

FOCUS

FINANCE

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CFG members
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AS CARON BRADSHAW
CELEBRATES A DECADE
AT THE HELM, WE ASK
**WHAT NEXT
FOR CFG?**

Progress is impossible without change

Four general elections, three leadership contests and one referendum; economic turbulence and large-scale austerity measures; changes to pensions, Gift Aid, the SORP; several high-profile scandals such as that which engulfed Kids Company and one global pandemic that has changed the world as we know it.

In the ten years that Caron Bradshaw has been leading CFG, there has been a lot going on. Hence why we wanted to mark her decade at the helm with a special anniversary feature, celebrating her leadership. You can find this feature on page 5.

While Black Lives Matter may not be under the glare of the media spotlight right now, the issue of systemic racism has not gone away. We know CFG members are keen to do what they can to improve racial diversity within their own organisations and so we've got two useful features for readers that contain lots of practical tips and links to other useful resources to help achieve this important goal. We look forward to watching progress and welcome feedback from members as to how they get on.

I also would also like to reiterate Cordelia and Natalie's call to action for *Finance Focus*' black and ethnic readers within their article on page 4, inviting them to write for the magazine. Suggestions for

articles and contributors are very much welcome.

Finally, in acknowledgement that Coronavirus has not yet gone away, we have three articles containing insight and advice re pertaining to the financial implications of the pandemic – including a very helpful furlough payments calculator on page 8.

As the financial situation stagnates following huge Spring losses, it's important we keep reminding the outside world what this means in reality: sick people not receiving care, abuse survivors not accessing support, the vulnerable remaining at risk, mental health services cancelled, people living in fear, fewer people to fight for our rights. This isn't just about the money, it's about the type of world in which we want to live. Please use your voice: join in with the various campaigns CFG has running – such as the call to the government to temporarily increase the level of Gift Aid that can be claimed – as it's only together that we can show how our sector is #nevermoreneeded



Becky Slack, guest editor,
Finance Focus

CFG members' survey results

Throughout June, we ran a snapshot feedback survey for all members to share their feedback on CFG membership and let us know how we've been doing in supporting you in Q1 of 2020, especially during COVID-19.

Here's what we found:

- The CFG e-newsletter was the most engaged with and received the highest feedback scoring
- Our events and training emails, and *Finance Focus* were also part of the top three member benefits
- Our regular topical webinars have also proved popular during this period

Thank you to everyone who took part, and for submitting your thoughts on topics you would find useful to hear about in the coming months, as well as testimonials about your membership. If you have further feedback on your membership stay in touch with our [membership team](#), and for events and training feedback contact our [events team](#).



To view the full membership benefits you receive as a CFG member you can download a copy of your membership brochure, and, if you're not already signed up to our fortnightly e-newsletter, you can subscribe through your myCFG account.

Sign up for the CFG emails you want

Make sure you're not missing out on what you need from us, especially if you're a new member.

myCFG is available to CFG members through your website login, so you can sign up to your preferred emails from CFG, and manage your account online, giving you access to your monthly magazine, events and training launches, and news on our policy and campaigns work.

1. If you do not have a website login yet, register at www.cfg.org.uk/login
2. Login to the CFG website and go to myCFG at the top right of the page

3. Sign up to our emails to receive *Finance Focus* magazine, events information, news about your membership, policy updates and more.
4. CFG membership is open to your whole organisation, so everyone from the finance team to your trustees can benefit too. If you're the primary user on the account, you can add other contacts from your organisation.

Find out more about how to use myCFG with our guide <https://cfg.org.uk/GuideMyCFG> or drop our membership team an email if you have any questions membership@cfg.org.uk.

CFG members' helplines



Don't forget you have access to a wealth of support and expertise with the CFG members' helplines run by our corporate supporters.

Our specialist corporate members support CFG members with a breadth of advice and knowledge through our helplines, including a newly launched recruitment support helpline.

The helplines cover:

Accounting and tax
Crowe UK

Managing financial difficulties
MHA MacIntyre Hudson

Legal – general advice
Russell Cooke

HR and employment
Hempsons Solicitors

Pensions – general advice
Spence & Partners

Property
Ethical Property Foundation

Recruitment in COVID-19
Goodman Masson

Treasury
CFG

Login to the CFG website at www.cfg.org.uk/helplines to access further information and contact details.

Share your skills in our mentoring programme

Whatever stage you are at in your career, we believe you have the skills and expertise to share as a mentor or mentee in our new programme.

Our membership team is hard at work rolling out our popular mentoring scheme online for easier access for all members across the country.

Drop our membership team an email to find out more about the programme, or if you would like to express your interest in signing up as a mentor or mentee.

Contact: membership@cfg.org.uk

Welcome to our new members

UNICEF UK

National Community Landmark Trust

Orchestra of the Age of Enlightenment

Transition Network

Social Tech Trust

Meet the member Unicef UK



A global appeal, fundraising innovations and Microsoft Teams are order of the day at Unicef.

What is your organisation's biggest achievement?

Unicef is one of the leading global organisation's working for children in 190 countries around the world. We ensure more of the world's children are vaccinated, educated and protected than any other organisation, and work tirelessly to influence laws and policies to help protect children. Unicef UK is working with Unicef globally on the coronavirus pandemic appeal which is the biggest ever in our 73-year history. We are really proud to be a part of this appeal.

What is the largest source of support your organisation has gained from CFG membership?

Unicef UK has just joined CFG and the finance team is looking forward to meeting more experts in the sector and improving our technical knowledge by attending seminars and training courses.

What have been the biggest changes to the charity sector since you started working in it?

I joined Unicef UK in April as its CFO. The biggest challenge I can see is how the sector can be more agile with its donation

generating models, ensuring it is not too reliant on any one source and not afraid to test new innovations.

What is the biggest issue facing your sector right now?

