create sustainable social businesses. We do that not for reasons of technical purity, but because we understand the direct link between organisational health and genuine social change."

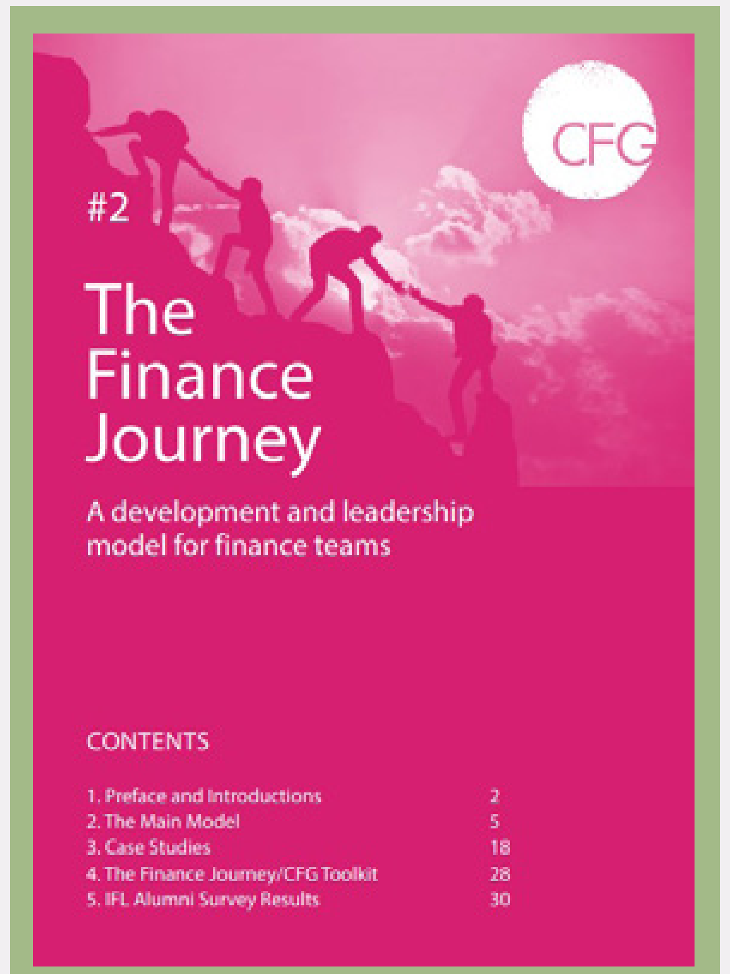
The second edition of *The Finance Journey* includes case studies and research from charities which set out how the model has been used in real-world settings. The new edition also reflects the ongoing integration with CFG's flagship leadership course – Inspiring Financial Leadership (IFL), which is run in partnership with Bayes Business School and Sayer Vincent.

Judith Miller, Partner at Sayer Vincent and IFL course leader, commented: "We're proud to have co-edited this new edition of *The Finance Journey*. The language of 'bean counters' or 'number crunchers' really needs to be a thing of the past. Charity finance professionals are key to changing this and being true enablers within their organisations – they have the potential to shape the strategic direction of their organisations and bring about transformational change in society. *The Finance Journey* empowers them to do just that.

"We've seen first-hand just how powerful combining CFG's *The Finance Journey* and the Inspiring Financial Leadership course has been for dozens of finance professionals and their organisations. We are excited to be launching this second edition and commend it to all finance professionals at every level within charity and social change organisations, large or small."

CFG would like to thank all those involved in the authoring and editing of this revised edition.

View and download the 2021 edition of *The Finance Journey* (CFG members-only currently).



NEXT MONTH

Look out for more on The Finance Journey and how it has helped two very different charities take their finance teams – and organisations – to the next level!

CFG urges members to sign the Fraud Pledge

CFG was proud to be among the main supporters of this year's Charity Fraud Awareness Week, working behind the scenes with the Fraud Advisory Panel to relaunch the Fraud Pledge.

The pledge is a commitment to some simple steps which will help reduce the risks of fraud for your organisation:

1. **Appoint** someone to champion counter fraud
2. **Ensure** trustees know about their duties to protect charity asset
3. **Consult** with staff, volunteers and trustees about the types of fraud risk and the mechanisms for prevention
4. **Create** a written policy
5. **Perform** a check on individuals with whom the charity has a financial relationship
6. **Assess** how well its going, building in ways to improve with any lessons you learn along the way

The Charity Commission's most recent figures estimate some £8.6 million in income was lost between April 2020 and March 2021. CFG is urging all members to sign the pledge and keep fraud front of mind.

WE PLEDGE TO TACKLE FRAUD

Sign the Fraud Pledge.

A WARM WELCOME

Please join us in welcoming the following organisations to the CFG community:

- Cornerstone Community Care
- Derwentside Hospice Care Foundation
- File Foundation
- King's College Hospital Charity
- Krafty Arts
- Plus (Providence & LINC United Services)
- Standard Life Employee Services Limited
- The Reading Agency
- Tommy's
- University of Essex Students' Union
- Venus, Working Creatively with Young Women

SMALL CHARITIES BENEFIT FROM GARFIELD WESTON GRANT

We are fast approaching the end of our first year of our Small Charities Membership Bursary, made possible by a generous grant from Garfield Weston. Over the past year, the grant has enabled us to support dozens of small charities through the turbulent time of Covid-19.

We have welcomed 190 new and returning small charities into our membership network. After hearing your feedback in a recent survey we were delighted to see that over 70% of our small charities agree that the community element of the membership is important, on top of other member benefits, including our online webinars and Finance Focus.

This is only the start of what we have planned for this new community of small but vital charities. Keep your eyes peeled for some more networking opportunities coming in the new year!

"We are all very busy doing our day job and to have support of CFG at the end of a phone line or on-line is very comforting. CFG may not always have a solution immediately to hand but they know someone that does. The fourth emergency service?"

"When I became the CEO of a small charity, I felt completely at sea. I didn't know others in my position, I had gut instincts of what to do but no formal training, money was tight and training couldn't be justified. This programme has been a godsend for us enabling us to access high quality training with organisations similarly to ourselves. We think it has made a step change in the way we are working. We are very grateful to Garfield Weston is supporting the small charity sector in this way."

MENTORING SCHEME GOES FROM STRENGTH-TO-STRENGTH

After a successful 'Introduction to Mentoring' session at this year's Annual Conference, we are now fully booked for our November cohort!

We have been so overwhelmed by the uptake, and delighted that our unique challenge to traditional hierarchical mentoring relationships resonates with many of our members.

If you have not had a chance to register your interest, we are now taking bookings for our January waiting list! **Email the team**.

Many participants who came into the experience were lacking in confidence and doubting whether they could mentor.

Since joining the programme, they've all gone on to be successful and talented mentors.

"Today's session was really great, I was nervous about joining and participating in mentoring, but I am willing to challenge myself. I also really like the fact you are challenging the perceived perception of leaders. Introverts can be great leaders too."

"I think the virtual platform opens the scheme up to those from far flung parts of the country (and beyond)."

"Breakout sessions and topics were a great way of putting people at ease and getting them out of their shell."

GIVE US A SMILE!

Do you shop with Amazon? If so, you might have heard of **Smile Amazon UK** – an automatic way for you to support your favourite charities. When you select a charity and shop through the Smile website, Amazon will donate 0.5% to your chosen charity for no fees or cost to you or the charity. Charity Finance Group is now among the hundreds of charities you can select to receive Amazon's donations.

More info can be found here.

EASY AS 1-2-3! STAY IN THE LOOP WITH MYCFG ONLINE

1) Do you or your colleagues still need to register your account? Head to www.cfg.org.uk/registration now.

