

## FINANCE ( )

The magazine for CFG members

September 2018

## Civil Society Strategy

How was it for you?



#### **ALSO THIS MONTH:**

MAKING TAX DIGITAL – IT'S TIME TO ACT

RISKS: TOP, TOPICAL AND BUSINESS AS USUAL

THE PENSIONS LANDSCAPE

### For the charity finance professionals you need, talk to our specialists.

At Harris Hill Finance, we specialise exclusively in charity and not-for-profit finance recruitment, finding first-class candidates for third sector organisations.

This level of focus gives us a clear understanding of each role's requirements and the challenges you may be facing. But it also means we're constantly connected with exactly the kind of talented finance professionals who can help you resolve them.

Most importantly though, our specialised, dedicated approach really works and is already paying dividends for all kinds of charities - like the wealth of respected names you'll find on the right.

Covering everything from PQs to fully qualified FDs, permanent, temporary or interim, if you're recruiting or for a fantastic career move, call our charity finance specialists to find out how we can help.





We've recently placed finance professionals with superb organisations including:

ActionAid • Care International • GOSH Charity Hospice UK • Meningitis Research Foundation Muscular Dystrophy UK • Livability • Reprieve National Deaf Children's Society • Peace Direct Revitalise • Royal Free Charity • Royal Society of Arts • Thalidomide Trust • Theatres Trust Vinspired • VocalEyes • World Animal Protection

Contact the team on 020 7820 7311 or

Simon Bascombe simon.bascombe@harrishill.co.uk

Belton Bass belton.bass@harrishill.co.uk

Matthew Smith matthew.smith@harrishill.co.uk

Check out the latest opportunities and our 2018 Salary Survey at www.harrishill.co.uk

# A SHINING LIGHT FOR CHARITY INVESTMENTS EdenTree has been a leader in responsible investing for decades, finding companies that seek to have a positive impact on society to invest in, but also shining a light on the issues and trends that are of importance to investors. We employ a rigorous screening process that enables charities to invest responsibly. To be illuminated on how we deliver profits with principles visit adentree importance on how we deliver profits with principles visit adentree importance on how we deliver profits with principles wisit adentree importance on how we deliver profits with principles wisit adentree importance on the profit in the principles was a responsible way ever since. EdenTree launched the first Amity Fund in 1988 and has been managing investments in a responsible way ever since. Find out more at www.edentreeim.com, small at charities@edentreeim.com or call 0800 032 3778. The value of an investment and the recome from a care fail a word as give as a five and currency fluctual/finity, you ray, of give that the morn requiry invested. Past performance should not be seen as a quide to thick portangue, by care unsave which investments in set suggest for your profit of the discost of a qualification of the investment for set suggest for your profit of the discost of a qualification of the investment for the study of the sought. EdenTree investment Management Limited EdenTree for the investment Association.

#### EDITOR'S NOTE

## As the new term begins, our call to policy makers is 'could do better'

Welcome to the September issue of Finance Focus. There's definitely a sense of new beginnings at CFG as people return from holiday and we gear up for a busy autumn. I've always thought that the French term 'la rentrée' captures it better than our 'back to school' as it's more than just students and teachers heading back for a new academic year.

So, cups replenished and raring to go, we're here to help you get back up to speed on policy, technical updates and emerging issues.

In early August, Tracey Crouch MP launched the government's new **Civil Society Strategy**, its first for 15 years. The strategy has been widely covered by the sector press, but what does it mean for finance? We've lined up three expert commentators: Pesh Framjee, Bob Humphreys and CFG's Richard Sagar to answer that very question on pages 8–9.

This month's big issue certainly lives up to its name: **Brexit**. As parliament reconvened, CFG published its second report looking at the impact of Brexit on charities. The conclusion – as it stands, Brexit will be bad for charities and bad for beneficiaries. Download the report from our website: www.cfg.org.uk. We also concluded that a no-deal scenario poses an unacceptable risk to the sector. Read more on page 7.

When we last wrote about **Making Tax Digital** in July, readers got in touch to say that they were uncertain of the detail of the new regulation. We are working with HMRC to make sure that the interests of our members are taken into account, and that they provide clarity. We'll be publishing regular updates, and this month, Linda Skilbeck from SOC VAT Consultants walks us through further information which has since been published by HMRC.

In any debate or talk about the sector, the issue of **public trust** is bound to come up. But is it time to start to break down the prevailing narrative by reclaiming some of the individual perspective, asks Caron Bradshaw. In her comment on page 10, she argues that, like pain in childbirth, the constant focus on dwindling public trust becomes embedded into our psyches, pushing out (excuse the pun) any sense of an alternative reality.

On page 12, Neil Esslemont and Neil Wilson from The Pensions Regulator provide a welcome mid-term view of what's happening in the world of **pensions** so far this year, while on page 13, David Johns from Purchasing Power looks at what we can learn from the corporate sector about smart **procurement**.

With Gift Aid Awareness Day (Thursday 4 October) just days away now, Helen Elliot from Sayer Vincent has crammed in her cut-out and keep guide on **Gift Aid for small charities** into one page on page 14.

Looking further ahead to December and our Risk Conference, Alyson Pepperill, Chair of the Institute of Risk Management's charities special interest group reports on the findings from IRM's most recent survey. As GDPR leapt to the top three risks for charities, she looks at ways of managing identifying and managing topical risks without neglecting your business as usual.

Finally, an important save-the-date for your diary: CFG's first ever **Christmas Drinks** on Wednesday 12 December!

Happy reading.

**Kate Bines,** Head of Marketing & Communications, Charity Finance Group

#### **Contents**

#### What's the big issue?

What a no-deal Brexit might mean for your organisation.

#### Cover story: Civil Society Strategy

07

08

10

13

17

Discover what the response to the government's Civil Society Strategy launch is from the sector.

#### Caron's Comment

Caron discusses how the sector can recover the narrative on trust.

#### **VAT Focus**

Linda Skilbeck of SOC VAT Consultants equips you with the latest updates on Making Tax Digital.

#### **Pensions Focus**

Neil Wilson and Neil Esslemont of The Pensions Regulator provide an overview of the pensions landscape.

#### **Procurement Focus**

David Johns of Purchasing Power shares how charities can learn lessons from the corporate sector in their procurement approach.

#### **Gift Aid Focus**

A guide to Gift Aid for small charities from Helen Elliott of Sayer Vincent.

#### Investment Focus

Melanie Mills of Big Society Capital discusses what social investment tax reliefs are available.

#### Risk Focus

Alyson Pepperill, Chair of the Institute of Risk Management special interest group shares more about their risk report survey results.

#### **CFG Events**

Pensions, Risk, Gift Aid, VAT, South-West and Wales Conference and more.

Production and editing: Abby Warren, Marketing Officer

If you have any queries about *Finance Focus* or are interested in writing for us, please contact **kate.bines@cfg.org.uk** 

Neither CFG nor the authors of individual articles can accept liability for errors, omissions or any actions taken as a result of the content and advice contained within *Finance Focus*.

© Charity Finance Group A Company Limited by Guarantee. Registered in England No. 3182826 Registered Charity No. 1054914 15–18 White Lion Street, London, N1 9PG www.cfg.org.uk



### **Organisation** of the month

Bloodwise is the UK's leading blood cancer research charity. Blood cancer, comprising more than 100 different disease types including leukaemia, lymphoma and myeloma, is the fifth most common cancer in the UK, with new figures showing that at least one in 19 people will be diagnosed with the disease during their lifetime. Despite progress in treatment, it is the third biggest cancer killer, claiming more lives each year than breast or prostate cancer.

#### What is your organisation's biggest achievement?

Since forming in 1960, Bloodwise has invested in research projects that have transformed the lives of blood cancer patients. Back then, only one in 10 children with the most common type of leukaemia would survive. Now, thanks to advances in treatment through research, nine in 10 children survive. There is still so much work to do to ensure all patients – adults and children – not only survive all types of blood cancer but are able to live their lives to the full.

Progress in blood cancer research is also paving the way for improvements in the way we treat solid tumours, enhancing our knowledge and understanding across the cancer sector.

What is the largest source of support your organisation has gained from CFG membership? We have benefited most from the

conferences and regular regional

meetings which provide a great opportunity to pick up new ideas and share best practice; there's a wide range of topics, excellent speakers and the chance to network.