The coronavirus pandemic threatens to undo nearly a decade of progress on ending preventable child deaths, which is staggering. Disruptions to global economies could cause the number of children living in poverty to increase by up to 86 million by the end of the year and nearly 1.3 billion children are out of school with vaccination rates dropping. We are concerned about the immediate impact on children and how this could affect dramatically affect their future – this is why we launched our UK appeal "Save Generation Covid".

If the government could change one thing that would make your charity's life easier, what would it be?

A temporary suspension of input VAT on vatable supplies for which there is no reclaim.

What positive changes has your organisation seen in your sector?

There have been historic gains overall for the world's children since the UN Convention on the Rights of the Child was adopted 30 years ago. The global under-five mortality rate has fallen by about 60 per cent. The proportion of primary-school-

aged children not in school decreased from 18 per cent to 8 per cent. And many of the guiding principles of the Convention have been incorporated into laws, policies and practices globally.



We're looking forward to meeting more experts in the sector

But there is so much more to be done – one in four children lives in a country affected by conflict or disaster and the current pandemic is having a critical impact on them.

What is the one piece of technology your organisation couldn't do without?

Right now, it is Microsoft Teams in order to stay connected! And of course, Excel, as we continuously run models on the future as our predictions are generally out of date the day after the model is shared.

Steven Waugh is chief finance operator at Unicef UK

Diversity in recruitment



Magella Burnett, executive consultant – charities and not-for-profit, Goodman Masson

Does your hiring process support equality and diversity?

Diversity in recruitment has improved over recent years. More organisations across the sector are stating their commitment to equality, diversity and inclusion (ED&I) and requesting more diverse shortlists. But while steps have been made in the right direction, there is still much more we can do.

From writing the job description to appointing a candidate, ED&I should be proactively considered throughout the recruitment process.

Some 73% of applicants won't apply to a company whose values don't align to their own, according to Glassdoor, so including a meaningful note about company culture and your commitment to ED&I when advertising a role is essential.

Also, when advertising it is important to consider the role language plays. We know factors such as the length of an advert and even line spacing can impact

on how attention-grabbing the ad is. The same applies to wording, with the subtleties of language influencing the diversity of candidates.

For example, the use of growth mindset language such as "this role offers you the opportunity to grow and develop" can not only fill a role on average 11 days faster, but also diversify the pool of candidates. Meanwhile, the use of fixed-mindset language such as "we are looking for an expert" can be unappealing to those candidates who may not have had access to the same level of education as others. The term "graduate role" instead of "entry level" wouldn't necessarily encourage a



Be mindful of unconscious gender bias

school leaver to apply, even if they had a relevant skill set and level of ability.

Accessibility language shows your organisation supports candidates with disabilities. Phrases such as "up and coming" can promote ageism. Be mindful of unconscious gender bias: terms such as "strong foundation" are found to attract more men whereas "multi-faceted" attracts more female applicants.

In addition, it's important that ED&I is addressed in the right way. Adverts that state the hirer "encourages BAME applicants" could be counter-productive, running the risk of making someone feel like a "diversity hire".

The shortlisting process also requires careful consideration to ensure there is no unconscious bias at play during this stage of the process. One option here is anonymised CVs. Removing personal details such as names and school/university can certainly help with bias, be it conscious or unconscious, about gender, ethnicity, age and education. It helps avoid affinity bias too, which is effectively when you hire "in your own image".

Finally, when interviewing, consider how diverse your interview panel is. Affinity bias means that an interview panel who are all from similar backgrounds, with similar experiences, will more likely gravitate towards someone they see as being most like themselves. Therefore, a diverse panel offers better objectivity. The candidate's experience is also important. The interviewers they meet are, after all, a representation of the organisation and it is important to send the right message to potential joiners about who you are and what your company stands for.

Our workplaces are microcosms of our society. The continued drive for improved diversity is something we should all strive for.

Our commitment to you



Cordelia Simmons is partnerships officer and Natalie John is finance officer at CFG

We are working hard with internal and external partners to improve racial diversity at CFG

The Black Lives Matters protests, the Windrush scandal and tragic fire at Grenfell Tower have all shone a light on the systemic racism that is present within our society. When combined with the data that young black boys are nine times more likely to be incarcerated than their white counterparts, or at black women are five times more likely to die during childbirth, it is clear that this is a problem that is deeply engrained.

Racism permeates our world. The workplace does not escape. The 2018 McGregor-Smith Review, for example, found that Black, Asian and Minority Ethnic (BAME) individuals in the UK are both less likely to participate in and then less likely to progress through the workplace, when compared with White individuals.

We know that this problem extends across the charity sector. The recent *Home Truths* report from acevo and Voice4Change found that not only are BAME people under-represented in the sector, but those who do work in charities can be subject to racism and antagonism not faced by white colleagues.

Some 68% of respondents to the *Home Truths* survey said that they had experienced, witnessed or heard stories about racism in their time in the charity sector while 50% felt that they needed to “tone down” behaviour or to be on their “best behaviour” in order to fit in in the charity sector. As the report highlighted: “These experiences cause harm” be that on an individual’s health and emotional wellbeing, or on someone’s desired career path.

Here at CFG, we have committed to doing more to address this, both within our own

organisation and more broadly. If we are to combat racism and allow our black and minority ethnic colleagues to fulfil their potential, we need to look both within ourselves and to structures in which we can make a change.

Putting the foundations in place

Equality, diversity and inclusion (ED&I) have always been important to CFG. For example, we have been using blind recruitment process for more than a year and have noticed a greater diversity of applications and hires as a result. Likewise, with our governance, we have worked closely with an expert to improve the language of our trustee recruitment adverts and remove inaccessible vocabulary to ensure the diversity of our board.

For members, we have improved access to leadership courses through travel and membership bursaries, and issues relating to ED&I feature prominently in the programmes for our webinars and events.

However, we recognise there is much more we can do and so have formed a Diversity Working Group, led by both authors of this piece, to help us identify and address any internal issues, and to understand how best we can support the sector and champion ED&I within our members and beyond.