2) We recommend opting in and selecting your preferred communications from us so you can stay in the loop about key membership areas.

3) Ensure your organisation's details are up-to-date in our online members' area **MyCFG**.

Making the most of your CFG Member Benefits

Your member benefits are open to everyone in your organisation, from your trustee board to your finance team.

What you gain as a member:

- Meet your peers across the UK
- Have your say in CFG's policy work
- Access specialist corporate helplines
- Save money and build CPD through events and training
- Join free monthly meetings on key topics
- Enjoy exclusive publications
- Join CFG's free mentoring programme
- Write an editorial or speak at an event
- Take a deep dive into issues with our special interest groups

In pursuit of partnership

Caron Bradshaw OBE
Chief Executive, Charity Finance Group

We are finally able to welcome a new minister, Nigel Huddleston MP, to the charities brief. It has been added to a number of other responsibilities, including tourism, sport, heritage and the commonwealth games. It's probable that his time on civil society will be squeezed, but having a Commons minister may also increase political clout.

In one of his first jobs, the minister launched the impact evaluation report into the Coronavirus Community Support Fund (CCSF). In the same week, our CFG Annual Conference was kicked off by CEO of the Charity Commission, Helen Stephenson, who also shared some wider intelligence on how the sector has fared over the course of the last 12 to 18 months. And, clearly it was a week for it, because Danny Kruger MP also made some interesting comments during the NPC Conference. Taken together these contained some interesting nuggets.

The report surmised that some 6.5 million people were impacted by the fund. One fifth of grant recipients had credited it with staving off closure. More than 6,000 staff were brought back from, or prevented from, being placed on furlough and nearly 50,000 new volunteers were engaged.

The report goes on to estimate that CCSF created an estimated £1.86 of value for every pound spent. So nearly £350m value for £187m spent. Not a bad return on investment. The minister seemed to agree.

Early conversations between Huddleston and sector colleagues, combined with his comments on this CCSF analysis strike an encouraging initial tone. For example, recognising the 'heroic' struggles of many smaller organisations, and concluding that monies invested during the height of the pandemic, far from being wasted, presented value for money, is to be applauded.

I, along with other leaders of voluntary sector infrastructure organisations, am looking forward to working in partnership with the minister. We are keen to ensure social change organisations are at the heart of communities and rightly take their place in delivering the government's stated priority of levelling up.

> *"The collaboration of infrastructure bodies, that drove the unprecedented levels of support for the sector, will continue beyond the end of the pandemic...*

As the CCSF report shows, relatively-speaking modest investments in the sector led to gratifying outcomes of increased volunteers, the preservation of social safety nets and clear social impact. Funding social infrastructure and community support prevents harm and tackles disadvantage.

I hope the minister will use this evidence to push back against short-term false economies driven by a narrative of living within our means and 'rebalancing the books'. Failing to include civil society, in all its forms, will lead to longer-term calls on the public purse and a failure of the levelling up agenda.

Whilst my heart aches for those who have struggled during the pandemic, listening to Helen Stephenson at our opening plenary brought home to me how much horror had been averted by government support, foundations and grant-makers. And let's not forget the sheer hard work of those working in the sector to restructure, rethink and amend their activities in order to meet rising demand from people and communities.

Yes, insolvencies are up by one third on last year, and yes, the number of charities over £500k income with nil or negative reserves has risen from 9% to 28% over the year, but we have not seen the scale of collapse in sector support for communities that we had feared back in March 2020.

The efforts of the sector's workforces to respond to the collapse in income has meant that more social change organisations have survived than could otherwise have been the case. But this came at a cost. Seventy-two per cent of charities told the commission that they had curtailed, changed and halted services to make it through. That means needs unmet, research not done, people unsupported. And in the words of Helen Stephenson, for many in the sector 'the most difficult days are ahead'.

The collaboration of infrastructure bodies, that drove the unprecedented levels of support for the sector, will continue beyond the end of the pandemic and we are now well practised at working together. We stand ready to work alongside the new minister to ensure we have a thriving social sector, capable of meeting the complex challenges experienced in our communities across the country.

Levelling up will not happen solely on the back of business and the public sector. Reducing inequality and addressing disadvantage is in our DNA. Civil society is an essential ingredient in the mix and what we offer cannot be entirely fuelled by voluntary endeavour alone.

Will Huddleston feel bound by the settled paradigms which Danny Kruger referenced in his NPC appearance or will he have the courage to change them so 'government is outward focused and collaborative in its spirit'?

We stand ready as a collaboration of the willing, across civil society, to work together for a brighter future for all.

Autumn Budget 2021

What does it mean for you?

Richard Sagar
Acting Head of Policy, CFG

On Wednesday 27 October, Chancellor Rishi Sunak commended his Autumn Budget and Spending Review to the House. We've pored over the documentation and picked out what's relevant to charities.

As Caron Bradshaw said in reaction to the announcements – it was a budget that contained some good news relating to business rates and support for the arts, culture and heritage sectors. But it was bad news for the millions who face winter wondering if they'll be able to weather the rising costs of living, higher taxes and the cut to Universal Credit. In order to put this ugly crisis behind us, and truly level up, the government will have to go much further still.

Read on for more detail and to read our corporate partners' reaction. To read the full CFG analysis, visit our website.

Charity Specific Announcements

Charity Commission funding

There will be an increase in funding for the Charity Commission, increasing to £29.8m in 2022-23 and then decreasing slightly to £29m in 2023-24. Overall, this is a notable increase on the current budget, and should put to rest any calls for charging charities to use the regulator in the short to medium term.

> *It's positive that it's recognised that our sector has been (and is still) one of the most affected by Covid-19*

DCMS

Unfortunately, it is not yet clear what has happened to the budget of DCMS (the home department of civil society and the charity sector). On the face of it, the department will see a slight increase in funding from 2021-22 to 2024-25. However, upon further examination, due to some funding being moved from day-to-day spending to capital budget, it is hard to tell if this is a budget cut or increase.

There is a further lack of clarity because the funding to the charities sub-directorate 'Civil Society and Youth' is not listed, and we do not know what this means for the funding of civil society and charities.

Sector-specific announcements

Museums and Cultural bodies

£52m in new funding for museums and cultural and sporting bodies next year to support recovery from Covid-19 and an additional £49 million in 2024-25 to thrive thereafter.

Youth Funding

£560m for youth services in England, including funding the government's commitment to a Youth Investment Fund which will deliver up to 300 youth facilities in areas most in need. The budget document mentions the following as a priority outcome for the department: 'Grow and evolve our sectors domestically and globally, in particular those most affected by Covid-19, including culture, sport, civil society, and the creative industries.'

It's positive that it's recognised that our sector has been (and is still) one of the most affected by Covid-19, but there is no corresponding funding announcement to signal government intent to help charities during this difficult time.