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

One change that has struck me is the increasing focus on impact in recent years. Whilst it is easier for some activities than others, this focus does create a positive pressure to keep asking the guestions:

- What impact are we making for beneficiaries?
- Is this the best impact we can make?
- How can we demonstrate the impact we are making?

What is the biggest issue facing your sector right now?

The uncertainty arising from Brexit, and the unknown risk to the blood cancer

research community and research funding. There is also the ongoing economic uncertainty and the impact on fundraising.

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

A large part of the work we do is improving access to clinical drugs trials so that patients receive new treatments quickly. We are making good progress through our Trials Acceleration Programme, but keeping this on the government agenda is key. Addressing the funding of major new treatments like CAR-T cell therapy, and ensuring the NHS has the right staff in place, would be life-changing for some people with blood cancer.

From a financial perspective it would be to enable charities to reclaim VAT on fundraising and other activities which are currently excluded.

#### What positive changes has your organisation seen in your sector?

I'd have to highlight the collaboration between different specialisms to accelerate research, not just in blood cancer, but for all cancers. By sharing knowledge as part of the Blood Cancer Alliance and Children and Young People with Cancer Coalition, we're identifying opportunities where working together allows us to have a bigger impact for people affected by blood cancer.

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

The internet; internally it is essential to support applications and communicate and collaborate between teams; externally our website often provides the first point of contact for those affected by blood cancer to find out more and get support. It also provides a critical "shop window" to promote the many different ways that supporters can fundraise for Bloodwise, since we receive no government funding.

To find out more about Bloodwise and their work visit www.bloodwise.org.uk.

#### **HMRC** webinar for **Making Tax Digital –** be ready for deadline!



#### The biggest challenge facing VAT-registered organisations since GDPR comes into force on 1 April 2019.

All VAT registered organisations (including charities, unincorporated businesses, companies and LLPs) will need to keep business records in digital format, and submit VAT returns using MTD-compatible software. To help you prepare and know what changes to implement to meet this short deadline, CFG will be hosting a

webinar with HMRC, designed for you to discuss what changes you need to action and answer any questions you have.

The webinar will take place at 1–2pm on 8 October- to register email policy@cfg.org.uk.

#### **Call for papers for Annual Conference 2019**

Do you have a case study, learning or tried and tested best practice to share?

We are delighted to announce the theme for our 2019 Annual Conference will be 'Confident, Dynamic, Trustworthy', reflecting our core values and what we want to achieve in the charity sector - and we want to hear from you!

To find out more and how to submit an application. visit www.cfg.org.uk/ ACspeakers19.

#### due to a career change. We thank him for his unwavering support.

Nicki Deeson, CFG Chair says ""I am very sorry to see Simon step down and his desire to ensure he can do the best possible job in commitment and impact he has shown as a CFG trustee in the year that he has been on

the Board. I wish him all the best, knowing he will continue to be an advocate for the important work of CFG, and I will look forward to him maybe rejoining the CFG Board one day!"

### Simon Hopkins is stepping down as Trustee

his new organisation is a demonstration of the

#### Voice your views

Email policy@cfg.org.uk to contribute to any of our policy work

#### What are the biggest tax challenges facing your charity?

Tax is one of the core areas that we work on. We provide training, guidance, and advocate on charity tax and it continues to be a focus of our work. We have engaged with charities across the country on tax over recent years, but we want to get a richer picture of the challenges that organisations are facing. All we would like you to do in this survey is tell us what the biggest tax challenges

facing your charity are. Is it a lack of knowledge on a particular tax? Is it the business rates bill which is sucking up funds? Is there another tax costing your charity money which could be better used elsewhere? Is it the cost of legal advice to work out how to navigate tax? Feel free to tell us as much or as little as you like! Take our short survey here: www.surveymonkey.co.uk/r/charitytax18.

#### Local banking access

We are increasingly hearing from members about problems that they are having keeping access to local banking branches. This is creating issues for members who have local volunteers raising money for fundraising, charity shops or are small charities that are dependent on local branches. If you are struggling to keep access to local branches or are having challenges with your banking more broadly, get in touch with the policy team policy@cfg.org.uk.

#### **Government looking for** your views on the Local **Government Pensions** Scheme

Following the government's consultation response on Local Government Pension Scheme Regulations in 2016, the Department for Housing, Communities and Local Government are looking to gather preconsultation information before they consult again at some point before the end of 2018.

If your organisation has decided not to go ahead with a contract because of the requirements of the Local Government Pension Scheme, do please get in touch. It would be particularly useful if you could outline the length of the contract, the size of your organisation and if you wish to be included in the consultation document as a case study. If not, then they are happy to anonymise any responses. For more information please get in contact at policy@cfg.org.uk.

#### **CFG's Gift Aid Awareness Day** on 4 October



We are proud to be an advocate for charities on the subject of Gift Aid and lead the sector in empowering charities with the knowledge and tools they need to get the most out of this tax relief.

CFG's Gift Aid Awareness Day on 4 October aims to help explain the Gift Aid process for volunteers and donors, encouraging those who kindly donate to #tickthebox and help us ensure that every pound goes as far as possible for charities all over the UK.

To help raise awareness of Gift Aid amongst your donors, you can help us by:

- Sharing, retweeting, posting across social channels on Thursday 4 October.
- Distributing CFG resources to your relevant marketing lists.
- Flag up with us any resources of your own that might be of value to our members/network that we can promote on Gift Aid Awareness Day.
- Signpost to our upcoming Gift Aid Conferences in Birmingham, Manchester and London.

We will send you a Gift Aid Awareness Day pack with infographics and a Gift Aid FAQ sheet to help promote the day

To get involved visit: cfg.org.uk/gift-aid

#### Third Sector Jobs board partnership with CFG

Our partnership with Third Sector Jobs means our members can advertise treasurer, trustee and volunteer roles in your organisation absolutely free, saving up to £1,500 on your recruitment costs.

Also, if you are looking for a new role in the sector, our partnership means you can access the latest charity finance roles and receive an exclusive weekly email roundup of the newest roles within our sector's most inspiring organisations, keeping you ahead

Find out more about the partnership and benefits at www.cfg.org.uk/ charity\_membership.

#### **New members**

**Bolton Community** & Voluntary Services St Martin in the

Fields PCC

Impetus - The Private Equity Foundation The Norfolk Hospice

The Orchard Trust

#### News in brief...

#### **Civil Society Strategy launch**

The strategy promises to set out how government plans to work with and for civil society in the medium to long term. There are five chapters in the strategy which correspond to five foundations of social value. They are: People, Places, the Social Sector, the Private Sector and the Public Sector. The strategy makes clear that it is not intended as the final word on the government's work in relation to civil society, but as the beginning of a dialogue and an evolving work programme. For more details on CFG's view of the strategy please read our blog available at www.cfg.org.uk/ CivilSocietyStrategy, and our cover story in this issue.

#### **SORP governance** review launched

The charity regulators for the UK and Republic of Ireland have announced that they will hold a review into the governance of the SORP committee. The review will seek to gain assurance that the SORP-making process gives confidence and can help to address concerns that the general public has regarding transparency in charities.

Amongst other things, the review will consider potential changes to the membership of the SORP committee, the composition of the advisory SORP committee, the engagement with key stakeholders in the process of developing the SORP, and the extent to which these views are recognised in the process.

Gareth Morgan, Professor of Charity Studies at Sheffield Hallam University will oversee the work of an oversight panel which will consist of representatives from charity regulators in each jurisdiction of the UK and the Republic of Ireland. The review will take place in 2018, with recommendations taken on board by 2019 in time for the new SORP which is expected to take place in 2021.

## Charity Commission calls on charities to be alert to the threat of insider fraud

Following a national alert from the National Fraud Intelligence Bureau, The Charity Commission is calling on charities to be more aware of insider fraud threats. The alert identifies that 50% of organisations have suffered an insider threat attack in the last year. The alert stresses that charities are as vulnerable to insider threats as both the public and private sector. This follows guidance by The Charity Commission, updated earlier this year, to help protect your charity from fraud. The 'Protect your charity from Fraud' guidance can be found at bit.ly/CCinsiderfraud.