The first action we took off the back of this Diversity Working Group was to sign up to ACEVO’s eight principles (see box out) on

We will be making unconscious bias training a mandatory part of CFG’s induction process

We recognise there is much more we can do

racial diversity, which we will use as a basis for all of our decisions. We have also begun to develop and implement a number of new initiatives.

Internal Procedures

Within CFG, we would like to implement a formal racial harassment procedure which will be enforced by HR. This will establish a set procedure and a safe space for BAME employees to raise issues regarding race and will include (but not be limited to) the reporting of racial micro-aggressions in the workplace.

In addition, we will be making unconscious bias training a mandatory part of CFG’s induction process, including yearly repeats for all employees. We hope that this will contribute to creating a supportive and safe culture for BAME employees within CFG.

We have noticed the lack of racial diversity and representation within certain job roles within the charity sector and are now committed to developing a BAME junior role within CFG once budget allows.

CFG Outputs

We have launched a diversity section on our website, which will host relevant articles from corporate and charity members, as well as any relevant work we are doing. In addition, we will be publishing the actions we need to take so that our stakeholders can challenge us to do more and hold us to account on the commitments we make.

On a similar note, we feel there is more we could do to improve the diversity of those people writing content for our publications.

ACEVO eight principles

These principles are part of the Racial Diversity in the Charity Sector report, done in collaboration with the Institute of Fundraising, and state: As a leader I will...

1. Acknowledge that there is a problem with racial diversity in the charity sector and commit to working to change that.
2. Recognise the important role leaders have in creating change by modelling positive behaviour and taking action.
3. Learn about racial bias and how it impacts leadership decisions.
4. Commit to setting permanent and minimum targets for diversity that reflects the participants, donors, beneficiaries and the population of the area that my charity operates in.
5. Commit to action and invest resources, where necessary, in order to improve racial diversity in my charity.
6. View staff as the sum of many parts rather than a single entity and recruit to build a diverse group of talented people collectively working towards a shared vision.
7. Recruit for potential, not perfection.
8. Value lived experience, the ability to draw from one’s lived experience and to bring insights to an organisation that can develop its work.

<https://www.acevo.org.uk/eight-principles-to-address-the-diversity-deficit-in-charity-leadership/>

To address this, we will be calling upon all of our members from a much wider variety of backgrounds to submit article proposals with the intention of achieving a more varied selection of contributors. If you are interested in sharing your expertise and experiences of all aspects of charity finance as well as ED&I please get in touch.

We also want to utilise our membership base to conduct some quantitative research on the racial pay gap within the charity finance space, as well as some qualitative research in the form of interviews with members on their experiences of racism within the sector.

Finally, we are keen to support our members on their journey to improved ED&I. We urge them to sign up to acevo’s principles (see box out) and to share with us their experiences and challenges.

CFG’s diversity statement

CFG have, for a long time, been committed to ensuring diversity, equality and inclusion across our staff team, trustee board and membership. We have worked on this often behind the scenes and have not always either highlighted what we’re doing or given it sufficient priority. That must change. We have not always got it right and we consider CFG a work in progress.

Recent events, and the Black Lives Matter movement, have highlighted the importance of being more explicit in our commitment, deepening our efforts across the board and publishing the actions we need to take so that our stakeholders can challenge us to do more and hold us to account on the commitments we make. It is not enough to not be racist; we must be actively anti-racist.

This focus on race equality also provides a prompt to think about diversity, equality and inclusion for all groups facing disadvantage and prejudice. We commit to do so and to turn these awful, shocking and outrageous events into a positive catalyst for change.

Taking CFG to the next level



Caron Bradshaw’s dedication and hard work has not gone unnoticed

Cast your mind back to 2010. Significant reform on the rules of Gift Aid had been proposed and then rejected, the sector faced an extra VAT bill of more than £140m and cheques were about to be abolished, threatening income. Then the election happened, and the coalition government was formed, bringing with it sweeping and extensive public funding cuts that led to multiple redundancies and closure of services across the sector.

It was against this backdrop that Caron Bradshaw took the helm of CFG – or Charity Finance Director’s Group as it was known then. Bradshaw, who is a trained barrister, joined from the Institute of Chartered Accountants in England and Wales (ICAEW) where she was head of charity and voluntary sector.

As many of those who have been with CFG since the beginning will testify, it wasn’t until the noughties that the sector began to consider the organisation a serious partner. The SORP 2005 was critical in bringing professional levels of transparency and disclosure to charity finance – it was on the back of this that Bradshaw arrived, bringing with her energy and commitment to drive the sector forward further still.

“Back in the 1990s, the sector was described as the Wild West where ‘anything goes’ and there was little guidance. A group of finance directors got together and started to build CFG. By the time, Caron joined, CFG had contributed to sector standards and best practices, and was making charity finance into something of repute rather than disrepute,” reflects Nicki Deeson, Leadership Coach and Business Mentor and former chair of CFG.

“Caron took it to the next stage”, she adds. “She brought accountants out of the shadows and inspired us to take a place at the forefront of our organisations. One of her sayings is that ‘charity finance staff are not here because we love the SORP and perfecting our cashflow forecasts; we’re here to maximise the impact of every pound raised’. She has enabled us to do that by

“*We will be bold, working collaboratively whenever we can but being brave enough to stand out from the crowd when we need to..*”

championing the importance of finance to CEOs, boards and sector bodies, supporting the ‘Inspiring Financial Leadership’ course, and setting up a mentoring scheme.”

Bradshaw is an active supporter of financial leadership. She rightly recognised that if finance professionals are going to turn ideas into practice, they need to improve their leadership skills. Equally, managing resources effectively to deliver social change is not just a job for finance, but for everyone within a charity. This means that all leaders within charities need to become more financially literate, regardless of their discipline. To this end, Bradshaw encouraged a shift in focus for CFG that aimed to provide finance directors with the skills they needed to be effective leaders.