Local Government

Core spending power for local authorities is estimated to increase by an average of 3% in real-terms each year over the Spending Review period. With fears that unprotected

Small departments and independent bodies

Table 4.21: Small departments and independent bodies (Resource DEL excluding depreciation)

£ million	Outturn 2019-20[1]	Outturn 2020-21[1]	Baseline 2021-22[2]	Plans 2022-23	Plans 2023-24	Plans 2024-25
Office of the Secretary of State for Scotland & Office for the Advocate General for Scotland	11.6	13.2	11.4	13.4	13.7	13.8
Northern Ireland Office	37.4	26.5	24.8	30.9	27.6	27.1
Office of the Secretary of State for Wales	4.5	4.5	5.1	5.7	5.9	6.0
National Savings and Investments	118.7	162.0	143.0	198.8	247.8	208.9
Charity Commission	24.9	26.9	28.3	29.8	29.0	29.3

Department for Digital, Culture, Media and Sport

Table 4.12: Department for Digital, Culture, Media and Sport

£ billion	Outturn	Outturn	Baseline	Plans	Plans	Plans	Average annual real terms growth	
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2021-22 to 2024-25	2019-20 to 2024-25[1]
Resource DEL[2]	1.6	1.4	1.4	2.1	1.6	1.6	2.2%	-1.5%
Capital DEL[2]	0.6	0.5	0.8	0.8	1.1	1.1	11.8%	11.6%
Total DEL[2]	**2.2**	**1.9**	**2.2**	**2.8**	**2.7**	**2.7**	**5.8%**	**2.9%**
Ringfenced COVID-19 DEL	0.0	2.0	0.3	-	-	-	-	-
Total DEL inc ringfenced COVID-19 DEL	2.2	3.9	2.5	-	-	-	-	-

Local Government

Table 4.9: Local Government

£ billion	Outturn	Outturn	Baseline	Plans	Plans	Plans	Average annual real terms growth	
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2021-22 to 2024-25	2019-20 to 2024-25
Resource DEL[1 2]	7.5	8.6	9.1	10.8	12.1	12.7	9.4%	8.4%
of which: Adult Social Care reform	-	-	-	0.2	1.4	2.0	-	-
Core Spending Power (CSP)	46.2	49.1	50.4	53.7	56.6	58.9	3.0%	2.5%

[1] Excluding ringfenced COVID-19 DEL.
[2] Local Government DEL presented here is not reduced by the switch from DEL to AME for Business Rate Retention Pilots and does not include DEL compensation for new business rates measures announced at Budget 2021. Figures for 2019-20 and 2020-21 also reflect other adjustments for business rates and the New Homes Bonus. Therefore, the figures in this table do not match the outturn figures presented in the total DEL table.

Table 4.8: UK Shared Prosperity Fund

£ billion	Plans 2022-23	Plans 2023-24	Plans 2024-25
Total DEL	**0.4**	**0.7**	**1.5**
of which: Resource DEL	0.4	0.6	1.3
of which: Capital DEL	0.0	0.1	0.2

departments would see sizeable cuts in their budgets, it is good news for the sector that local government will see real-terms increases until 2024-25.

However, the amount falls far short of the asks set out in our joint charity submission of putting local government funding on a sustainable footing - it will still leave local government spending lower than it was in 2010.

International Development

Unfortunately, the Chancellor did not take the decision to reverse the cut to Official Development Assistance (ODA) from 0.7% to 0.5% of GNI. However, he stated that the ODA fiscal tests he previously set out are forecast to be met in 2024-25, earlier than previously anticipated, meaning it will go back to 0.7% of GNI then.

It is still disappointing that the government remains committed to retaining the cut to international development, which will both negatively impact charities that work overseas and the world's poorest.

UK Shared Prosperity Fund (UKSPF)

Between 2014-2020 just under £8bn (£7.7bn) was allocated to the UK through EU structural funds. From the information in the budget there is only £2.6bn of spend for the UKSPF allocated until 2024/25. Unless there is a huge increase in funding in the years following, this is a significant reduction in spend when compared to EU structural funds.

This is hard to square with the 2019 Conservative Party manifesto commitment that they would at 'a minimum match the size of those funds in each nation'.

Additionally, £560m of these funds will go to 'Multiply', a new three-year plan to improve the basic numeracy skills of up to 500,000 adults.

Budget

Tax

There were a handful of important announcements on tax for the sector, several of which are positive. These include an extension to the Museums and Galleries Exhibition Tax Relief and a commitment from government to retain Charity Rate Relief.

Museums and Galleries Exhibition Tax Relief (MGETR)

MGETR will be extended for a further two years until 31 March 2024, continuing the government's support for charitable companies to put on high-quality museum and gallery exhibitions.

Theatre Tax Relief (TTR), Orchestra Tax Relief (OTR) and MGETR

The government will increase the headline rates of relief for TTR, OTR and MGETR: from 27 October 2021, the headline rates of relief for the TTR and the MGETR will temporarily increase from 20% (for non-touring productions) and 25% (for touring productions) to 45% and 50%, from 1 April 2023, the rates will be reduced to 30% and 35% and will return to 20% and 25% on 1 April 2024.

For MGETR, the relief will expire on 1 April 2024 and no expenditure from this date will be eligible for relief, from 27 October 2021, OTR rates will temporarily increase from 25% to 50%, reducing to 35% from 1 April 2023 and returning to 25% on 1 April 2024. From 1 April 2022, changes will be made to better target MGETR, TTR and OTR and ensure that they continue to be safeguarded from abuse.

Business Rates

The final report of the 'Fundamental Review of Business Rates' has been released, and there was positive news for charities, with the government committing to retain charitable rate relief (amongst others) for the foreseeable future. This is a crucial relief for the sector, worth more than Gift Aid, and follows a joint submission from CFG and others which called for the relief to be retained.

Other relevant announcements

Investment

Unlike previous budgets there were few, if any, announcements that provided additional funds directly to charities. There was a commitment to provide additional funds to support veterans, promising £5m in 2022-23. While the new fund will be administered by the Office for Veterans' Affairs and DHSC and the MoD, there is a commitment to work 'in collaboration with the charitable sector where appropriate'. Further details will be announced in due course.

> *"Unlike previous budgets there were few, if any, announcements that provided additional funds directly to charities*

National Minimum Wage & National Living Wage

As leaked in advance on the budget, the National Living Wage will increase to **£9.50 per hour**, the government's highest rate will also include those aged 23 and over. While this is good news for those who are low paid, charities will be concerned that without corresponding increases to grant funding or contracts, it will only increase operating costs, particularly for those who operate in social care.

Universal Credit taper rate

The government did not commit to reverse the cut to Universal Credit as we called for in our budget submission, but there was a more generous than expected cut to the Universal Credit taper. The reduction of UC taper rate is certainly a positive for those on low incomes, but it is important to note that it won't benefit all working families on UC, and even for most of the families who do benefit, it will not go far enough to making up for the recent cut. Here, the government falls short in its support of families seeking work, those unable to work, those on Working Tax Credit and legacy benefits, despite rising costs of living.

Levelling Up Fund

The government committed to investing £1.7 billion via the first round of the Levelling Up Fund in 105 projects to improve everyday life, from regeneration to sustainable transport projects and cultural assets. This includes more than £342m for Scotland, Wales and Northern Ireland, which will fund more than 100 projects to improve local infrastructure. With the overall fund set for £4.8bn.

The budget documents contained a disparate list of areas and organisations that will receive funding. In addition, the government published a complete list of successful first round bids. Our initial analysis suggests very little of this will go towards social infrastructure, with the majority instead dedicated to physical regeneration, improving town centres and transport infrastructure.

> *"It is certainly good news for charities that no changes to their mandatory relief is planned...*

We would hope to see further details on how the government plans to invest in Social Infrastructure in the forthcoming white paper on levelling up. There was an additional announcement of the £9m Levelling Up Parks Fund, funding over 100 new parks in 2022-23 to ensure equal access to parks in urban areas that are deprived of green space.

Comments from CFG's corporate partners

"This is a great boost for the arts sector which has had a tough time with enforced closures over the last 18 months. Arts charities and their trading subsidiaries need to ensure they review the small print to ensure they take advantage of these wherever possible." ***- Ross Palmer, Sayer Vincent***

"It is certainly good news for charities that no changes to their mandatory relief is planned but the potentially sinister "at this time" qualification means the sector, together with CFG and CTG, need to keep up the pressure on government to maintain this relief." ***- Helen Elliott of Sayer Vincent***

Unique opportunity missed

"The government has missed a unique opportunity with this budget, the first since before the pandemic, to put an end to charities having to pay IPT.