## Research and reports

#### Research indicates safeguarding scandals are deterring people from working at charities

The poll carried out by Populus on behalf of Kin&Co showed that 37% of people surveyed said they were deterred from applying to charities because of recent safeguarding scandals. The survey also indicated an increase in the popularity of ethical business and social enterprises, with over half (54%) of those surveyed stating that they could make a positive impact on the world working in business, compared with just over a third (37%) for charities. More information on the polling can be found at bit.ly/Kinpoll.

#### Fall in income raised by largest charity fundraising events

A research report by agency Massive has shown that the 25 largest mass participation fundraisers saw a decline in income in 2017 compared to 2016, with the events raising £135.5m in 2017 compared to £139.5m in 2016. However, if the two largest events, Race for Life and The World's Biggest Coffee morning were excluded from the results, the remaining events saw a 6% rise in income generated and an increase in participation.

#### Global NGO Technology Report indicates charities are making better use of online and social media

The report commissioned by the Public Interest Registry and carried out by Nonprofit Tech for Good summarizes how NGOs across the globe use web and email communications, online fundraising tools, social media, mobile technology, and data management and security software. Noteworthy findings include that 92% of respondents indicate that they have a website, and that almost three-quarters accept donations via their website, a significant increase from last year's report. On social media 93% of respondents said they had a Facebook page, while threequarters have a Twitter account. More findings from the report can be found at http://techreport.ngo/.



#### **Guidance** and support

#### Free GDPR training for CFG members

Corporate supporter Quilter Cheviot has given CFG members free access to a GDPR e-learning tool which can help charities to understand the rule, particularly important now the regulations are in place. The tool is online and so can be taken by a range of staff, volunteers and trustees. After completing the tool, staff

can get a certificate which they can use to evidence taking part in the training. As part of the GDPR, one of the biggest changes is evidencing the steps that organisations have taken to inform staff and keep them up to date with the new rules. This e-learning tool will be very useful to CFG members in demonstrating this requirement. For more information, visit https://qc.datapartners.co.uk/.

#### What's the big issue?

What a no-deal Brexit might mean for your organisation

At this time last year, for many in the policy world a no-deal Brexit was deemed almost unthinkable. The implications for nearly all areas of government, the business community and the third sector are so vast that it can scarcely be overstated. With the chancellor warning that there will be 'large fiscal consequences' in a no-deal scenario, but with the Secretary of State for Trade claiming that the chances of the UK leaving with a no-deal are now '60–40', it is a scenario which the sector will need to give increased attention to. Failing to reach a deal will have enormous implications and require significant planning from all parties.

It is with this in mind that the first 24 of 80 technical notes have been released by government, providing guidance on what people will need to do in case the UK leaves the EU on the 29 March 2019 without an agreement. While there are many which will not be of direct relevance to the charity sector (unless of course there are charities unbeknownst to the author t hat are engaged in labelling tobacco products), there are some which will be of direct interest to our members and wider civil society.

They state clearly that given the mutual interests of the UK and EU, a no-deal scenario still remains unlikely, and that this guidance being released does not indicate a change in the government's stance to trying to reach a deal, but there is an increased sense that planning for all potential outcomes is a prudent precaution that all organisations should take.

In the released guidance there are three areas which charities should be particularly aware of.

#### Humanitarian aid

There are some welcome announcements in the guidance, most notably on aid, where the technical note 'Delivering humanitarian aid programmes if there's no Brexit deal' makes clear that if we do not reach a deal, and the European Civil Protection and Humanitarian Aid Operations (ECHO) terminates funding, the UK government will commit to funding any programme where a UK organisation is lead partner or sole implementer. This commitment will provide some reassurance to UK NGOs who are bidding for EU funding.

#### State aid

On state aid, the UK government has stated in the guidance that it will pass legislation to adopt all EU state aid rules, regardless of whether we reach a deal with the EU, with the responsibility for enforcement being transferred from the EU Commission to the Competition and Markets Authority. This is consistent with the information provided in the government's white paper, and somewhat concerning for the sector, as we believe Brexit can provide an opportunity to improve the rules on state aid, refocusing them on functioning markets where they are appropriate, rather than where they are not, which includes many of the areas charities work on.

#### VAT

An area of great interest to members, and a primary concern of CFG, is taxation post-Brexit, and the potential flexibilities that may be available to the government with VAT. As is to be expected, the government has no plans to scrap VAT even if we do not reach a deal with the EU. They state in the newly released guidance that the rules relating to UK domestic transactions will continue to apply to businesses as they do now. There is not any reference to rates or reliefs, as the guidance is related to practicalities for businesses regarding the operation of the VAT system. The most important questions for CFG will be the flexibilities that might be available post-Brexit to make significant reductions to irrecoverable VAT (we have provided more details on how to achieve this in our most recent Brexit paper).

As noted above, it is important that charities take seriously the possibility of a no-deal scenario. But we should be clear, that it is too great a risk for the economy as a whole for a no-deal to be considered by the UK government.

When we consider the issues which are of greatest concern to charities; tax reform, funding, public procurement, state aid and workforce, as they stand, we cannot have confidence that Brexit will deliver for civil society. With this in mind, CFG have recently launched our Brexit paper 'Cost Benefit Analysis of Brexit for charities' which offers a six point plan for what a good deal for charities on Brexit would be. Download our report www.cfg.org.uk/BrexitReport2018.

#### Policy progress

#### **Consultation on the Fundraising code**

The Fundraising Regulator has opened a consultation on the Code of Fundraising Practice, which outlines the standards expected of charitable fundraisers across the UK. The consultation does not propose to make fundamental changes, but rather the style, presentation, clarity and accessibility of the Code.

This will include a review of the language used, a glossary of terms, and a new introduction to the Code, highlighting its purpose and scope.

The consultation will be opened until 16 November, with response forms available on the Fundraising Regulator website. For more information on the code, or to help shape the CFG response, email policy@cfg.org.uk

## Charity Commission publishes results of accounts monitoring review of charity trustees

The findings from the Commission's review of charities' annual reports and accounts reveal a slight improvement in the quality of reporting, but that many charities are still falling short.

Of the sample of charities with incomes over £25,000 the Commission found that 74% of the trustees' annual reports and accounts met the basic benchmarks set by the Commission.

With public benefit reporting so important in providing transparency, helping the public understand exactly what a charity does and how their donations are being used, it's crucial that charities improve their reporting. More information on the reports can be found at bit.ly/AccountsMonitorCC

## Civil Society Strategy

How was it for you? The government launched their Civil Society Strategy in August 2018. Is there really a change in the air? We ask our members to share their thoughts.

Robert Humphreys discusses why he feels it doesn't amount to real transformation in the sector.



Robert Humphreys, Treasurer at Education Development Trust and CFG Large Charities Committee member

With some exceptions, the elements of the strategy are very poorly defined and incapable of being measured. I worry that there is too much "soft" language, eg. "collaborate to create a shared vision", "develop proposals to help young people play their part", and "we will work with partners to explore".

I applaud the ambition to "help the most disadvantaged young people into work", but again it is not clear how much incremental money is really going to be available. The aim of strengthening charities' ability to "speak...and have a strong role in shaping policy" is simply not credible, given the government's track record of

stifling debate and bullying charities into "sticking to the knitting".

A new focus on technology and social investment is welcome, but this area is among the woolliest in terms of actions. Similarly the laudable aims for improving public service commissioning beg the question of what's going to change – commissioning officers are already supposed to be acting in accordance with the Social Value Act, so what does "account for" really mean?

Overall, as CFG has highlighted (www.cfg.org.uk/CivilSocietyStrategy), it's a nice list of initiatives, and it may be all that a government can be expected to do when it is so distracted by other issues,

but it doesn't stack up as being transformative in terms of achieving real change in civil society.

Those of us who have engaged in organisational change programmes

It doesn't stack up as being transformative in terms of achieving real change in civil society. know how much energy and resource needs to be applied consistently over a sustained period of time in order to achieve success, in changing hearts and minds as much as in changing processes and regulations.

Pesh Framjee highlights what positives there are in the Strategy and what more there is to do.



**Pesh Framjee,** Global Head of Non Profits, Crowe and Special Advisor to CFG

It's good to see something that tries to pull together the different threads of how government will interact with the voluntary sector. A big plus for me is the recognition of the importance of the voice of the sector, and the intention to give the sector a stronger role in shaping policy.

The renewed interest in the somewhat languishing Compact is positive too as it the recognition of the importance of grants. All this will hopefully lead to a revisit of the Lobbying Act and banning anti-advocacy clauses in grant agreements.