“*In the five years I’ve been involved with CFG the thing that has impressed me most about Caron is her humanity.*”

This commitment to leadership wasn’t just about the wider sector but CFG’s own inner workings too. In 2017, for example, a new strategy was launched that promised



to share CFG’s own experiences of difficult financial issues with the wider sector as a means by which to contribute to the continued improvement of charity finance teams, and to increase CFG’s voice and influence so that it is seen as the go-to-body for all issues charity finance related.

Speaking at the time, Bradshaw said: “We will be bold, working collaboratively whenever we can but being brave enough to stand out from the crowd when we need to.”

This approach is reflected in her own actions and leadership style. As Gary Forster, chair of CFG, says: “In the five years I’ve been involved with CFG the thing that has impressed me most about Caron is her humanity. Despite being the CEO of an organisation whose members

command budgets totalling £24bn annually, being pulled from one media appearance to another, navigating the complexity of representing the sector to the SORP committee, you wouldn’t know what is on Caron’s shoulders when you meet her.

“Caron is generous with her time and knowledge, especially so for aspiring leaders in the sector. She makes herself vulnerable so that others can learn from her mistakes, is humble about her limitations, and naturally steps back so that others can shine for their achievements.

“But let there be no mistake, when she needs to step up, be brave and face into difficult issues that risk attracting attack, she will do so for the good of the sector. This is very much the case in this past year when Caron felt the need to speak out against the unjustifiably aggressive



“*She brought accountants out of the shadows and inspired us to take a place at the forefront of our organisations.*”

and disproportionately negative narrative coming from our own government and its agencies. She doesn’t take the easy road when the best thing for the sector is to take the difficult one.”

Others describe her as a model of what leadership should be in the charity sector: “Clever, informed, knowledgeable, strong, challenging and above all feminine”, according to Debra Allcock-Tyler, chief executive of Directory of Social Change (DSC), who added:

“I have been in the sector for over 35 years, at DSC at the heart of charity infrastructure for almost 20. And up until fairly recently it felt very much like a man’s world. The language was all about growth and size and ‘dominance’ in the market. The leadership models were very male. Lots of long lunches or early evening drinks. As about women unfriendly as you could possibly get. Many senior women adapted, successfully in some instances, to this very male environment – but it came at a cost.

“At least, that’s how it felt to me until Caron burst on to the scene 10 years ago. She just refused to compromise and behave in the way this male dominated sector expected her to. She didn’t conform in dress, in approach or in opinion. At every turn you

could see a lot of baffled people. This glamorous, feminine creature who was cleverer than most of the people in the room (a barrister by training) spoke about love and values and nurturing – to a bunch of accountants who, much as I adore them, one wouldn’t traditionally expect to be open to that language – and yet had as good, if not better, graft of the detail, the data, the numbers than pretty much anyone else.”

The sentiment is echoed by others too.

“I met Caron in 2017, when I started as CEO at CharityComms. I was immediately struck by her warmth and candour. If Caron says she will do something you know she will deliver it well and with speed. I turn to her blogs for insight and courage - whether she is championing good financial governance or holding organisations to account. She is an inspiring leader who combines empathy with practical action and I enjoy working with and learning from her,” says Adeela Warley, chief executive at Charity Comms.

While Peter Lewis at Institute of Fundraising says: “It has been a pleasure to work with Caron over the years, collaborating to look at the state of the sector’s income and finances on various initiatives, as well as simply enjoying her forthright and enjoyable reflections on the sector.”

Helen Stephenson, Chief Executive of the Charity Commission, said: “All at the Commission who have worked with Caron Bradshaw and the CFG - on guidance, events, SORP and much more – continue to appreciate her professionalism, dedication and insight into the sector over the years. Every congratulations to Caron for leading CFG over the last 10 years and I look forward to our organisations continuing to work together in the future.”

Somehow in among all of this, Bradshaw has been a member of the NCVO’s National Assembly and the Charities SORP Committee, has sat on a number of government working parties, is a member



of the Church of England Pension Board’s Audit and Risk Committee, and is Chair of the Board of the Directory of Social Change (and her local hockey club). She was named in the top 30 UK social influences in Risk, Compliance and Regtech 2017.

In 2015 she was named Charity Principal of the Year at the Charity Times Awards. In 2016 she received the Association Excellence Award for Leadership and has been repeatedly named in the top 30 social CEOs - awards that were founded to recognise people using social platforms to drive change.

“It’s thanks to Caron that the government now thinks of CFG if they think of the charity sector,” says Deeson. “When COVID struck she saw the risk to charities, she brought

voices together to shout about the need, and she made an impact on the government and their policies. She has done so much for our sector. Here’s to her next ten years – whatever they may bring.”

“*She is an inspiring leader who combines empathy with practical action.*”

A decade at the helm

Caron Bradshaw,
Chief Executive, Charity Finance Group



Ten years on what has changed and what might be the situation for the next decade of CFG's journey?

On the 21 June 2010, my 39th birthday, I walked into the multi-occupancy offices of the Charity Finance Directors' Group (as it was then) as its new CEO. I had never been a chief executive. In fact, I hadn't held a directorship either. However, I had run a pre-school as an operationally active chair, whilst full-time employed (and being a mother of four) turning around its fortunes from failing to thriving. It wasn't all down to me of course but I believed that the skills and experience I had gained in my career, complimented by my voluntary roles, meant I could do the job.

I hadn't expected to be appointed. I was surprised when at each stage I was asked to come back. I fully expected to be given a "to do" list of things to work on before I would be lucky enough to get my first CEO role. But the trustees, chaired by Charles Nall, took a punt on me. I am very grateful they did because I have spent 10 incredible years so far learning, listening and developing as a result.