"Our charity insight barometer found that financial pressure was the biggest risk facing charities. By granting charities exemption from this tax the government will free up vital funding, enabling them to continue to carry out their vital work and to plan for the future.

"Charities have constantly stepped up to support those most in need and the last 18 months has tested them to their limits. The loss of funding through fundraising activities and an increase in demand for their services has left many charities at crisis point, using vital reserves to stay afloat." ***- Faith Kitchen, Customer Segment Director at Ecclesiastical Insurance.***

Read all the reactions...

To read all insights and reactions from CFG's expert community, visit our budget briefing online.

Useful Links

HM Treasury Budget 2021

Office for Budget Responsibilty's Economic and Fiscal Outlook, October 2021

Institute for Fiscal Studies Initial Response

CFG Press Release

Weighing up **reputational** risk

Charities have always been prominent in the public eye. The sector has always campaigned for change, and it has always attracted criticism for doing so.

Right now, charities are perhaps as prominent as they have ever been, and the criticism is stronger and more sustained than it has been for a generation. In recent weeks, we've seen comments for a series of prominent figures in the Conservative Party, including then-culture secretary Oliver Dowden and Danny Kruger, a newly appointed minister who last year produced a report on the sector.

Dowden spoke about how some charities "appear to have been hijacked by a vocal minority seeking to burnish their woke credentials". Dowden, who at that point had responsibility for appointing the next chair of the Charity Commission, said he would look for a chair who would "restore charities' focus to their central purpose".

Dowden's comments were in line with the position taken by Baroness Stowell, the previous chair of the Commission, who spoke about how charities needed to listen to the public, and be careful to act in a way which would bolster public trust.

> *"At a sector-wide level, infrastructure organisations have pushed back against suggestions that charities should keep quiet.*

David Ainsworth
Freelance Journalist

Criticism from ministers has appeared alongside press criticism of several prominent charities.

One of the most recent examples involves the RNLI, which came under fire for running a “migrant taxi service” after rescuing people trying to cross the Channel. The RNLI hit back strongly with the statement that they will always try to save the lives of anyone in trouble at sea.

Another involves the National Trust, which has been criticised for having a “woke” agenda after highlighting the slavery links of some of its properties. The Trust has said in response that reports in the press have misrepresented its actual position.

Reputation and the risk register

This means that when finance directors sit down with other senior leaders to look at their risk register, reputation can be relatively high on the list of things which need to be considered.

The reputational risk might be proactive – it might come when a charity chooses to speak out – or it may be reactive, where the charity, where the charity is denounced for activities for activities that the board may perceive as central or important to their purpose, but which external scrutiny may perceive differently.

The latter kind of risk, in particular, has grown more common in recent years, with charities coming under fire over everything from executive pay to safeguarding to fundraising. In some cases, the sector has conceded that the criticisms have had genuine merit. In others, charities have felt that the criticisms were partial or unfair.

At a sector-wide level, infrastructure organisations have pushed back against suggestions that charities should keep quiet. “We think charities should be willing to take risks,” says Jay Kennedy, director of policy and communications at the Directory of Social Change, who has spoken out several times over the last few years on charities’ freedom to campaign.

“Even if the Daily Mail doesn’t like you, you have to be brave, because what the beneficiaries need is more important than what the papers think or the politician thinks or even the regulator thinks.

“Trustees are being told to be cautious, but if you listen to that advice, you might be selling your beneficiaries short.”

Kennedy has spoken about the need for charities to speak with honesty when they encounter unfair criticism. “We’ve seen when charities have faced criticism they’ve often frozen,” he says. “They’ve waffled around the subject and ended up not saying much, and that’s not led to good results for them. They’ve looked defensive. They look as if they have something to hide and they don’t have confidence in their own decisions.”

> *…FDs are some of the most passionate people in the charity sector. It’s great to hear FDs saying ‘We’re going to do this because it’s the right thing to do’*

Gary Forster, chief executive of aid transparency charity Publish What You Fund and chair of CFG, takes a similar tack, and says that charities need to make an honest response if challenged.

“If you have a scandal you need to think very seriously about how to respond,” he says. “If you respond with lip service, people will call you out.”

Which is not to say that charities should always speak out boldly, he says. There are times when it is best to say nothing, and let the story run out of oxygen. “Sometimes getting into a public argument with your critics is like wrestling with a pig,” he says. “You both get dirty, and the pig likes it.”

How to approach reputational risk

It is not enough for charities to identify that they may face a reputational risk, says Kennedy. In this situation, the important thing is to understand what you will do if that risk arises. That involves understanding what it is important to your charity.

“This is about values,” he says. “Your organisation has certain values it lives by and needs to defend, and you need to think about your risk tolerance when faced with a challenge to those values. As a charity, there has to be a hill you are willing to die on.”

Forster talks similarly about the need for charities faced with reputational risk to look at their founding principles. “What do your objects say?” he asks. “What do your beneficiaries need? What do your supporters want? In that order. Those should be your north star.”

Forster says he has been impressed with how finance departments recognise this. “There is a perception that finance directors might be cautious or negative,” he says. “But FDs are some of the most passionate people in the charity sector. It’s great to hear FDs saying ‘We’re going to do this because it’s the right thing to do’.

“You need different voices around the table in the SMT. Your job is partly to make sure everyone understands the risk situation and the resource implications. But as a member of the senior management team, an FD also has a duty to speak honestly about what they think is best for the organisation, regardless of their personal agenda.”

However, he says it’s necessary to understand that reputational risk is different to other situations.

“These things aren’t always black and white,” he says. “Reputation isn’t an area where there are specific roles and processes and if you follow them you get the right result. You can’t know that you are on the right side of the argument.

“What you’re doing could align with your charitable objectives, and what your supporters think, and what your objects are, but if someone out there disagrees, and they have money and power and influence, then the reputational risk is still really high.

“You must also be careful not to lose perspective. Some organisations are so sure they’re in the right, they can’t evaluate or comprehend that others may think they are wrong. It’s difficult to separate the crowd from our own personal bubble.”

Kennedy says the place to start is by working out who will do what if you do get a call from the press. It is not possible to wargame every scenario, he says, but the SMT should have met and discussed how they might respond.

“This is about making sure that there are communications practices where everyone is in the loop,” he says. “It’s about going down the corridor to talk to the head of communications and the head of policy and understanding what happens there.

“A lot of things go wrong when there’s a bad headline and the organisation is split. The comms team and the CEO might want to go one way, but they can’t get the trustees on board. So, it’s important to get everyone in the room beforehand and decide where you stand. Agree who has autonomy and authority.

“A lot of FDs might think of themselves as outside of that process and the organisation might treat them that way, but that’s not the right way to approach this.” Charities must think carefully about the risk of inactivity, he says.

“Maybe if someone speaks up, it won’t be quite right. But what are the risks of being too passive? What are the risks of not saying anything? If you do and say nothing meaningful, that’s quite a risk. If you’re not taking a position, and you’re not being heard and understood, that’s a risk.”

When you are faced with a challenge, Forster says, there are certain principles that you should follow.“There are principles to crisis management,” he says. “Never say more than you know. You can always buy yourself time. But also, get advice. If this isn’t your skill set, find someone who does have that skill set. Ask them what to do.”

He also advises that it is important to document any decisions. “From a governance point of view you need to record what you did,” he says. How did you reach those decisions? What was the evidence you used?

Insights from...

Gary Forster,
Chair, CFG

Jay Kennedy,
Director, DSC

“That doesn’t mean you are safe. The Charity Commission can still come out and challenge you. But it will leave you in a stronger position.”