The reality is that funding squeezes impact most of the organisations and causes that government says it wants to help.

The Strategy recognises that there needs to be an increase in social value commissioning across all levels of government. Some of us had high hopes when the Public Services (Social Value) Act 2012 came into force but it seems to be observed in the breach. The Strategy explains that government departments will be expected to apply the principles to purchasing of goods and works as well as services and will also be expected to 'account for' the social value of new procurements, rather than just 'consider' it as they currently do. Hopefully, this will mean that commissioners and others will do more than pay lip service to the requirements.

Interestingly, the funding initiatives that have been announced have all been trialled in the past and there does not really seem to be any significant new funding on the table. The reality is that funding squeezes impact most of the organisations and causes that government says it wants to help.

A common refrain from the sector that resonates with me is – 'Good start – could do better'. We have seen too many false dawns and we now need to maintain the momentum to convert intentions into reality. This means that the sector needs to hold government to account to deliver on aims and intentions.

Richard Sagar of CFG explores what improvements he thinks need to be made.



Deemed by government as a successor to the industrial strategy the government's Civil Society Strategy purports to be a comprehensive vision of how business, communities, charities, and the public sector will work together in the long term, to create a country that works for everyone.

The strategy seeks to achieve by strengthening five foundations of social value:

- People: enabling a lifetime of contribution
- Places: empowerment and investment for local communities
- Social Sector: supporting charities and social enterprises
- Private Sector: promoting business, finance, and tech for good
- Public Sector: ensuring collaborative commissioning

The overall aim of the strategy is commendable. Starting a programme of work to strengthen the role of the third sector can only be seen as positive, creating the right 'mood music' in that government is interested in fostering a strong working relationship with civil society.

Aside from the overall positive tone of the strategy, there are many unanswered questions and missed opportunities that need to be addressed before the sector can feel too sanguine about their approach. The strategy as a whole feels more like a vision of what government wants to see, rather than a credible plan of how it will achieve this in the long term.

As one might expect from a strategy of this length (123 pages!) there are numerous micro-initiatives announced; there are some which deserve being highlighted as real positives for the sector.

#### **Positive announcements**

Renewed commitment to the principles of Grants 2.0 is welcome, as the strategy states the fact that grants can combine flexibility with the accountability and performance rigour of a contract, but can also offer 'additionality' in philanthropic and in-kind investment. CFG has long called for this approach and the promised 'revival of grant making' demonstrates that government has listened to the sector on this issue.

The commitment to beefing up the Social Value Act so that central government procurement has to account for its social value is also a welcome step. But the commitment to explore whether this requirement can extend to planning and grant-making is not concrete enough. We will need to see if the latter actually occurs before we can offer too much praise.

The section on 'Diversifying funding and finance' makes a commitment to work in partnership with the Charity Commission and UK Community Foundations to release £20m extra funding from inactive charity trusts to support community organisations. Additional funds are always a positive, but this figure does not come close to the amounts needed.

#### Where is the money?

While there are positives, perhaps the biggest concern is the lack of additional funding for the sector. The only new funds of note are the £20m from inactive charity trusts to community foundations, and an additional £750k to be spent by government before 2020 to help grow place-based giving schemes to support civic philanthropy (this is the only additional money for the sector given directly by government!). These amounts pale in



There are many unanswered questions and missed opportunities that need to be addressed before the sector can feel too sanguine about their approach.

comparison with the £2bn endowment of dormant assets identified by the Dormant Assets Commission. It is a surprising omission that this does not get a mention. I hope this will receive more attention from government in due course.



While there are positives, perhaps the biggest concern is the lack of additional funding for the sector.

#### Tax

Perhaps the biggest missed opportunity from the strategy is the section on tax. CFG called on government to be bold and ambitious with the strategy and make the biggest transformation to charity tax since the Victorian era – suffice to say that it did not come close to this. There were a mere three paragraphs on tax and regulation. Of these, one paragraph contained no new policy measures, only figures on how much the government is already supporting charities through exemptions and reliefs.

The only new announcement of note is that government is committing to review social investment tax next year. When this announcement is compared to over £2bn a year which could be saved by reducing the tax burden on charities (notably through reducing irrecoverable VAT), this shows an insufficiently ambitious approach, failing to address a fundamental barrier to civil society fulfilling the aspirations set out in the strategy.

#### Support from across government A fundamental barrier to the strategy

addressing the challenges it rightly points out, is buy-in across government. The Office for Civil Society within DCMS will be leading on much of this work, but to have real impact, other government departments will need to get on board.

Most notably MHCLG, who can help determine how local government spends money, and Treasury, to unlock the funding necessary to make change happen.

The principle architect of the strategy Danny Kruger is at pains to point out that this is a conversation amongst equals, and the start of a process not the end.

What do you think? We want to know what your opinion is on the Strategy – contact us at policy@cfg.org.uk.

#### **VAT FOCUS**

## Let's recover the narrative on trust



With decreasing trust in the public a prevalent subject of discussion in the sector, Caron considers how charities should re-establish their individuality.

You probably know that I have four children – you might even have read some of my articles, when I wrote for Third Sector magazine, drawing on my experiences of being a mother – highlighting things as diverse as managing the risks of a twin pregnancy to benchmarking insurance products for my daughter's first car!

In this article I want to explore the negative impact of the 'lack of trust' narrative on the sector. My theory is drawn from my experience of birth. Fear not – what follows is not a blow by blow account of childbirth – rather the risks, expectations and impact of the language we use and the narrative we assign to the social change sector.

When my daughter came along the predominant question being asked of me, and all mothers in the hospital labour ward, was 'how is the pain?' But it wasn't just the question I was asked during the labour – it was the topic of virtually every conversation in my last trimester. How would I manage the pain? Had I considered the various ways I could safeguard against pain – medical or otherwise? My expectation, based on other women's experiences and the medical professionals was therefore; boy was this going to hurt! Everywhere I turned, pain, pain, pain.

My theory? All this talk of pain conditions the mind to concentrate on it. By no means is it a conclusive study but my own experiences bear this out – the references to pain having a direct correlation with my suffering, or lack, of it.

But what has all this got to do with charities and trust?

Everywhere we turn in the sector the narrative is falling trust in us.

Just as no two pregnancies are exactly the same – no two charities are. Things that work for one charity to demand trust in them and generate confidence that they are having an impact, may scare the living daylights out of another charity's stakeholders.

Our regulator, like the medical profession, is worried about getting management of this emotional state wrong and being blamed for any fall out. It's not down to the Charity Commission to work to build trust in charities, they argue, rather to build our understanding of the public expectations of us. If the Commission doesn't talk of being tough on those who step the wrong side of the line and undermine trust – they will be criticised. If they underplay the need for action to address the potential for things to go off the rails then they may be blamed – not just by the media but by all stakeholders.

Yet all the talk of a lack of trust leads us (the public, charities, the media...) to question trust. There is no doubt that trust in the sector has gone down year on year in response to a range of surveys. Some of these are directly undertaken by the Charity Commission others by think tanks and research agencies. All have one thing in common – they ask how the patient is dealing with that painful issue of trust – or lack of it – not just in the charities they support but in the sector as a whole.

It's not down to the Charity Commission to work to build trust in charities, they argue, but rather to build our understanding of the public expectations of us.

We can understand that some people will tell of painful deliveries whereas others. like me, genuinely managed to avoid the agony. Similarly, some people will say that charities are not to be trusted and will say their trust is 'low' in response to these surveys, but there are also others whose experience of the individual charities to whom they donate or volunteer, is not that they are failing to command the trust and confidence of their stakeholders. And much like the programming of pregnant women to expect childbirth to be excruciatingly painful the more we talk of this terrible crisis of trust the more we create one!

I do not mean in any way to play down the very real sense that some charities have let themselves and the sector down. Nor do I want to be complacent and say that if we just stopped talking about falling trust levels they would spontaneously improve. Much like my birthing story, as individuals our own perceptions are a mixture between what we are told by our peers, what we see and experience and what those in positions of influence or power say with authority.

Baroness Tina Stowell, the chair of the Charity Commission, said in her maiden speech that it wasn't the 'Commission's job ... to represent charities to the public, but to represent the public interest to...' charities. She has a point – but perhaps if we stop focusing on the pain quite so much we may need fewer epidurals!