The origins of CFG had networking and learning at its core. Under the first CEO, the late Shirley Scott, CFG grew to be a place where senior finance professionals could share knowledge, network with experts and polish their skills. The founder Adrian Randall's intention was to provide a

forum for "... the exchange of views and the discussion and potential solution of common problems among chartered accountants and other senior financial executives working in charities."

The second CEO, Keith Hickey, was responsible for building a robust and credible policy contribution. It was not enough for us to help FD's implement the rules, we needed to shape them. During his time CFG established a reputation for measured and evidence-based representations on charity finance issues from pensions to risk management.

I hope my legacy has been about the wider role of finance - moving from supporting the individual FD to the whole organisation. Changing the narrative from best practice to financial leadership. Recognising that the aspiration to raise the standards of charity finance has a wider purpose. We want to place finance at the heart of decision making, increase impact and make the resources at our disposal go further. We want to equip social change organisations with skills and knowledge so they serve beneficiaries better.

If you've ever heard me speak about applied improvisation, you will have heard me use the phrase "yes, and". This is the technique of building on what is good in an idea, taking what went before and moving the story forward positively. That has been my approach to leading CFG. I hope that during

my tenure I've looked at what went before and said "yes, and" we can...

Over the last 10 years, there have been ups and downs. But I don't regret any of it; everything has personally enriched me and given me opportunities to grow - even the bad stuff. I have worked with talented and wonderful people as staff and volunteers.

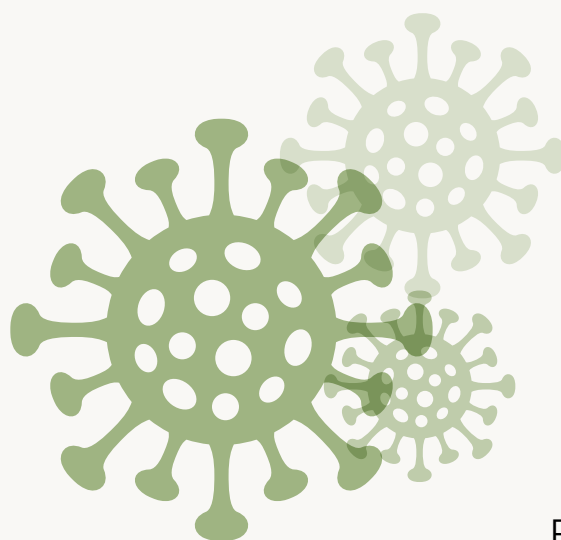
So where now?

During our 25th anniversary celebrations Bob Humphreys, treasurer at Education Development Trust, said 'if CFG didn't exist, someone would have to invent it'. That has never been more true than right now. This pandemic has tested the financial resilience of the sector to breaking point. The skills and resources of finance professionals have and will continue to play a role in steering social change organisations through a period worthy of the word "crisis".

We don't live in a benign society. We are not entirely the authors of our own destiny. The charity sector has little, if no, political capital. We are staring down the barrel of a no-deal Brexit gun. The pandemic has wreaked havoc on society and it's likely that we are entering a period of extreme fiscal contraction, growing unemployment and mushrooming poverty. A government with a significant majority could, if not held to account, undermine the fabric of our imperfect democracy. And we're navigating a journey through a toxic soup of fake news, diminishing trust and established power structures clinging to the "old ways".

I refuse to be captured by despair. We are experiencing a moment in time. An invitation to change how things are done. We have the opportunity to keep the positive elements of new ways of working and collaborating for the benefit of society. We have the chance to address structural inequalities that have been laid bare by COVID19. This crisis has invited us to refocus on the "why" of working in this sector - to put others first and truly serve society. Let us be brave and ensure we are part of the solution.

Our Covid-19 Five Point Plan



Richard Sagar is
policy manager at CFG

Our thoughts on how to mitigate the impact of the pandemic on the charity sector

In partnership with other charity infrastructure partners, CFG has written to the Chancellor to propose a five point plan of practical policy proposals to help mitigate the impact of COVID-19 on the charity sector, and more importantly allow them to support their beneficiaries.

The Five Point Plan calls for the following actions from Government

1. The implementation of a flexible approach and appropriate extension of the Coronavirus Job Retention Scheme. This would allow those organisations who will not be in a position to generate income due to ongoing social distancing requirements further support through the scheme or additional targeted funding.
2. Introduction of the Gift Aid Emergency Relief Package, which would change the effective rate of tax at which Gift Aid is paid for two years, meaning an

additional top-up on donations. In addition, we propose removing the matching rule for GASDS, and increasing the amount that can be claimed from £8,000 to £10,000.

3. Repurposing of and access to the National Fund to support charity services. If made available this would equate to an additional £500m for the sector.
4. Ensuring effective and efficient distribution of the Shared Prosperity Fund. We seek further clarity on the time period by which the money which will replace EU funding will be available, and that it is at least commensurate with current levels of spending.
5. Creation of a Community Wealth Fund using Dormant Assets. This was in keeping with previous asks that we have made.

The letter was sent to the Treasury ahead of the recent Summer Economic Update. Perhaps unsurprisingly these proposals were not enacted by the Chancellor, who instead primarily focussed on jobs (to avoid large scale unemployment), the hospitality sector, and unlocking some additional infrastructure spending.

The Chancellor's plan for jobs did include a number things which will benefit much of the sector, perhaps most notably the Job Retention Bonus, where government will introduce a one-off payment of £1,000 to UK employers for every furloughed employee who remains continuously employed through to the end of January 2021 (with some additional caveats in place). Alongside a 'Kickstart scheme' - which will introduce a new a £2 billion fund to create 6-month work placements aimed at people aged between 16 and 24.

In addition, there was more finding for traineeships and apprentices, although the announcement did not address the long standing concern we have with the apprenticeship levy, where many charities pay-in and receive nothing in return. The announcement for the hospitality and attractions sector, consisted almost entirely of cuts to VAT, but with the vast majority of charities being exempt from VAT in this space, they will see little benefit.