Conclusion

Charities find themselves in an unfamiliar environment, in which they are much more likely to come under scrutiny and have their goodwill questioned, sometimes over perceived or genuine failures of management, and sometimes over cultural differences.

A charity facing a potential reputational challenge has to be willing to be brave, and to think first of the needs of beneficiaries, and that the risk of being passive and not speaking out will also come with risks.

It is important to have identified in advance what approaches you might take, and who holds what responsibilities, to stay true to your values, and to make sure that you properly record what decisions are made, and how, in order to demonstrate to any future regulatory scrutiny that you acted sensibly and properly.

About David Ainsworth

David Ainsworth is a freelance journalist specialising in the non-profit and charity sectors.

Leading the Way in 2021 and beyond

More than 250 finance professionals and charity leaders gathered online in October for this year's CFG Annual Conference.

The four-day event was packed with case studies, from charities large and small, and included daily technical advice from corporate sponsors and exhibitors.

No charity finance stone was left unturned, and each day brought dozens of thought-provoking questions, conversations and insights. Read on for just a few of the highlights from this year's CFG Annual Conference, supported by headline sponsor HSBC Private Banking, lead sponsors Sarasin & Partners, and Oracle NetSuite and digital sponsor SmartSimple…

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Regulator recognises your 'crucial role'

The conference opened with Helen Stephenson, CEO of the Charity Commission for England and Wales. After setting out the Commission's vision and purpose, stating unequivocally that it would not judge the world views of those who raise complaints with the regulator, Helen spoke about the effects of the pandemic on the sector.

Helen pointed out that the number of failed and dissolved charities rose by one third in 2020 – fewer than anticipated. But, she also acknowledged that for many charities 'the most difficult times may lie ahead'. Helen also turned her attention to the issue of public trust, stating that finance leaders play a crucial role in helping to build and maintain it.

One of the event's golden threads was how finance professionals are in a unique and powerful position to 'Lead the Way' for the charity sector.

Read more about Helen's presentation

CFG would like to thank all those who made this year's Annual Conference such a huge success!

Thank you to our headline sponsors HSBC Private Banking, our lead sponsors Sarasin & Partners and Oracle NetSuite, and our digital sponsors SmartSimple.

We'd also like to thank our exhibitors – BDO, Crowe, Cazenove Capital, HSF health plan, Lake Financial Systems, RSM, Sage Intacct and Waverton Investment Management.

We also thank our speakers who shared their stories, expertise and experiences so generously and our attendees for your attention, questions and feedback.

Your feedback so far…

"I thought the programme was excellent and there was a lot of information and updates covered during the allotted time. I particularly enjoyed seminars that worked through examples of calculations which was helpful to ensure it brought the topic to life."

"We have been a corporate member of CFG for many years as it's such an important organisation in the charity sector, supporting finance professionals. The resources, events, technical sessions that are offered are second to none, and we have thoroughly enjoyed collaborating with CFG over the years and we hope to continue for more years to come."

"The 'Practical help to get on top of VAT' workshop was extremely useful - pitched at just the right level for me and both worked examples were very relevant to charity VAT issues I and my colleagues encounter on a regular basis."

"Superb event - really invaluable information came from excellent speakers who were engaging and extremely knowledgeable."

"As a chartered accountant and finance leader newly transferred to the charity sector from professional services, CFG has provided unparalleled opportunities to grow my network and learn from fellow professionals who are further on their journey as charity finance leaders."

"Thank you for bringing such a diverse group of speakers together. I found the more technical sessions particularly helpful in my learning and it's always great to meet new finance professionals. Thank you CFG."

We look forward to seeing you again soon!

"Superb event - really invaluable information came from excellent speakers who were engaging and extremely knowledgeable

Don't miss a moment!

Conference ticketholders should by now have received their digital Conference Content pack, which includes the recordings of all the main presentations. If you haven't received this, please email the Events Team.

Couldn't make this year's conference? Worry not!

We're now planning CFG's 2022 Annual Conference and it will be among our first LIVE events in two years! We're really excited about plans and hope you will join us at 133 Houndsditch on 30 June 2022. More details are coming soon. Watch this space!

Read on for more highlights…

Navigating the EDI journey

On the final day of the conference Carol Rudge of H W Fisher led a fascinating panel discussion on fostering diversity and inclusion in the charity sector, with a focus on culture and talent management.

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LEADING THE WAY
EFFECTIVE INCLUSIVE RESILIENT

Elizabeth Balgobin shared wise and challenging words, acknowledging that finance leaders have the power and privilege to make a real difference in how their organisations approach equality, diversity and inclusivity (EDI).

Pointing out that finance is often the most racially diverse function in charities, Elizabeth explained that all too often organisations are "bottom heavy" on diversity, with too little diversity in more senior roles.

Elizabeth stated that not only do finance leaders have a "moral duty" to ensure everyone has the opportunity to become a leader, but that EDI is too important to sit with HR alone where it "can become just about the recruitment and the people, and not about the holistic organisation and all of the services you provide."

Speakers' insights...

Nilesh Pandya
Cripplegate Foundation

Nazreen Visram
Barclays

Kai Adams
Green Park

Elizabeth Balgobin
National Emergencies Trust

Carol Rudge
H W Fisher

A landscape shift

The panel speakers encouraged attendees to think about how they can influence the use of resources, and they can set the "ethical framework" and budget for EDI work too. Nazreen Visram, Head of Charities at Barclays, shared their work on EDI, saying different sectors should share and learn from each other's experiences. She noted that the landscape has shifted from seeing EDI as simply the "right thing to do", to an understanding that it's an integral part of an organisation's "license to operate".

"At Barclays we're seeing a real expectation [around EDI] from key stakeholders and those include our customers, clients, regulators, investors and shareholders. They're really, really questioning our diversity and inclusion (D&I) strategy because they see it as a lens on organisational resilience and sustainability."

A journey for all

Nilesh Pandya, Cripplegate Foundation, echoed Nazreen's views, explaining how the organisation has been on an EDI journey since he joined in 2020 as Director of Finance and Resources. He talked about how they worked to embed diversity at the heart of the organisation, explaining that the work cut across all departments.

"We made sure it wasn't just left up to one department in the organisation – we brought in all teams so that our ethos was built around diversity and inclusion and we could ensure that we heard all the stories they had to tell."

An EDI committee comprising staff and trustees was formed, sitting on an equal footing with the other committees reporting to the board. In terms of ensuring 'buy-in' on EDI, Nilesh revealed that it was made clear that not only was it the 'right the thing to do', but it was also about performance.

"I don't think we should be afraid to talk about the return on investment," explained Nilesh. "In doing the right thing there are benefits for the organisation. The intention and culture have to be there to make it work, of course, but I don't think it's wrong to say that it will ultimately help your organisation meet its goals."

Taking it back to objectives and beneficiaries, Elizabeth said: "Getting this right means you're able to make inclusive choices, not just for your staff and your volunteers and the people around you, but to improve the diversity of your services. It's about making intentional choices with the money and resources you have available."

Watch your words

Kai Adams, Managing Partner at headhunters Green Park, pointed out that candidates are currently exercising a lot of choice and questioned whether organisations are thinking enough about their recruitment messaging and the potential gaps between what they say publicly – the recruitment brand – and the way in which the organisation makes decisions behind the scenes.

"Fundamentally, candidates are going to need to be more persuaded than ever before," he said. "Whereas before it just

> *We made sure it wasn't just left up to one department in the organisation – we brought in all teams so that our ethos was built around diversity and inclusion...*

took us two conversations to get a candidate over the line, it's now taking five or six.