### Making Tax Digital – it's time to act



With the Making Tax Digital deadline fast approaching for VAT-registered organisations, Linda Skilbeck of SOC VAT Consultants shares an essential update following new information published by HMRC, and tells you what you need to do to ensure you and your charity are fully prepared.

Since our previous article on Making Tax Digital (see July 2018 issue of Finance Focus) HMRC have published further information on the details of the changes coming into force on 1 April 2019. The information includes:

#### New HMRC VAT Notice 700/22 available at bit.ly/VAT70022April19

This is **essential** reading and gives guidance on the requirements of MTD for VAT including:

- The digital records that must be kept, and a series of HMRC directions that relax these requirements in certain circumstances (such as where a mixed rate supply is made, where a third party agent makes or receives supplies on behalf of a business, and where a business uses a special VAT scheme such as a retail scheme or the Flat Rate Scheme).
- How businesses must use approved software to keep digital records and file their returns from those digital records, including information on when programs do and do not need to be digitally linked in situations where a combination of software programs is used.
- Illustrated examples to show customers how to ensure their specific set-up will be compliant with the regulations.

A list of software developers, available at bit.ly/MTDsuppliers, who are currently working with HMRC and have already demonstrated a prototype of their product ready to start testing with businesses and/or agents. HMRC is testing the service with small numbers of invited businesses and agents. This list will be updated regularly as new software suppliers complete the testing

process. It is understood the pilot will be opened to allow more businesses and agents to join later this year.

#### What to do now

Now is the time to start to seek the help and support you may need from your software supplier and/or tax adviser. Reading the HMRC Notice is the best place to begin. If you already use accounting software, then the likelihood is that you will need to update to the latest version to be MTD compliant.

#### **Spreadsheets**

These are commonly used by charities alongside software to carry out partial exemption or business/non-business (BNB) calculations in order to arrive at the amount of deductible input tax, and the final VAT return figures. At present the final figures are then keyed in manually via HMRC's VAT Online portal. Manual input will no longer be possible after April 2019 because the figures must be submitted digitally. At the moment it is not clear to what extent available software will cope with partial exemption and business/non-business adjustments.

So, as referred to in the previous article, in order to comply with MTD, spreadsheet users have two alternatives:

- Buy MTD compliant software which can submit VAT return figures but continue using separate spreadsheets to calculate partial exemption and BNB adjustments. The effect of the partial exemption/BNB calculations can then be journalled into the MTD compliant software so that the digital VAT return can be submitted, or
- Export data from accounting software into a spreadsheet (this export must be by digital link). The adjustments and VAT return calculation can then be undertaken in the spreadsheet. The business then

uses 'bridging' software or an APIenabled spreadsheet (i.e. a digital link) to extract the VAT return figures and submit them to HMRC.

Examples are set out in parts 3 and 7 of Notice 700/22 to illustrate where digital links are required, and where adjustments can be made outside of software. Paragraph 3.4 of the Notice gives information about partial exemption adjustments.

#### Taxable income below £85,000

Charities which are registered voluntarily and whose taxable income is below £85,000 are not required to comply with MTD and will continue to use the current method for submitting returns. However, it is expected that eventually HMRC will want to discontinue running two systems so that all VAT registered entities will use MTD.

66

Now is the time to start to seek the help and support you may need from your software supplier and/or tax adviser.

#### Approaching the VAT registration limit

If your taxable turnover is approaching the VAT registration limit you need to be aware that as soon as compulsory registration is required, then complying with MTD will also be compulsory. So, even if you don't need it now, purchasing the correct software to cope with MTD would be a wise move. The alternative is to use bridging software until you find the right package.

#### **Annual Accounting**

If estimated VAT taxable turnover is £1.35m or less in the next 12 months, then it is possible to join the annual accounting scheme and submit only one annual VAT return a year. This scheme requires users to make monthly or quarterly payments on account towards their final VAT bill. It may be possible therefore for eligible VAT registered entities to buy some time before having to comply with MTD by joining the scheme at some point before their first 'normal' VAT return would be due under MTD.

To answer all your questions on what you and your organisation need to do to prepare for this important deadline, CFG is hosting a MTD webinar at 1–2pm on 8 October in partnership with HMRC. Email policy@cfg.org.uk to register.



Neil Wilson and Neil Esslemont of The Pensions Regulator bring you up to date on their approach as a regulator, what key issues have arisen for their organisation and the sector so far this year, and what your charity should be doing to ensure effective pensions management.

We have changed as a regulator; we are being clearer with those we regulate, quicker to act where our expectations are not being met – tougher on employers that do not comply with their duties, and trustees who do not act in the interests of their members.

#### **Automatic enrolment**

Automatic enrolment has been a big success, with more and more people now saving into a workplace pension. More than 9.9 million people have begun saving for their retirement since the start of AE in 2012. And we have now passed the 1 million mark for employers – in fact 1.3 million employers of all sizes have now enrolled their staff into a workplace pension.

This surge in the number of people saving has had a huge impact on the pensions market. The vast majority of people are being enrolled into Defined Contribution schemes. DC schemes are now the dominant form of pension saving in this country. This means much of the risk and responsibility is shifting away from the employer and towards the individual.

#### **Getting tougher**

So it's vital that we – the policy makers and regulators – provide a robust framework and a set of clear governance standards that protect members' savings as far as possible.

We have issued an increasing number of penalties. In particular, we have fined a number of pension trustee chairs, where the chair's statement has either not been completed or has been below standard.

There's also a mandatory legal requirement to complete a pension scheme return and

last quarter 25 trustees have been fined for not doing this. One trustee failed twice to get a scheme valuation completed and has been fined £25,000.

Although the vast majority of employers are doing the right thing, we have recently seen a record number of employers receiving compliance notices for failure to meet their AE legal duties – over 27,000 between April and June 2018. We also issued an unprecedented 12,000 fixed penalty notices. A high number of employers had recently started their duties, but it demonstrates our tough approach against those who don't give their staff the pension they're due.

We have publicised several important cases. For example, an accountant who misled us by making a false declaration to avoid employer duties. A later investigation uncovered the fraud. This is the first time we have prosecuted a third party working on behalf of an employer.

We have also successfully prosecuted a company, and its director, who used their staff members' log-in details to go into the pension provider's online system and opt them out of their pension. They were prosecuted under the Computer Misuse Act 1990.

Going public, and naming the people and companies prosecuted, emphasises that we will take tough action against those who try to avoid their pension responsibilities.

If you want to find out more, visit: www.tpr.gov.uk/doc-library/research-analysis

www.tpr.gov.uk/doc-library/ enforcement-bulletins

#### 21st Century Trusteeship program

The role of a trustee is crucial in protecting members' benefits. It is the first line of defence for members and is a complex and demanding role. We truly appreciate the value of trustees, but we make no apologies for expecting high standards from them – that goes for trustees of small schemes, as well as large schemes. As a result of our research, we believe that standards of pension scheme governance are not being met.

Good governance and administration of all types of pension schemes is a high priority at the regulator. It is the bedrock of a well-run scheme. Poor record keeping can have a huge impact on members and it can be very expensive for a scheme if things go wrong because of bad or missing data.

We work closely with pension scheme trustees, providers and administrators to educate them through our published guidance on the importance of accurate record keeping. Schemes should review their data at least annually and have a data improvement plan in place where they identify issues.

Our 21st Century Trusteeship communications campaign aims to drive some important messages home, and provide guidance and tools to trustees to help them meet the standards we expect. The campaign also aims to make clear to advisers and employers what their role in the good governance of a pension scheme is, and how they should support trustees.

For more information, see:

www.tpr.gov.uk/ 21st-century-trusteeship.aspx www.tpr.gov.uk/trustees

#### Don't let a scammer enjoy your retirement

On 14 August 2018, we launched a joint media campaign with the FCA urging pension members to be ScamSmart. Victims are losing an average of £91,000 per reported crime. We believe many more pension scams go unreported. Scammers operate mainly by cold calling and offering free pension reviews – and target pension holders aged 45–65. They may be offered low risk, high return opportunities in overseas or unusual investments. They may also promise early access to the fund, as a lump sum cash payment. And couriers may be used to get the person to sign up fast. Our advice is to end the call and report it.