It's important to note that this Summer Economic Update should be seen as a stop, before the larger Autumn Budget and Spending Review, which will set departmental spending limits. So, there is still ample opportunity to push for the changes we proposed in our Five Point Plan. To find out how you might be able to help with these changes, please get in touch via policy@cfg.org.uk.

Understanding furlough calculations

CFG has developed a tool to help you accurately calculate your furlough payments

When we furloughed four colleagues in May this year, we did what many others have done and went to the HMRC calculator to work out what grant we should be applying for. It wasn't as straightforward as the headline parameters of "80%, up to a maximum of £2,500 per month for each member of staff" suggested.

We were not alone in this. Feedback shows that other charities haven't furloughed staff when they could have done for fear of getting the figures wrong, while some payroll providers are also baffled by the detail of the calculations.

During July, organisations have an opportunity to disclose any incorrect claims.

To make sure we were putting in the right data to get the right result, we developed a spreadsheet that mirrored the HMRC calculator. This process demonstrated how complex in reality the calculations are.

We have made the spreadsheet available for CFG members. You can access it [here](#). The spreadsheet is unprotected so that you are able to edit and develop it to fit your own needs.

How it works

Our payroll is relatively straightforward: salaries are paid monthly and there are no variable pay elements. We make up the salary to the full usual amounts.

The spreadsheet includes four examples: above and below the £2,500 threshold and for full furlough through the month and for 21 days of furlough. It is colour coded to highlight input cells (green) and output cells (yellow).

The examples are:

- a) An employee who is paid £4,500 per month in February and after receiving a pay award in April, £4,750 thereafter. They are furloughed for 21 days in June
- b) As a) but furloughed for the whole month
- c) An employee who is paid £2,500 per month in February and after receiving a pay award in April, £2,650 thereafter. They are furloughed for 21 days in June
- d) As c) but furloughed for the whole month

We have also collated the output from the HMRC calculator for each example so that you can compare the calculations.

Disclaimer

We are providing this on a peer-to-peer practitioner basis. Whilst we believe it to be correct and have taken reasonable steps to ensure that it is correct, it is our interpretation of the rules as they apply to us and your circumstances may be different.

We would really appreciate any feedback on how you use and develop this spreadsheet, and any learning you have obtained from using it. Please email roberta.fusco@cfg.org.uk

An example calculation

An employee who is paid £4,500 per month in February and after receiving a pay award in April, £4,750 thereafter. They are furloughed for 21 days in June.

What you can claim for this employee

- Amount paid to this furloughed employee: £1,750.14
- Employer National Insurance contributions: £201.50
- Employer minimum pension contributions: £41.58

How these figures were calculated

We've worked out their daily earnings and multiplied by the number of furlough days for the pay period: 1-30 June. The furlough grant is 80% of this. Calculations are rounded to the nearest penny unless otherwise stated. Take the pay in pay period:

- 1. Start with £4,500 (from pay period).
- 2. Divide by 30 (days in pay period).
- 3. Multiply by 21 (furlough days).

Calculate employer-funded pay

- 1. Start with £4,500 (from pay period).
- 2. Minus £3,150 (pay based on furlough days).

Employer-funded pay for the remaining 9 days in pay period = £1,350

Total pay based on furlough days = £3,150

Furlough grant

- 1. Take £3,150 (pay based on furlough days).
- 2. Multiply by 80%

Calculated furlough grant = £2,520

This exceeds the maximum furlough grant for this pay period, which is 21 furlough days in June at £83.34 = £1,750.14. Therefore, we use the maximum furlough grant amount of £1,750.14

Employer National Insurance contributions

- 1. Start with £1,750.14 (furlough grant).
- 2. Add £1,350 (employer-funded pay).
- 3. Add £1,467.60 (employer top up).
- 4. Round down to the nearest pound.
- 5. Deduct £732 (National Insurance contribution threshold for 20/21 tax year).
- 6. Multiply by 13.8%.
- 7. Divide by 30 (days in pay period).
- 8. Multiply by 21 (furlough days).
- 9. Divide by £3,217.74 (furlough grant plus top up).

10. Multiply by £1,750.14 (furlough grant).

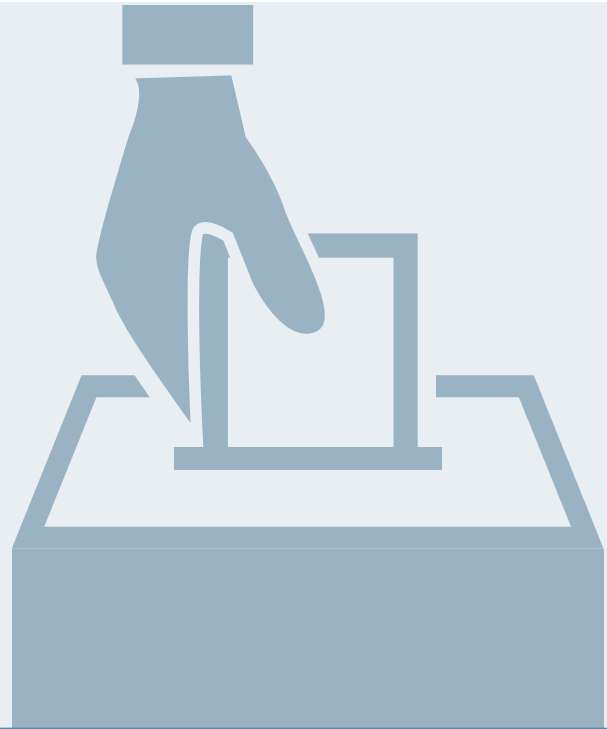
Total NI grant for pay period = £201.50

Employer minimum pension contributions

- 1. Start with £1,750.14 (furlough grant).
- 2. Round down to the nearest pound.
- 3. Deduct £364 (£520 Lower Level of Qualifying Earnings for 20/21 tax year, divide by 30 days in pay period and multiply by 21 furlough days).
- 4. Multiply by 3%.