"It's because candidates are fatigued and they're saying to us 'I'm tired of being the one who gets approached to help an organisation diversify.' And, 'I'm tired of being the one upon whose shoulders you deposit all the responsibility for driving change in your organisation'."

Kai said that candidates are asking for is an "open, honest, authentic and intentional approach" and if they don't see it, they will choose another employer.

Brave new worlds

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This year's conference afforded attendees with some fascinating insights into the inner workings of some of Britain's largest and most complex charities. Among those were the National Autistic Society and SignHealth.

Delivering successful change

In an interview with Richard Austin of BDO, Kelly Evans, Director of Finance and Estates at the National Autistic Society, spoke about how the charity began a significant programme of change during the pandemic.

In large part, the organisation's diverse income streams meant it was more resilient than many others during the Covid-19 crisis. However, due to years of government austerity, and the organisation's size and complexity, NAS was not immune to the financial challenges the crisis presented.

NAS didn't rest on its laurels and Kelly explained how they conducted top down and bottom-up reviews to really understand their business model and the true costs of service delivery. This led to a three-phase programme of change and the starting point was creating a 'change fund' through the sale of several properties.

Teams were restructured and some staff furloughed. The team also stopped what Kelly describes as the "salami slicing approach to cost cutting", in the realisation that they needed to do something "more magical". The process led to halting services that were not fully funded and were pulling on reserves, and services closed where they were not fully aligned to what NAS beneficiaries wanted.

Kelly acknowledged that it wasn't an easy process – many of the organisation's trustees had lived experience of NAS's services, so fundamental and difficult conversations had to take place. The scale and length of the change process also led to "organisational change fatigue". One of the biggest lessons, Kelly said, was that she had underestimated the day-to-day emotional impact that closing services would have on those involved.

> "*I called our Chair and asked if we could get the money by securing the loan on her home for a short time.*

But there were many positives too, which are ongoing. Kelly explained: "It promoted a real feel of engagement with the trustees, executive team and with our business leaders… Carving out time to think about what all this change meant for the organisation, and asking some of the big questions, refocuses you. So, we came out as a much more engaged organisation, from top to bottom."

As well as learning lessons about people and culture, Kelly said that her other big lessons were around technology and its providers, with whom a better relationship needed to be established to bring about change. The geographical spread of NAS people also meant a greater focus on communication and process, which the team really drilled down into.

"We underestimated the number of different ways there were to do the same thing," said Kelly. One example of this was how invoices were raised – a seemingly simple process – but the team worked out that there were 27 different ways people were raising purchase orders and processing invoices." This, said Kelly, highlighted a need for change.

Leading from the front

In the closing plenary and final presentation of the conference, James Watson-O'Neill, CEO of SignHealth, took attendees on a rollercoaster journey of the charity's past five years. Since his appointment in 2016, he has overseen enormous change, moving the charity from one on the brink of collapse towards a financially healthy, user-led organisation.

James was frank about his initial approach, stating that on his second day as CEO he

> "*Carving out time to think about what all this change meant... and asking some of the big questions, refocuses you.*

fired the finance director and put in a serious incident report – narrowly avoiding an inquiry. To save itself from financial ruin, the charity applied for a £1.5m loan, but despite assets, the loan couldn't be secured.

"So, I did something I thought was ridiculous at the time," admitted James. "I called our Chair and asked if we could get the money by securing the loan on her home for a short time." The Chair agreed and that was the start of a rescue plan which saw the charity go through a restructure, governance review, the development of a new constitution, a new board and a new committee structure. Subsidiaries were sold off and there was a focus on greater transparency.

Five years on, and the charity is operating with a break-even business model. "We've sold assets and we are liquid and we're just over the reserves target at last," said James. And it's because of that liquidity that when the Covid-19 pandemic hit, the charity was able to mount a huge response to the crisis and support their community.

By working with third parties and changing their constitution, among other things, the charity is now intentionally user-led. And great financial leadership was at the heart of the transformation. "All this change was due to having lots of great people," said James. "And I learned very early on that the best thing I could do as a CEO was to ask for help."

Echoing previous speakers, James talked about how charities recruit and bring new talent on-board. "Do you ask candidates what their access needs are? What does that mean? What could the answers be? What will you do about it if the answer is 'yes'? Do you actively target people in disabled groups?"

SignHealth recently launched a Trustee Shadow Scheme so that they can grow the next generation of trustees. "We have a relatively new tradition of having shadow trustees to observe board meetings and because almost all are deaf it takes a lot of planning," explained James who said that the barriers they once encountered in other roles now feel like very low-level barriers to inclusion.

"It's a great experience to see a board meeting being led in sign language. There's something incredibly empowering about that," he enthused, adding that many disabled people work in finance, but there needs to be greater visibility and more role models.

"If there's one thing that I'm really proud of, it's that our next board meeting is focused solely on EDI… We're determined to make progress, although we still have a lot to learn. What's important for all of us who are making progress is to stand up and talk about it, even the moments we're not so proud of."

Following a Q&A session, James' advice to finance leaders and CEOs was "Take the risk! We're often a bit scared in this sector to take risk. I'm in the sector to change the world and we do that by challenging power and demonstrating why!"

Speakers' stories

James Watson-O'Neill, SignHealth

Kelly Evans, National Autistic Society

Richard Austin, BDO

A guide to reviewing your investment manager

Tatyana Mursalimov
Director, PMCL Consulting

Reviewing investment performance and managers on a regular basis is a legal responsibility of trustee boards where charities have investment portfolios. While there are no specific requirements for such reviews, most charities tend to have ongoing monitoring on a quarterly or semi-annual basis. A more comprehensive review is typically held once every three years.

Charities generally tend to use the services of investment consultants less than pension funds and other asset owners, with only one-in-three charities engaging professional help. Others conduct reviews in-house, sometimes with the rather limited resources in place. In many cases, reviews take the form of a tender process where the incumbent manager is compared against a set of competitors. Unfortunately, such a process can be as inefficient as it is laborious. Without prior analysis, interviewing a selection of managers with a generic brief can be extremely subjective not allowing for any conclusive comparison. Often the manager appointed is the one that performs best in a presentation on the day.

We advocate for starting the process with an objective review of the incumbent arrangements, which can in itself complete the due diligence process if it concludes that the manager remains fully suitable. If there is a need to select an additional or a replacement manager, such a review can create a foundation for a much more efficient selection process.

We set out four main steps for a review that charities can perform in-house if they have sufficient resources or with the help of an investment consultant.

1. Investment strategy
Past performance can be only reviewed against the initial strategic objectives and benchmarks. When the managers are advising on the strategy in addition to managing money, they should be assessed both on the basis of the efficiency of the strategies that they proposed and their execution. When the managers were given a specific brief, understanding whether the brief was correct and if it remains relevant, is also important to make decisions on any future changes to the portfolio. Some managers have capabilities across most asset classes and can easily accommodate a change in strategy if required. Others can be focused on more specific solutions..

Strategy review requires strong investment acumen and it should be a priority for charities when allocating resources and considering any professional help.

2. Investment performance
A performance review can be very simplistic where the actual portfolio returns are compared to a set of agreed benchmarks or peer group indices. The nuances, however, can reveal very interesting information.

> *"...interviewing a selection of managers with a generic brief can be extremely subjective...*

Most managers report portfolio returns against a pre-agreed benchmark that has been often devised by a manager themselves. For a balanced charity portfolio, it is very common to have an equity benchmark equally split between UK and Overseas equities. Over the past five years, the former achieved 30% total return, while the latter just over 90%, all in GBP. While the managers might have been reporting strong performance against their own benchmarks, the question to ask is why this benchmark was selected in the first place, which again might bring us back to the review of strategic asset allocation.