Make sure you know what the signs are – you can find out more details about the campaign at www.tpr.gov.uk/pension-scams

Neil Wilson will be speaking at CFG's Pensions Conference on Wednesday 14 November – don't miss all the essential updates, book your place at www.cfg.org.uk/pensions18.

## Smart procurement as a powerful fundraiser

Facing more challenges and heavier regulation in the sector, where can charities go next to tap sources of finance? Learn from the corporate sector and take a more strategic approach to procurement, argues David Johns of procurement consultancy Purchasing Power.

David Johns, Director,

Purchasing Power Ltd

It's not easy for charities to raise money and, following ongoing sector scandals and the impact of GDPR on subscription donation bases, pressure has intensified, and the outlook has become more uncertain. This new environment is encouraging organisations to adopt the principles and practice of smart procurement as an integral part of financial strategy and planning.

When companies faced similar issues through cycles of recession, they hired procurement specialists and/or developed their own procurement capabilities to ensure they achieved value for money. I recently completed a survey of charities and concluded that whilst many had a procurement policy in place, they lacked the processes and tools to manage their spending effectively. This raised the question of whether procurement as a means of generating value is a discipline (or indeed mindset) that can transfer seamlessly from the private to the charity sector. It seems that there is a significant opportunity for many of our charities to obtain more for the money they spend by bidding work packages and managing suppliers more effectively.

Managing spend is an essential part of good financial management but is often seen as synonymous with price-cutting or reducing important goods or services. Knowing the "how" as well as the "how much" relating to spend with suppliers gives an essential starting point in the move to a more strategic or "smart" procurement model. This means sourcing more effectively with respect to assurance of supply, sustainability, quality, service, innovation and compliance. Whilst the ticket price is usually the largest single component of cost, it rarely covers the

entire cost of acquisition to the buyer. Think of unreliable services, faulty or dangerous goods, time and effort wasted and even reputational damage (as the charity's name will inevitably be attached to the provision to end beneficiaries).

Smart procurement is about doing. and getting, more for less. Less expense, less work and less risk. Let's look at sourcing, a basic procurement element that everyone knows (or think they know). In smart procurement, this is done in a staged process which should involve everyone in the procurement function and communicated to stakeholders - from the get-go, whether an external provider is engaged or not. The first stage is an analysis of spend by key attributes and control procedures such as tendering rules and commitment approval, to produce a detailed diagnostic report. The second is to identify risks, opportunities for savings and/or adding value, prioritising them by size and difficulty and proposing strategies for execution. The third stage is to assign roles and responsibilities. This last might necessitate outsourcing some key activities in order to deliver early benefits. It should concomitantly also show up selected training and development needs.

#### Options resulting from such a project might typically include:

- Implementing a defined governance structure, with procedures and clear delegations of authority for awarding contracts.
- Starting and maintaining a risk and opportunity register (ROR) as a live document.

- Consolidating spend across several sub-categories (if suggested by any market appraisal done at the second stage).
- Convening a group of charities to pool demand (starting with commodities like energy and stationery, to build confidence).
- Mapping existing contracts (who/when/ break clause/value, etc) to understand areas of opportunity.
- Critically assessing contracts and adding the outcome to the ROR.

Another essential component is supplier relationship management (SRM). This has been shown in the case of term contracts to reduce cost and risk and increase value, more effectively than can be achieved at sourcing and contracting stages. Service levels, set in the contract (SLA) and measurable by quantifiable scores (KPI) are familiar enough, but insufficient in themselves. Effective SRM depends on effective open, real-time communications and mutual interest as well as more formal performance reviews.

One thing businesses routinely do but that most third-sector bodies don't focus on is long-term (multi-year) demand planning. There are often sound reasons for this, but visibility of future demand is a key value lever. It could help secure longer-term project funding for the same reason. Multi-year agreements engender supplier commitment and all that flows from extended relationships, reduce procurement workload and give some much-needed stability and consistency.

I set out to discover whether smart procurement, as used in the corporate sector, could be adopted by charities as a way of making resources go further. I learned that whilst most are aware of the importance of procurement, few follow a stepped approach to unlocking value. As an example, one charity I visited had effective procedures in place but no system to check compliance and no way of tracking value. In other words, my research revealed a fantastic opportunity to make a step-change in many of our charities' finances by rolling out a proven management discipline.

Your own charity might well have an excellent procurement function, with world-class policies and procedures, robust contracts and supplier relationships that really deliver – if it doesn't, it is important to understand how it would work in practice for you. It may be useful to consider training which would benefit you and your organisation, and take action to ensure any downward pressure on your income stream is shared by your suppliers.

Smart procurement should be integral to any charity's business planning; it's a self-financing fundraiser that never stops working.

#### INVESTMENT FOCUS

## A guide to Gift Aid for small charities

Helen Elliott, Partner, Sayer Vincent

With around £560m of Gift Aid going unclaimed in the sector, maximising this tax relief is an important issue. Helen Elliott of Sayer Vincent shares her valuable how-to Gift Aid guide.

All UK charities can benefit from Gift Aid, but according to HMRC, many are failing to take advantage, mainly through a lack of understanding. HMRC research suggests 25% of eligible charitable donations are not Gift Aided, especially likely to be the case for donations to small charities.

#### The benefits of Gift Aiding donations

Gift Aid can only be claimed on donations made by UK income tax and capital gains tax payers. It is a repayment of the UK basic rate income tax a UK income taxpayer paid on their gift, however, the tax is repaid to the charity, not the donor. For example, for a donation of £100, the basic rate (20%) Income Tax paid was £25 (£125 x 20% = £25, £125 - £25 = £100). The charity thus receives Gift Aid at a rate of 25%, as long as the basic rate of Income Tax is 20%.

Higher (40%) and additional rate (45%) taxpayers also benefit as they are eligible for tax relief on their Gift Aid donations. The gross gift (donation plus Gift Aid) is taxed at the donor's basic rate rather than at their higher rate; a higher rate (40%) income taxpayer donating £100 under Gift Aid could receive tax relief of £125 x (40% – 20%) = £25. Donors can make claims for relief in a self-assessment tax return or by completing a P810 claim form.

#### When is a donation eligible? These requirements must be satisfied:

- It must be a monetary donation (cash, cheques, card payments, bank transfers etc, but not gifts of goods or services).
- The donation must be made to a UK or EU/EEA recognised charity. If the charity is required to be registered with a charity regulator (such as the Charity Commission) it must be so registered.
- The donor must be a UK Income Tax or Capital Gains Tax payer and they must give the charity a valid Gift Aid declaration in respect of the donation. The declaration can be given before, at the same time as, or up to four years after the donation. This means you can claim Gift Aid on eligible donations made within the last

four years as well as on current and future donations.<sup>2</sup> Charities should use the up to date HMRC model Gift Aid declarations.<sup>3</sup> They should check the donor has completed the declaration correctly and retain for at least six years after the last donation to which it applies.

 The donor, or a person connected to the donor, must not receive a substantial benefit in consequence of making the donation. Charities can provide donors with minor incentives, but not with substantial benefits. The maximum value of benefits provided must not exceed the following limits.

Donation amount	Donations up to 5 April 2019	Donations from 6 April 2019
Up to £100	25% of donation amount	25% of donation amount
£100 -£1,000	£25	£25 plus 5% of donation amount above £100
Over £1,000	5% of donation amount	
Annual limit	£2,500	£2,500

The donor benefit limits will be made slightly more generous with effect from 6 April 2019. The changes mainly benefit donations in the range  $\mathfrak{L}500$  to  $\mathfrak{L}1,000$ . For HMRC guidance on how to value benefits, see the link below.

Gift Aid is an important source of income for many charities and worth £1.27bn to the charity sector.

#### How to register for Gift Aid and make claims

The charity must first register with HMRC as a charity. This is done online. Once HMRC has decided to recognise the charity, HMRC should send an activation code through the post. You can then use this code to add the Charities Online service to the charity's HMRC online account. Gift Aid claims are then normally made via the Charities Online service.

There are then three ways to make Gift Aid claims:

#### 1. Direct database claims

Some software products can make claims directly to the Charities Online service, for example certain specialist donor management products. The software submits the claim at the click of a button. For a list of software products that can make such claims, see below.<sup>4</sup>

#### 2. Spreadsheet claims

If a charity does not have such software, the next option is for them to submit a spreadsheet claim. They must download the appropriate HMRC template spreadsheet, fill in details of donors and their donations and upload the completed spreadsheet to the HMRC Charities Online service.