Total pension grant for pay period = £41.58

Have your say



CFG trustee elections delayed

In light of the additional complications that Covid-19 has presented and the strain on resources both physical and financial it has imposed, the CFG board has decided to extraordinarily approach trustee elections this year, with the date still to be confirmed.

In particular, we have three vacancies arising:

Liz Fosbury comes to the end of her first term and has indicated that she is unable to stand for a further three years. Liz has agreed to remain available to the Board until January 2021 and that provides us with great continuity at a time of change.

Sam Husband had to stand down during the year due to personal commitments.

Arati Patel comes to the end of her first term and would like to remain on the board for a further three years.

Under the constitution, the terms of office come to an end at the AGM following a third year in post. The Board have resolved to delay the AGM until at least January 2021 to principally allow time for the audit to be completed, which has been delayed by the current crisis.

This approach also has the added benefits of temporarily pausing the expenditure associated with the elections and ensuring that effective trustee recruitment and onboarding can proceed at a hopefully less-pressured time for both prospective candidates and the CFG team, which in turn will result in a higher quality process.

What does this mean for you?

The constitution states "no person shall be elected unless there has been a nomination period in which group members can nominate..." Therefore, we are ensuring that members are given an opportunity to contest this approach and nominate a candidate. The board is keen to retain Arati Patal's knowledge and skills during this period of change and strongly recommends to members that she is reappointed for a further three years term. We will seek nominations for the further two vacancies in early 2021 using our usual open process.

Should there be any objections to this approach or a member wishes to contest the election of Arati, please contact Katie.Aldworth@cfg.org.uk by Wednesday 19 August 2020.

How to show Covid-19 emergency measures in accounts



Michael Hewett, director, PEM

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 reflect 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.

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.

Both CJRS and SSP grants should be presented as income either separately

or under a general heading such as ‘other income’.

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.

For CBILS, the government will provide lenders with a guarantee of 80% and BBLS



It is possible that this government guarantee results in a lower rate of interest than would otherwise have been payable

100% of any outstanding loan that the charity is unable to repay. It is possible that this government 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.

Determining the rate of unsecured loan interest may be difficult and the accounting deemed to be unnecessarily complex. An acceptable alternative may be to disclose 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 does not meet the definition of a government grant and the outstanding VAT should 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 relief 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. Charities should engage with their professional advisors if they have any queries on how to account for any of the measures available to them.

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Deduction of VAT on costs: residual costs vs overheads

Socrates Socratous, VAT Consultancy Partner, and Linda Skilbeck, associate director, Buzzacott LLP



A recent tribunal decision has wider implications for cultural organisations

The Upper Tribunal has agreed with HMRC that production costs incurred by the Royal Opera House Covent Garden Foundation (ROH) do not have a ‘direct and immediate’ link to the catering income generated from its bars and restaurants. The effect of the decision is to reduce the amount of VAT that ROH can deduct; but the case has wider implications for other cultural organisations that have exempt admission income, and all partly exempt businesses grappling with the thorny question of deduction of VAT on costs.

Backstage

In the past, HMRC took the view that VAT incurred on theatrical production costs was directly attributable to ticket sales only, and where these were exempt there

was no entitlement to VAT deduction. This policy changed following challenges by Mayflower Theatre and Garsington Opera, and HMRC issued a Business Brief 62/09, confirming that such costs were partly recoverable, where they were partly attributable to production-related taxable supplies, such as sales of programmes and touring income. As many theatres use the ‘standard’ income-based partial exemption method to determine the extent of VAT recovery, HMRC advised that where this results in an over-recovery of input tax, which is classed as ‘substantial’, then the recovery must be re-calculated in accordance with the ‘actual use’ of the costs in question. In such cases, HMRC advised that a ‘sectorised’ turnover calculation for production costs must be used, which excludes bar and catering income. **The first act** Following recent case law, in particular the decisions in North of England Zoological

“*The production costs were ‘residual’ and not overheads.*”

Society (aka Chester Zoo), Sveda and Associated Newspapers, ROH concluded that the test for input tax deduction set out in Mayflower and Garsington had been superseded, and submitted a retrospective claim for under-recovered VAT. This was on the basis that catering and bar income should be included in the partial exemption calculation because the correct test was to consider the business activities of the organisation as a whole, and the economic use of the costs.

ROH argued that the staging of its operas increased the sale of bar and catering income by attracting customers, and this income in turn ultimately funded part of the cost of productions. ROH were effectively arguing that the production costs were incurred to attract customers to both types of supply – the exempt ticket sales and the taxable bar/catering services, which together formed “a fully integrated visitor experience”. ROH’s argument was therefore that there was a direct and immediate link between production costs and bar and catering income, and thus this income could be used in calculations to determine the percentage of VAT recovery. This was accepted by the First Tier Tribunal (FTT), but HMRC then appealed to the Upper Tribunal (UT).

The second act

The UT carried out a detailed review of the case law and considered whether there had been any change to the test in determining whether costs had a direct and immediate link to a supply. It concluded that there are two alternative bases for establishing a link to taxable supplies:

1. Where the costs concerned are general costs, i.e. overheads, there is a right to VAT recovery on the basis of a direct and immediate link with a taxpayer’s economic activity as a whole.
2. Where the costs concerned are attributable to a particular supply or supplies, i.e. residual costs, then the expenses must form part of the cost components of specific taxable transactions, which utilise those goods or services.

It had been agreed between ROH and HMRC that the production costs were ‘residual’ and not overheads.

The UT concluded that the production costs only had a direct and immediate link with the exempt supply of tickets (and other production-related taxable supplies), not the catering and bar income. In fact ROH made

two supplies, one of exempt ticket sales and one of taxable catering, which were parallel and not part of the same chain of supplies. The production costs were not cost components of the catering supplies. As the First Tier Tribunal had found, there was an indirect link to the catering and bar supplies, in that without the operas those supplies would not be made; but the UT stated that this is an indirect link, and was not sufficient to enable increased recovery of VAT incurred on the production costs. Therefore, the FTT’s decision was overturned.