For a more comprehensive analysis, we suggest analysing risk-adjusted returns to understand if positive performance came at the expense of higher volatility, potentially exposing the portfolio to a higher level of risk than was agreed. Understanding the drivers of performance and stylistic tilts in the portfolio and putting it in the broader market context, also helps make a more informed decision regarding a manager's performance.

While investment returns are ultimately the most important factor when making a decision on manager retention, lackluster performance does not necessarily warrant an immediate replacement. We have many examples where fine-tuning the brief or finding a specialist manager for a part of the portfolio can be a more effective solution, considering transactional costs of changing managers.

3. Investment management fees
MIFID II regulations have substantially improved transparency of investment management fees and made them comparable on a full "look through" basis. However, having lower fees does not necessarily mean better and it is important to understand what exactly you are paying for in terms of active management and expected outperformance. That said, excessive fees can have a substantial detrimental impact on returns over long periods of time. As a rule of thumb, if total expenses for a medium-size multi-asset charity portfolio exceed 0.80% of assets under management, it is definitely a call for a more detailed analysis.

4. Service
Notoriously, more managers have been sacked for poor service quality than actual investment performance. Efficient funds' administration is incredibly important, as is building a trusting relationship with fund managers to ensure that investment committees have all the support they need to navigate the market cycles. However, there are many different ways of finding an optimal solution for any particular charity, involving fund administrators and investment consultants. Best manager presentations and bespoke service do not always mean best investment returns.

About the author

Tatyana Mursalimov is a former director at Goldman Sachs Global Investment Research. With more than 15 years of professional experience in finance and investments through various roles in investment research, strategy planning and consulting, Tatyana brings an institutional approach and rigorous analytical framework to build a robust research process that drives investment advice. She is an Associate member of the Chartered Institute for Securities and Investments (CISI).

Bouncing back:
The 2021 Newton Charity Investment Survey

Rorie Evans
Client Director, Newton Investment Management

While charities continue to suffer significant disruption from the coronavirus pandemic, this year's survey tells a story of resilience and recovery, with the vast majority of charities remaining steadfast in their investment strategies.

Meanwhile, charities are attaching increasing importance to societal and environmental issues such as climate change, with the vast majority believing they are obligated to invest responsibly. These are among the conclusions from Newton's annual survey of leaders and decision-makers in the UK charity sector.

The Newton Charity Investment Survey has now delivered eight years of unique industry insight and trend comparisons. It covers diverse aspects of the management of charitable portfolios and provides an industry benchmark to see how aligned charities' investment experience and intentions are with those of their peers.

Key findings from the 2021 survey include:

Investment strategy remains remarkably consistent, with just 20% of charities stating that the pandemic has affected their investment strategy

Among charities with affected investment strategies, a drop in investment income is the most prominent issue, reported by 75% of affected charities. Other impacts include re-evaluation of reserves policies and a significant drop in returns.

Following the unprecedented disruption and low investment returns seen in last year's survey, charities have seen their investments bounce back in 2021

The average percentage performance gain has more than doubled from 5% to 11% from 2020 to 2021. 52% of charities reported performance gains of 9% or higher in 2021, a 35% increase on 2020.

The uncertainty about the future created by the pandemic in 2020 has subsided significantly

In 2020, in the midst of the disruption caused by the pandemic, 11% of charities stated that they just did not know what level of return to expect over a three to five-year timescale, with the figure reaching 13% with regard to the 10-year time horizon. 2021 has seen these figures return to their previous norms, with just 5% and 6% of charities unable to estimate their annual total returns over the next three to five and 10 years respectively.

2021 represents the first year since the survey began in which charities have held a greater proportion of their combined equity and bond allocation overseas than in the UK

Since 2014, the proportion of equities and bonds held within the UK has fallen from 44% to 37%, while the proportion of equities and bonds held overseas has increased steadily from 29% in 2014 to 42% in 2021.

> "85% of charities feel that ESG factors are either very or quite important in the management of their portfolio.

Charities have never felt it more important that environmental, social and governance (ESG) investment factors are considered in the management of their investment portfolios

In 2021, 85% of charities feel that ESG factors are either very or quite important in the management of their portfolio. This represents a 3% rise year-on-year, but more striking is the growth over the longer term; from 2015 to 2021, the proportion of charities that feel that ESG factors are important has grown from 61% to 85%.

There has been a significant shift from engagement to divestment when it comes to ensuring that climate-change factors are considered in the management of portfolios

From 2019 to 2021, the proportion of charities considering engagement to be the best approach has fallen from 70% to 54%, while the proportion believing that divestment is the best approach has increased from 24% to 35% over the same period.

More about the survey

This year's survey included 82 charities, with a combined £8.8bn in assets under management. Fieldwork took place between 4 May and 1 July 2021, with 31 March 2021 representing the record date for annual investment performance data.

For the majority of questions in the survey, eight years of data has now been collected on a wide range of issues, allowing for historical analysis of trends and beliefs.

Download the full version of the survey report.

For further information, please contact Rorie Evans, client director, Newton Investment Management.

About the author

Rorie Evans joined Newton's Investment Relationship Management team in 2016 and is responsible for managing relationships with a range of Newton's clients. Prior to joining Newton he served for seven years as an Officer in the Royal Gurkha Rifles. During this time he served in various places around the world including Afghanistan, Nepal and Belize. Outside of work Rorie is a member of the finance and investment committee of a military mental health charity. He holds a Financial Economics degree from St Andrews University, the IMC and is a CFA[1] charterholder.

Reference

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Defining discrimination

Rebecca Pallot
Principal Associate for Mills & Reeve LLP

In the third in our new 'Helpline' series of articles, we ask Rebecca Pallot of Mills & Reeve to share advice on a recent discrimination case…

Where does the recent Forstater ruling about gender critical beliefs leave employers?

A: The short answer is that June's decision from the Employment Appeal Tribunal (EAT) hasn't really changed the law about the protection of religious and philosophical beliefs.

Except for very extreme and violent views which are not "worthy of respect in a democratic society", it is normally relatively easy for a worker to establish that their religious or philosophical beliefs are protected under the Equality Act.

In Ms Forstater's case, the employment tribunal rather stuck its neck out in ruling, as a preliminary issue, that her gender critical beliefs (essentially that biological sex is immutable and not to be conflated with gender identity) did not quality for protection. The EAT has now reversed the tribunal's decision on this preliminary point.

Ms Forstater will now need to show, at a full hearing which is due take place in December, that she has been unlawfully discriminated against because of those beliefs. That may be difficult for her because while the protection against discrimination for holding protected beliefs is unqualified, the protection against discrimination because of the way those beliefs are expressed is less absolute.

> *"employers will have to be able to demonstrate they have a good reason for seeking to limit how staff express their personal beliefs*

Employers can argue that seeking to limit the way views on sensitive religious or philosophical issues are expressed by workers is not direct discrimination, since no particular belief is targeted.

Such limitation may amount to indirect discrimination because people with some particular beliefs are likely to be more disadvantaged by such restrictions. It is possible for employers to defend indirect discrimination if they can show that the requirement was genuinely neutral or can be justified as "a proportionate means of achieving a legitimate aim".

In other words, employers will have to be able to demonstrate they have a good reason for seeking to limit how staff express their personal beliefs (for example to ensure that their trans workers are treated with dignity and respect) and that needs to outweigh the discriminatory effect of those restrictions on those holding a particular protected belief. In the Forstater case, this is one of the issues that is yet to be decided.

Shifting the dial, one job advert at a time

Laura Millar and Emma Abbott
HR Manager and Communications Manager
Charity Finance Group

Image: Laura Millar

Since CFG's restructure in early 2020, the HR team has recruited for several new posts and have welcomed onboard (all online!) no fewer than seven new team members. To say that it has been an exciting and busy year would be an understatement.