#### 3. By post

It is also possible to send paper claims through the post, but you must first obtain copies of the paper form CR1 from the HMRC charities helpline service.

HMRC should then pay the Gift Aid by BACS within:

- Four weeks if you claimed online
- Five weeks if you claimed by post using form ChR1

Gift Aid is an important source of income for many charities and worth £1.27bn to the charity sector. Most large and medium sized charities take steps to make sure they claim Gift Aid on all eligible donations; those tending to lose out are smaller charities with few or no paid staff. By following these steps, small charities can make sure they benefit.

Charity Finance Group has been proud to be an advocate for charities on the subject of Gift Aid and lead the sector in empowering charities with knowledge and tools to get the most out of Gift Aid. Find out about CFG's Gift Aid Awareness Day on 4 October on page 5.

#### References

- 1. bit.ly/HMRCGiftAid
- 2. bit.ly/ClaimsReturns
- 3. www.gov.uk/claim-gift-aid
- 4. bit.ly/HMRCGiftAidguidance
- 5. www.gov.uk/charity-recognition-hmrc
- bit.ly/findcommsuppliers
   bit.ly/GAspreadsheets
- 8. www.gov.uk/claim-gift-aid-online
- 9. bit.ly/CharitiesCASCs
- 10. bit.ly/taxreliefstats

## **Getting to grips with tax reliefs**



I'm very pleased that our next 'simple

guide' focuses on untangling the web

A Simple Guide to Tax Reliefs

(BWB), we are delighted to publish

A Simple Guide to Tax Reliefs (bit.ly/

GuideTaxRelief), specifically designed

and how they can be put into practice.

The guide provides an overview of the

(SEIS), Enterprise Investment Scheme

(EIS), Community Investment Tax Relief

(CITR), Innovative Finance ISAs (IFISAs)

six most relevant reliefs to charities, which

include Seed Enterprise Investment Scheme

for charities and social enterprises to help

them learn about how these tax reliefs work,

Together with Bates Wells Braithwaite

of tax reliefs available.

Tax reliefs can be a valuable tool for charities to raise money and attract investors, but it can also be complex. Melanie Mills shares more on what Social Investment Tax Relief is, and gives you some insights on Big Society Capital's brand new guide.

As a simple soul, whose number one interest in working with charities and social enterprises is in creating impact, anything that is too finance-y or uses legalese sends me running for the hills. But the longer I work in the social investment world, the more I realise it doesn't need to be that complicated.

My role at Big Society Capital is to work with the social sector to better understand what social investment is and how it can be used to support charities fulfil their mission and create impact. As part of this, we launched the GET SITR campaign, which is focused on raising awareness of Social Investment Tax Relief (SITR).

Introduced in 2014, SITR is the only tax relief specifically created to enable and encourage new investment by individuals into charities and social enterprises. It also aims to level the playing field with regards to tax reliefs currently available to more traditional businesses.

However, there are other tax reliefs that charities can potentially use to raise investment. And after the 'what is SITR' question, other questions we often get asked include:

- How does it compare to other tax reliefs available?
- Can I use two different tax reliefs as part of the same deal?
- Which tax relief is better or most suitable for the type of investment I am trying to achieve?
- Can organisations as well as individuals benefit from using a tax relief?

and Gift Aid. Importantly, it also covers Social Investment Tax Relief, the newest of these reliefs.

66

SITR is the only tax relief specifically created to enable and encourage new investment by individuals into charities and social enterprises.

"There are many potential tax reliefs for investing into charities and social enterprises, but the rules can be complex and difficult to put into practice. I was delighted that Big Society Capital asked BWB to write this briefing and hope it gives charities and social enterprises the confidence to explore the potential of these reliefs."

Oliver Hunt, Charity and Social Enterprise specialist, BWB.

#### **GET SITR**

We started GET SITR to help translate the opportunities that tax reliefs can play. Hopefully, this guide will help to bring us one step nearer to supporting investment into charities and social enterprises (or donations in the case of Gift Aid). If the way ahead is just a little simpler, it will be a job well done.

GET SITR also gives you a whole host of free support and resources including downloadable guides, webinars, workshops and case studies. If you haven't signed up you can do so at bit.ly/SITRsignup.

**Risk: Top, topical** and business as usual

Alyson Pepperill CFIRM, Institute of Risk Management Charities SIG Chair **Alyson Pepperill Chairs the IRM's Charities Special Interest** 

Group which has undertaken a Top Risks survey over the past two years. Alyson will be delivering the opening plenary at CFG's Risk Conference on Wednesday 12 December in London. Here she discusses key outcomes from the IRM's survey and gives you a hint of what she will be discussing at the conference.

What becomes apparent from the Top Risks surveys is that risks change annually in the sector – but the big question is what is driving this, and does it always make sense? One aspect that we have been talking about within the SIG for some time now is how to balance the topical risks to make sure that the business as usual work around risk management does not suffer.

One really outstanding change that occurred from the survey in 2016 compared to 2017 was the arrival of the GDPR as a top three risk. Now I know that it was a 'must do' as we had that 18 May deadline -

now long past - but it was known about for some time. GDPR bumped the risks and leaped over risks such as 'Health', 'Safety & Security', and 'Financial Sustainability'.

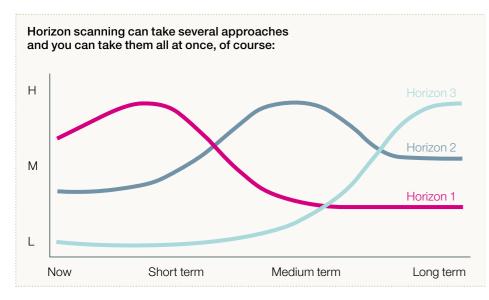
morphed into GDPR and Information Governance (for 2017 this was 21st and in 2018 it was up to 7th).

And although we can't prove this we do feel that the same thing happened

around 'Fundraising' out of the top three

Now you could argue that this in fact

with Fundraising in the previous survey.



#### The big questions are:

- Are charities leaping from topical risk to topical risk?
- And if that is the case what's happening to the more recognised business as usual risks in the meantime?

Of course, being agile and able to flex your risk management responses to emerging and topical risks is an excellent capability to demonstrate. Or is the leap to attend to the topical risk because of a lack of horizon scanning or planning?

Horizon scanning is not about predicting the future - it's more a systematic approach you can use to:

- Spot potential causes of uncertainty
- Ensure adequate preparation
- Exploit opportunities
- Or just to survive threats

It's not the only technique out there but a good one to have in your toolkit. Others include:

- Forecasting using qualitative and quantitative techniques including historical data and statistics, individual and collective judgement, monitoring of the environment.
- Driver mapping using STEEPLE (societal, technological, economic, environmental, political, legal, ethical) to consider a wide range of potential sources of future risk.
- Trend analysis using mathematical techniques on historical data to predict the potential trends.
- Scenario planning looking at possible future states on the basis of different starting states.
- Stress testing considering how an organisation copes with a range of potential scenarios.
- Delphi obtaining subject matter expert opinions on the way the future may unfold.

The other interesting aspect is: what happens to the usual risk management process and capital or resource expenditure while you are off attending to the more 'immediate' topical risk area? If it continues because it is embedded and part of day to day work then that's positive, however if projects that are just as important are put on hold as budget and resources are swallowed by the 'in' risk that no one saw coming then that will of course create problems.

To find out more about the IRM's free SIG contact Alyson\_pepperill@ajg.com.

CFG's popular Risk Conference is on 12 December 2018 – don't miss out, book your place at www.cfg.org.uk/risk18



Date: Wednesday 14 November

Time: 9.30 - 15.15

Location: RSM, 25 Farringdon Street, London EC4A 4AB

Early bird: CFG Charity members £99

Full cost: CFG Charity members £119/ Non-members £152

Full programme and bookings: cfg.org.uk/pensions18

Following the Pensions Act 2008, all charities are required to enrol certain staff on to a workplace pension scheme.

Managing staff pensions continues to present challenges, such as financing potential deficits, and how to strike the right balance between delivering fair

pensions to your staff, whilst demonstrating good financial stewardship to beneficiaries and donors. This full day conference will support charities in understanding what your legal responsibilities are with regards to governance requirements, alongside sharing options for managing the challenges you may face.