The final act

Despite the negative outcome, the case does not mean that VAT on production costs (or for example exhibition costs in museums and galleries where admission is exempt) is non-deductible. Most exempt theatres are able to deduct a proportion of VAT on production costs as HMRC accept there are taxable supplies that are directly linked, such as programme sales, as mentioned above.

In addition, there are some organisations where the level of input tax incurred on productions/exhibitions does not trigger the ‘substantial’ test; these entities will not be affected by this decision. Generally, the difference in input tax between the standard method and another method needs to be more than £50,000 before HMRC can trigger these provisions.

Otherwise, this case demonstrates that recovery of residual VAT cannot be

“*There was an indirect link to the catering and bar supplies*”

increased in a pro-rata income method simply by including taxable income, where there is no evidence of a link between that income and the costs. **The epilogue** Any partly exempt business which is unsure about the deduction of VAT on costs may want to read the ROH judgement (Royal Opera House Covent Garden Foundation (ROH) [2020] UKUT 132 (TCC)) as it contains a detailed review of legislation and case law, and clearly sets out the reasons for the decision and the tests applied. It is particularly useful for reiterating the distinction between overhead costs and residual costs, a distinction also made in the HMRC Business Brief referred to above. Given that ROH were essentially making the argument that the link from production costs to catering supplies is an economic one, it is surprising perhaps that in the First Tier Tribunal there was little or no reference to figures, accounts or records that demonstrated that economic link, as had been provided to the Tribunal in Chester Zoo. The Upper Tribunal can only deal with appeals on matters of law, not fact, so the UT could not consider this aspect. We understand that ROH has been granted permission to appeal to the Court of Appeal (‘COA’) and it will be interesting to see whether the COA follows the line taken by the UT and its reliance on the tests set out in Mayflower Theatre, or whether it agrees with the FT that consideration should be given to the ‘economic link’ which appears to be supported by more recent case law such as Sveda and Associated newspapers. Cases involving the ‘direct and immediate link test’ are decided largely on matters of fact, but it is hoped that at the very least, the COA clarifies the tests to be considered and in particular whether ‘economic link’ test is the correct approach.

EVENTS

We have moved our events online while we adjust to the conditions created by Covid-19. Full access details will be provided upon booking your place. If you have any questions about our events and training programme in the meantime do get in touch with our team at events@cfg.org.uk.



ALTERNATIVE INCOME GENERATION

Date: Wednesday 16 September and Thursday 17 September 2020
Time: 09:30-11:40
Member rate: £95; non-member £116

With charities looking for new and diverse ways to increase their income, alternative forms of finance are becoming more popular. Hear from the experts offering insights into different ways of financing your charity, including collaborative income generation, social investment, trading and corporate partnerships, alongside practical sessions sharing tips on bid writing and demonstrating the value of what you do.

This is a one-stop shop to introduce you to alternative forms of income and how to take a step towards introducing them into your organisation. It will be a chance to make connections with those offering some of these services and those already achieving success in new ways.

Full programme and bookings
<https://www.cfg.org.uk/AltIncomeGeneration20>



TECHNICAL UPDATE CONFERENCE

Date: Thursday 24 September 2020
Time: 09:30-16:00
Member and individuals rate: £95; non-member £116

Aimed at finance directors, finance managers, CEOs and trustees, this comprehensive conference brings you all the essential technical developments in charity finance that impact your organisation, ranging from fraud to VAT and tax to accounting and reporting. Our expert speakers will share updates on all the big issues in the sector, as well as all the important regulatory updates you need to know in one concise day, with the opportunity to discuss them with your peers in the sector.

This event should have taken place in Cardiff but will now take place online.

Full programme and bookings
<https://cfg.org.uk/techupdate>



LARGE CHARITIES CONFERENCE

Date: Monday 28 September 2020
Time: 09:30-12:40
Member rate: £95; non-member £116

The first half of 2020 brought with it a set of unprecedented challenges caused by the COVID-19 crisis and left vast portions of the economy in financial trouble including Charities, even large ones. Decreased funding, increased demand on services and operational issues due to social distancing have caused many charities to re-evaluate the way they work.

This online conference is specifically designed as a platform for large charities to discuss the issues they are facing and how can they ensure effectiveness and efficiency in the rapidly changing social and financial landscape.

Our speakers will bring you their expert updates through webinar sessions, and delegates will have the opportunity to ask questions and discuss the issues in small groups at the end of each session.

Full programme and bookings
<https://www.cfg.org.uk/LargeCharitiesCon>



INSPIRING FINANCIAL LEADERSHIP

Date: Wednesday 14 October 2020 to Tuesday 18 May 2021
Member rate: £545; non-member £635

Our flagship Inspiring Financial Leadership (IFL) course is back with an online programme for 2020. This leadership course is a turning point for finance professionals in their career; supporting you to rethink the traditional role of finance, empower you with tools and knowledge and learn from the latest thinking, so you can take the next significant step on your leadership journey. Run in partnership with CFG, Sayer Vincent and The Centre for Charity Effectiveness, new speakers and session announcements will be made soon.

Module 1: Leadership from the finance function
Module 2: Coaching for empowerment
Module 3: Vision and culture
Module 4: Leading change
Module 5: Communication
Module 6: Motivating self and others
Module 7: Wellbeing and resilience
Module 8: Leading and influencing high performing teams

Full programme and bookings
www.cfg.org.uk/ifl20



Join sector leaders and professionals from across the charity and corporate worlds at CFG's Annual Conference 2020, Creating a Better Future.

With five streams to choose from and over 25 speakers from across the sector, attending the essential charity finance event of the year will set you on a forward-looking journey, galvanise you into creativity and empower you to play an active and informed role in creating a better future in the non-profit sector.

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