Like many charities, we've realised that 'business as normal' won't cut it in the post-pandemic world, so we've made time to review our HR practices and processes during the past year. We've approached this work from several different angles, but at the heart of what we do are our values.

Like our members, we strive to reduce inequity and we want to ensure that diversity and inclusion is at the heart of everything we do. So, it soon became clear that one of the areas we needed to look at was how we attract and recruit new team members, and the messages we send out when advertising.

We've now joined with hundreds of other charities to sign up to the #ShowTheSalary pledge – a simple promise to show the salary on our recruitment ads. The campaign was launched just over one year ago and since then it has shone a light on salary secrecy and discriminatory recruitment practices in the sector. You can read all about the 'Why?' here.

The campaign's simplicity belies its effectiveness as it has led to hundreds more charities displaying the salary and given many more pause for thought.

As the original campaign team recently wrote: 'We had one clear goal, to shift the dial on salary secrecy in the charity sector… Over the past year, hundreds of organisations have signed our pledge to always #ShowTheSalary when they recruit… And thousands of roles every year are now guaranteed to #ShowTheSalary as a result of your actions. The dial has definitely shifted.'

The #ShowTheSalary pledge now goes further, and we've also pledged to never ask candidates for their current or previous salary. And nor will we ever make holding a degree a requirement unless it's truly essential.

Showing salaries when recruiting shouldn't be considered a 'nice-to-do'. CFG has been including salaries on adverts for many years, but we felt the time had come to sign

> *"Like our members, we strive to reduce inequity and we want to ensure that diversity and inclusion is at the heart of everything we do.*

the pledge and formally signal this as one of our non-negotiable commitments.

We've not always got it right in the past, but if there's one positive to come out of the pandemic and the events of the past 20 months, it has been a challenging of perceived wisdom and poor practices. And it has helped to open up the debate on what equality, diversity and inclusion truly means, for each and every one of us.

For more resources and information, visit the Resources page of the **#ShowTheSalary website**.

We have moved our events online so you can keep access to everything you need at this time. Full access details will be provided upon booking your place. We kindly ask that events payments are made online. If you have any questions about our programme contact events@cfg.org.uk.

Free events coming soon!

Stop managing and start fixing the latest major attack vector
Wednesday 3 November
12.30-16.00 Online

Microsoft is fast becoming cyberattackers preferred method of gaining unauthorised access to a network or computer system. This event looks to raise awareness of the key risks to organisations, plus how to mitigate them.

This event would be valuable for finance professionals and finance managers with an IT remit in their charity, and trustees concerned with cyber risks.

Get your CPD on track! View full trainings on the CFG website.

Finance for Fundraisers:
Thursday 4 November
In partnership with Crowe UK

Audit Committee Training:
Wednesday 10 November
In partnership with BDO

Finance for Non-Finance Managers:
Wednesday 8 December
In partnership with Bishop Fleming

Foundation Investment Training:
Tuesday 1 February 2022
Sponsored by Sarasin & Partners

Advanced Investment Training:
Tuesday 22 March 2022
Sponsored by Sarasin & Partners

OSSIG CONFERENCE

Date: Tuesday 30 November Online

Price: Charity and Individual Members Free, Charity and Individual Non-Members £85, CFG Corporate Member £185

INGOs are struggling with a plethora of financial challenges, whether that is through increasingly difficult operating environments, government funding cuts, economic instability and quickly changing in-country policies. In order to survive in the post-Covid and post-Brexit world, international organisations need to become more self-sufficient and adapt to the constantly evolving landscape. This online conference is a valuable space for INGOs to discuss the issues they are facing and ensure they are ready to face a stronger future. Join us for a fascinating discussion where we will explore:

- Grants and funding
- Money transfers
- Travel & security

View the full programme and **Book now**.

VAT AND TAX CONFERENCE

Date: Tuesday 18 January 2022 Online

Price: Charity and Individual Members £75, Charity and Individual Non-Members £95, CFG Corporate Member £190

VAT is a complicated area at the best of times and can be particularly complex for charitable organisations. In addition, those charities engaging in further trading through a subsidiary may be subject to taxation with a new set of rules and complications.

This conference will offer updates for those already working with VAT and tax by providing:

- Introductory information;
- Tips for optimising your tax recovery;
- Advice on registering and administration of VAT and tax

Special offer! Book our Gift Aid seminar alongside this event and get both events for £120, saving £30. To redeem this offer please email events@cfg.org.uk

View the full programme and **Book now**.

GIFT AID SEMINAR

Date: Wednesday 19 January 2022 Online

Price: Charity and Individual Members £75, Charity and Individual Non-Members £95, CFG Corporate Member £190

For many charities, raising income through trading activities and Gift Aid has become an increasingly important source of revenue. However, charities need to be aware that certain restrictions can apply regarding what they can and cannot claim, depending on the nature and level of activity.

This seminar is aimed to help charities identify those restrictions and help them with their Gift Aid management, and also covers the digitilisation of Gift Aid.

Special offer! Book our VAT and Tax conference alongside this event and get both events for £120, saving £30.

To redeem this offer please email events@cfg.org.uk

View the full programme and **Book now**.

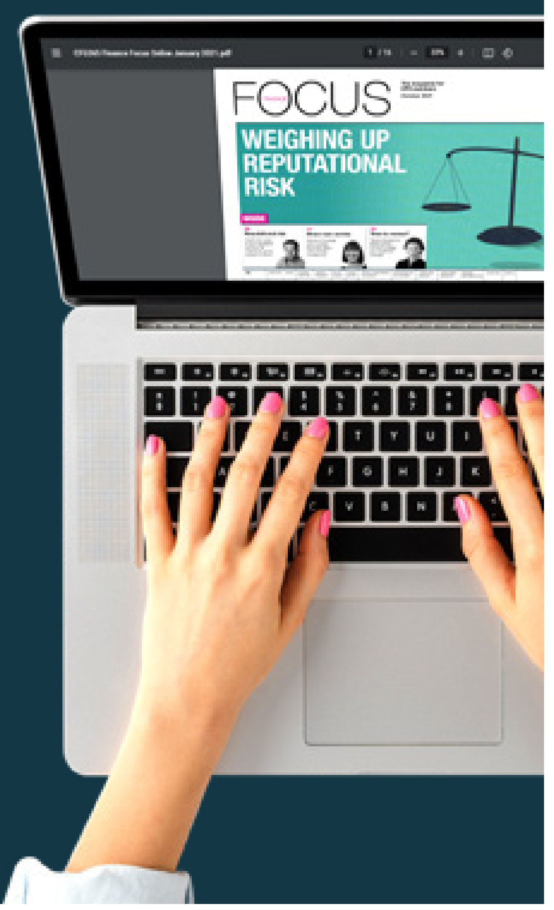
Do you have a good story to tell? Are you an expert in your field with insights to share with other members?

Finance Focus is received by more than 2,000 named recipients each month, all of whom play an active role in charity leadership and the wider sector.

As part of the CFG membership community, you're invited to contribute news stories, technical articles and opinion pieces for publication in *Finance Focus*.

If you would like to discuss your ideas, or submit an article or column proposal, please get in touch.

We'd love to hear from you!



Write for Finance Focus!

Office space available

A stone's throw from Angel tube station, in the heart of Islington, London, Charity Finance Group's offices offer a bright, modern space – and we're opening them up!

Our office space – meeting rooms, up to eight desks and all facilities – **is now available to CFG members to rent.**

Cost: £300 per desk, per month. For more information, email the team.