#### Who should attend?

Charity trustees and managers who are responsible for the administration of staff pensions, or who would like to contribute to strategic decisions related to pension management.

See the full programme and secure your early bird place for £99 at cfg.org.uk/pensions18

Kindly hosted by RSM.



Date: Wednesday 12 December

Time: 9.15 – 16.00

Location: JLT Employee Benefits, The St Botolph Building, 138 Houndsditch, London EC3A 7AW

Early bird: CFG Charity members £99

Full cost: CFG Charity members £119/ Non-members £152

Full programme & bookings: cfg.org.uk/risk18

Risk is front of mind for many charities and social enterprises after a challenging year for the sector. CFG's annual Risk Conference returns to London this year, bringing together an expert line-up of speakers to explore the major risks facing the sector now, discussing useful tools and sharing knowledge on how you can manage these risks effectively in your roles. They will also give you advice on how to identify risk, manage a crisis and report when something does go wrong.

Throughout the day there will be the opportunity to discuss issues with peers and speakers so you can take away advice tailored to your own organisation.

#### Sessions will focus on:

- Key strategic risks facing charities
- Fundina
- Cyber security
- Service delivery
- Governance

#### Who should attend?

Finance directors, senior managers, accountants, administrators and finance

See the full programme and secure your place at cfg.org.uk/risk18

Kindly hosted by JLT.



Date: Tuesday 25 September – Bristol / Tuesday 2 October - London / Tuesday 13 November – Birmingham

Time: 9.30 - 15.45

Early bird: CFG members £99

Full cost: CFG members £119/ Non-members £152

Full programme & bookings:

cfg.org.uk/VATBristol/cfg.org.uk/ VATLondon /cfg.org.uk/ **VATBirmingham** 

Charities are subject to VAT just like any other organisation. However, unlike other organisations, many charities undertake activities that are either exempt from VAT or outside the scope of VAT, which means that they cannot reclaim VAT costs on purchases. There are a number of exemptions that may be available if your organisation meets certain conditions. VAT knowledge and planning is crucial to minimising irrecoverable VAT and budgeting for remaining amounts that can't be recovered.

For many charities, raising income through trading activities has become an increasingly important source of revenue. However, there are certain restrictions that can apply and charities may still be liable for tax depending on the nature and level of activity.

This conference will look at current issues around charity VAT and trading, fundraising and zero-rated activities. partial exemptions and recovery, using a trading subsidiary, as well as the latest VAT updates and developments.

See the full programme and secure your early bird place for £99 at cfg.org.uk/events

Kindly hosted by RSM, Buzzacott and Brewin Dolphin.



Date: /Wednesday 3 October -Manchester/Wednesday 30 January -

Time: 10.00 – 16.00

Early bird: CFG Charity members £99

Full cost: CFG Charity members £119/ Non-members £152

Full programme & bookings:

cfg.org.uk/GAmanchester cfg.org.uk/GAlondon

Did you know there is almost £600m unclaimed Gift Aid each year in the voluntary sector? Getting the most out of Gift Aid is essential for increasing your charity's fundraising income and maximising the value of donations.

This conference aims to provide attendees with a good understanding of the main issues in Gift Aid and practical advice on topics such as Gift Aid and membership schemes, online giving and Gift Aid fraud. There will also be Q&A time at the end of each session to give attendees a chance to put your Gift Aid questions to the speakers. Conference sessions for the day:

- Gift Aid and membership schemes
- Online giving and intermediaries
- Gift Aid and small donations schemes
- Gift Aid fraud
- The impact of GDPR on Gift Aid declarations

Who should attend?

This event would be useful for all those working in roles that work with Gift Aid on a daily basis including finance directors, treasurers, finance managers, senior accountants, charity consultants and trustees.

See the full programme and secure your place at cfg.org.uk/GAmanchester and cfg.org.uk/GAlondon

Kindly hosted by RSM and Barings.



Date: Thursday 22 November

Time: 9.00 - 17.00

Location: The Bristol Hotel, Prince Street, Bristol, BS1 4QF

Early bird: CFG members £109

Full cost: CFG members £139/ Non-members £169

Full programme & bookings: cfg.org.uk/swwbristol18

CFG's annual conference for the South West and Wales takes place in Bristol this year, offering two streams of sessions for attendees to choose from, including essential industry and technical updates, as well as inspiring discussions on leadership and how to become more innovative as an organisation.

The programme for the day includes:

- VAT and tax update
- The role of finance in digital technology
- Re-enrolment auto-enrolment pension
- Tenders and full cost recovery
- How to promote your charity
- Business partnering
- Design thinking
- Governance and risk

Who should attend? Finance directors, senior managers, accountants, administrators and finance assistants.

See the full programme and secure your place at cfg.org.uk/swwbristol18

Kindly sponsored by Crowe.

### **UPCOMING TRAINING**

CFG's programme of training enables finance professionals in the charity sector to develop leadership and financial management skills, develop your understanding of topical finance issues, and network and share knowledge with peers.



#### **GDPR** and data protection

#### Monday 24 September, London

This course outlines the requirements of the latest data protection legislation and controls organisations need to have in place to ensure their data is safe. It will also give practical examples of how data protection in an organisation works, with real life case studies of where and how breaches have occurred in charities. Finally, coverage of the GDPR will highlight its impact on organisations within the UK, even when we are outside the EU, and how best to meet regulations

#### Cyber security for charities

#### Monday 19 November, London

Cybercrime is the fastest-growing area of economic crime, and charities are prime targets. Whilst many charities are aware of the dangers, the threats are constantly changing. Ensuring you can protect your charity is increasingly challenging, but critical. This half-day training will give you insight into the latest threats charities commonly face, along with practical guidance on how to be proactive in protecting yourself from cyber risks.

#### **Data analysis for charities**

#### Monday 26 November, London

This full-day course provides advice and insights on how to maximise effective data analysis to help you maximise income, using charity case studies and examples of practical application. The course will include an introduction into analysing existing data in your organisation, and how to link this to your strategic goals.

See more training and book now at cfg.org.uk/training

#### Events at a glance

For further information on all CFG events or to book, please visit www.cfg.org.uk/events or email events@cfg.org.uk

**Bristol** 

November

**Birmingham** 

Friday 20

London

November

Thursday 22

**Audit Committee** 

Cyber Security for

November

Manchester

**Tuesday 13** 

November

London

charities

#### **Conferences**

Gift Aid Conference

Wednesday 3

October Manchester Wednesday 30 January

London

Tuesday 25 September Rristal

Tuesday 2 October London

Tuesday 13 November Birmingham

Wednesday 14 November London

South & West &

Thursday 22 November **Bristol** 

Wednesday 12 December

Midlands

London

Wednesday 6 February 2019 Birmingham

Members' meetings

**MIDLANDS** 

Birmingham **NORTHERN** 

LONDON AND **SOUTH EAST** Thursday 11 October / Thursday 15 November

Thursday 27 September/ Thursday 6 December

Tuesday 9 October Leeds

London

SOUTH WEST AND WALES Tuesday 12 February 2019 Bristol

#### Training

**Investment Training** Wednesday 10 October London

**Foundation Investment Training** Tuesday 27 November London

**Foundation Charity Finance** Tuesday 18 September

Manchester Thursday 27 September Birmingham Tuesday 9 October **Bristol** 

Wednesday 17 October London

#### **Advanced Charity Finance**

Tuesday 6 professionals Monday 26 November November Thursday 8 London

#### Finance for **fundraisers**

**Data analysis** 

for finance

Monday 12 November London

#### **GDPR** and data protection Monday 24

September London

Monday 15 October London

Monday 19 November London



Our promise

## At Price Bailey It's all about you

At Price Bailey we spend time getting to understand you, your plans, obstacles and opportunities.

It's what sets us apart and it's part of the reason we are repeatedly recognised for the service we provide. Speak to our specialist charity advisors to see how we can help you.

For further information please contact:

Helena Wilkinson, Partner

T: 020 7065 2660

M: 07921 353540

E: helena.wilkinson@pricebailey.co.uk



pricebailey.co.uk

Price Bailey LLP is a limited liability partnership registered in England and Wales, number OC307551. The registered office is Causeway House, 1 Dane Street, Bishop's Stortford, Herts, CM23 3BT, where a list of members is kept. Price Bailey LLP is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales.