UHY Hacker Young
Chartered Accountants

2020 Charity and NFP Sector Outlook

Predictions for the year ahead from our specialist charity and not-for-profit team

Helping you prosper

Contents

Editor's welcome

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Welcome to the fifth edition of our Charity and Not-For-Profit Sector Outlook for the year 2020.

In 2019, we published our Outlook earlier in the year, looking at the financial year ahead. This year is different. The first half of 2020 saw life as we know it turn upside down as COVID-19 swept across the globe. We have all been impacted by it, both in a personal and a work capacity.

Charities have been at the forefront of this pandemic. Whether it be the many care homes caring for our elderly and vulnerable; food banks helping many more individuals and families than ever before; domestic abuse charities helping those at risk in lockdown; and, of course, mental health charities, who not only have had to deal with exacerbating needs of their existing service users, but also trying their best to help the rest of us deal with our new normal.

As ever, our Outlook aims to bring you the salient issues relevant to our sector at this time. For those charities receiving donations, on page 20 we clarify the situations in which you can claim gift aid and outline the information you should retain from donors.

In October last year, the Charity SORP making body issued a second edition of the Charities SORP (FRS 102). In addition, guidance was also published on the implications of COVID-19 for charities. We explore the impact of these reporting changes on page 10.

One of things this pandemic will have exposed is those charities who had their house in order. Those that did, and had robust systems and business continuity plans in place, will be in a strong position to see this through. We explore that very matter as we look at what a good business continuity plan should include (page 5) and key VAT and PAYE matters to be aware of (pages 14 and 15).

Unfortunately, throughout any adversity during which people generously give donations, there will always be those looking to take advantage through scams. Charities are given a reminder of how to protect themselves from cyber crime and other frauds on page 18.

Finally, we have a fantastic interview with Rita Akushie, the Chief Financial Officer from Cancer Research UK. Rita discusses what attracted her to work in the charity sector and shares some valuable insights into what she has learnt during her career so far. I personally found this fascinating and I hope you will too.

This is still a time of uncertainty and we wish you all the very best during this period and hope that you will find this Outlook helpful. If we can be of any help, please do not hesitate to contact us. Contact details for all members of our Charity and Not-for-Profit team can be found at page 25.

Business continuity management planning

The adage "By failing to prepare, you are preparing to fail" has never been more apt than in the current climate. If there is one thing the COVID-19 pandemic will have exposed, it is the importance of business continuity management. In this article, we explore the cornerstones of developing a robust Business Continuity Management (BCM) plan.

Why do we need one?

The answer to this should by now be obvious. Aside from that, risk management is one of the key foundations of good governance and the Charity Commission advises that Trustees should regularly review and assess the risks faced by their charity in all areas of their work.

Most charities have risk registers and most charity Trustees and their management are very good at reviewing these registers on a regular basis throughout the year to ensure they remain relevant. However, we have seen very few over the years who had listed 'pandemic' or other catastrophes as a risk.

When it comes to risk registers, a blue sky approach is often best.

Steps to develop a BCM plan

1. Brainstorm situations

Proper time needs to be set aside with involvement from both Trustees and management. This is an investment in securing your charity's future so don't just pay it lip-service. A blue sky approach is often best, however, typical situations when a BCM plan is likely to be needed include:

- a pandemic
- extreme weather events
- IT/data issues
- renewal of insurance cover

2. Work out what you need to do

So, you have thought of potential scenarios. The next step is to decide how you would react to them. For example:

- Water leak? The first step to consider would be who would turn the water off and do they know how to do it?
- Fire? How would the emergency services be notified and who at the charity should take charge?
- Building at risk of collapse? What is your evacuation plan?
- Pandemic? What are some effects of a pandemic on your charity? If there is a pandemic, how many people will be off work?

Start from the basic first steps and then escalate your response. Also, beyond the immediate charity, you should consider who else you might need to contact to make them aware of such events such as insurers, bankers, beneficiaries and other stakeholders.

3. How will you keep going?

Beyond the immediate disaster, your Trustees and management team will then need to consider how to keep the charity operational, if this is possible.

- Firstly, the charity's staff. Are they able to work remotely? Are they already equipped with the tools to do so or will you need to put this in place?
- Is your charity reliant on volunteers? What will you do if they are unavailable? This is a pertinent issue in 2020, particularly for those charities operating charity shops. Many of these are staffed by retired people who may be shielding, either voluntarily or in-line with Government guidelines, which could have an impact now shops are re-opening.
- Who will make the decisions? In the event of a disaster, it is not always business as usual and the usual channels for decision making may not be appropriate.
- People are at the heart of charitable causes - what will happen if you can't see beneficiaries face-to-face?

4. Document the above and share

Make sure you communicate with staff so that everyone knows what role they have to play. Ensure the BCM document is saved or stored somewhere where people can have access to it if needed.

Importantly, ensure there is at least one (up-to-date) copy stored securely in an off-site location.

5. TESTING, TESTING 1,2,3

We know how important test runs are – make sure you test your business continuity plan regularly. This will help you decide if it works or if certain areas need refinement.

When the COVID-19 outbreak was declared a global pandemic by the World Health Organisation in March, supermarkets were prepared. They had been revising and testing their plans to deal with a flu pandemic for years, engaging in both internal exercises and mass co-ordinated exercises. As a result, disruption to us as consumers was minimal and mainly caused through panic buying.

This a key example of how testing your plan pays off.

6. Insurance

Review your charity's insurance cover. Check the specific terms and speak with your insurers about what the terms mean and whether they can be enhanced. In particular, ensure you check:

- buildings and contents insurance
- business interruption
- indemnity

7. Update

There is no point going to the effort and added time and expenditure of creating a BCM plan if it is going to gather dust. Ensure that you review and update the plan regularly.

COVID-19: what now?

We've discussed previously about planning for business continuity. However, now we find ourselves in the middle of a pandemic. What should we be considering to navigate our charities through these tricky times?

Cashflow management

Possibly the most important point to get right is cashflow management. You may have staff furloughed and being paid through the Government's job retention scheme. Staff may still be fully active, but key funding streams such as donations and fundraising have been disrupted.

If you don't already have a cashflow management spreadsheet (or you only use it annually when the auditor asks for it), you must put a detailed one in place. Monthly predictions may be sufficient or, depending on your activities or a precarious cash position, it may need to be weekly.

Be cautious about income. Only include knowns and certainties. Break it down by each different income stream and then detail it further if needs be. Consider there may be delays in receiving funds.

Anticipate expenditure, including any extra potential costs such as redundancies. Be realistic.

By reviewing your cashflow movements and your anticipated bank position at the end of each month/week, you will be able to anticipate any areas of concern and hopefully you will have the time to be able to do something about it.

Speak with your bank and find out what support they can offer. They may be able to offer overdrafts or you may be able to come to some arrangement where they can guarantee staff payroll costs if they know your charity has guaranteed income and pinch points relate solely to timing.

Reserves

What is the current level of your charity's reserves? Not that as stated in your last set of annual accounts signed off by your auditor, but today. If you don't immediately know the answer to this question, you need to get up to speed on this quickly.

Unrestricted funds

These are the monies your charity has to spend on anything deemed necessary to the charity's purposes.

Designated funds

Does your charity have any designated funds that the Trustees can agree to be released to cover essential spending? If so, convene a meeting and minute your decision making.

Restricted funds

Does your charity have any old restricted fund balances stuffed down the back of the sofa? If so, and they have been languishing unspent for a number of years, now is likely the time to do something about it.

For smaller restricted funds (less than £10,000) that fulfil certain criteria, there are powers in the Charities Act 2011 to release such funds to unrestricted, provided the Charity Commission agrees.

If the Charities Act 2011 provision for smaller funds cannot be applied (ie. the amount is more than £10,000) Trustees may be able to make an application to the Charity Commission asking it to change the purposes of the funds and use its powers to make a cy-prés scheme.

If you know who donated the original funds, instead of obtaining permission from the Charity Commission, you could simply write to the donor directly asking for permission to transfer unspent monies to unrestricted.

The key point to remember when considering transferring funds is that, despite the current situation, Trustees and management still have a duty to do things properly and that such actions are in the best interests of the charity.

Relevance

In the current times, how relevant are your charity's usual activities? Most charities have been excellent at adapting under the circumstances such as theatre charities screening previous performances online, arts charities offering activities for people to do from home and many grant giving charities have set up COVID-19 related funds to help others in need.

You should be questioning whether or not your charity can be more relevant to your beneficiaries or the wider community. The original objects of the charity, as set out in its governing document, should be borne in mind as charities must not operate ultra vires. If amendments are needed, permission should be sought from the Charity Commission.

By adapting your charity's activities in these changing times, as well as helping more beneficiaries, other benefits can include:

- increasing your charity's profile to more people than you would have had the potential to previously
- diversifying income, either by unlocking new sources of funding or replacing other income streams that may have dried up in the current climate.

Decision making

In the current climate, things are changing quicker than normal and decision making needs to be timely.

Knee-jerk decision making is not encouraged, but Boards may find that they have a need to meet much more often than previously.

With social distancing, meetings are another hurdle to be overcome. There is no general rule of law that states that a charity's business has to be conducted via meetings. We are lucky to live in a digital age where many of us are able to use platforms such as Zoom, Microsoft Teams or Skype to hold our meetings virtually. For those who are not quite so tech-savvy, the telephone, fax or circulation of papers are equally acceptable ways to conduct business.

The way in which meetings should be called, and conducted, is often set out in your governing documents and so this should be consulted in the first instance as to whether a proposed change in method is allowable.

Trustees should record this decision and that they have done this to demonstrate good governance of the charity.

Insurance

You should check your insurance to determine whether or not your charity is covered for any losses incurred as a result of COVID-19. If you are not covered, learn from this ready for the next time the charity is due to renew.

Grants available

Finally, there is some additional help available from the UK Government and other charities.

UK Government

Details of the UK Government's support for the sector and details of how to apply can be found on the following website.

https://www.gov.uk/guidance/financial-support-for-voluntary-community-and-social-enterprise-vcse-organisations-to-respond-to-coronavirus-covid-19

Other sources of help

The Directory for Social Change, whose mission is to help others in the voluntary sector, have a comprehensive listing on their website of coronavirus funding programmes available.

Their useful summary gives a brief description of the purposes of the fund, allowing charities to determine whether they are applicable to apply, together with a link to access the web page directly.

https://www.dsc.org.uk/content/coronavirus-funding-updates/

We recommend consulting with a professional to ensure that any advice you take surrounding any of the sensitive areas above are in the best interest of your charity. Any of our charity and not-for-profit experts listed on page 25 would be delighted to discuss your individual circumstances with you.

Managing the expectation gap

The coronavirus tidal wave brought with it a flood of system-changing impacts across the UK charity sector, whose role as society's lifeline is now more vital than ever. Yet prior to the crisis, evidence suggested that public trust in the charitable sector was weakening. It may be the insidious growth of cynicism in society, or the fall-out from a few high-profile charity failures, but with charities across the UK seeing an impact to their finances as a result of the crisis, managing the expectation gap is vital for your charity's future. If you fail to demonstrate your charity's positive impact, it is unlikely that you will survive in the long term.

In the public eye

"Charities are the eyes, ears and conscience of society. They mobilise, they provide, they inspire, they advocate and they unite. From small local organisations run entirely by volunteers to major global organisations with turnover in the hundreds of millions, their work touches almost every facet of British civic life." So begins the House of Lords Select Committee Report: 'Stronger charities for a stronger society', published in 2017. And yet there is worrying evidence that the British public are beginning to fall out of love with their charitable organisations.

According to the Charities Aid Foundation, the total given to UK Charities in 2018 was £10.1 billion, down by £200 million on the previous year. The percentage of the population who contributed to charity, either through direct giving or by sponsorship, was 64% (down from 65% in 2017 and 69% in 2016). Of particular concern is that 20% of the population believed that charities were untrustworthy.

There is obviously an expectation gap. However, it is clear that charities cannot exist without public support, so when planning your long-term strategy you must look first to the public image of your charity.

Managing perceptions

There is evidence that, for many charities, the work they do is poorly understood by the public with a prime concern being whether too little money goes to the actual cause. Given that 40% of all charities are very small, each having incoming resources of less than £10,000 per annum, this is perhaps unsurprising. The activities of larger, high-profile charities sometimes contribute to the mistrust; in particular, some fundraising activities are viewed as aggressive. One common misconception is that staff employed by charities should be unpaid or paid at low rates and, of course, much publicity is made of spurious ratios comparing administration costs with spending on charitable activities.

It is therefore important to educate supporters and prospective donors. Clearly the point needs to be made and demonstrated that in order to achieve charitable objectives effectively, a charity needs to employ the best possible people, which means offering competitive remuneration packages. It is also important to lead the public to understand that, although charities do not make profits for shareholders, they nevertheless need to make surpluses out of which to accumulate reserves to fund future activities and build resilience against risks. So it is essential to be transparent about your reserves policy.

Accountability and transparency

Openness about your charity's activities goes much further than explaining the reasons for its reserves. Stakeholders should be kept informed about the Trustees' view of the risks the charity is exposed to and the way these are identified and managed. They should be told, and frequently reminded, about the positive impacts that the charity has achieved. Equally, management should also disclose the activities that have not been successful, along with the associated costs and the lessons learned. In order to deliver such information, every project needs to have a stated target, not necessarily financial, and therefore a means of measuring achievement against the target has to be established in advance. The effective dissemination of such information is vital and should by no means be confined to the annual report. Use of social media and your charity's own website are usually the most appropriate methods of communicating with supporters, but electronic newsletters sent out to a well-managed database can be very effective.

Leadership and infrastructure

The supporters of a charity will not usually spend much time with the annual accounts and Trustees' report. Just count how many copies are left on seats after the AGM! They will, however, (perhaps subconsciously) need to have confidence in the competence and professionalism of the Board of Trustees and the management team. To this end, it is important to invest in leadership and infrastructure. Volunteers are often hard to find to fill vacancies on the Board of Trustees, so some charities have a tendency to accept nominations without due consideration. But Trustees have to be right for the job. They must have the appropriate skills and experience and they must understand the charity, the field in which it operates, and their own responsibilities. It is also fair to say that not enough charities provide training for their Trustees.

To function properly Trustees require high-quality, relevant and timely information. To ensure that this is available, investment is needed in good IT and financial systems, and effective systems need to be in place for income generation, governance and management. Some charities feel under pressure to skimp on such systems, fearing that they might be seen to be spending too much of their income on administration.

Maximising resources

Finally, a charity needs to be seen to be making the most of its resources. You should be able to demonstrate that your charity is proactive in identifying current needs, future growth and development opportunities. You also need to be able to show how the charity responds to a changing environment, and perhaps consider improving effectiveness by collaboration with other charities or the corporate sector.

How you respond to and come out of the current COVID-19 crisis may influence how the public view your charity and the wider sector in general. Now is the time for charities to continue to support local communities and hopefully they in turn will value and support the sector in the future.

If you would like further advice on this subject, or any other aspect of managing a charity, please contact one of our specialists listed on page 25.

Charities SORP: what's changed?

In our 2019 Outlook, we advised you of changes to the Charities SORP (FRS 102) which were coming into effect for accounting periods commencing on or after 1 January 2019. These amendments arose from the triennial review of the underlying FRS 102 in 2017.

The Charities SORP (FRS 102) (second edition) was published by the SORP making committee in October 2019. As this updated SORP came into effect for those periods beginning on or after 1 January 2019, we thought it would be useful to remind you of the following key amendments.

Significant amendments

Investment property

A charity owning investment property is required to include that property at fair value in their statutory accounts, with any change in fair value reflected in the Statement of Financial Activities (SOFA).

Mixed use property

Where a charity may have mixed use property, the SORP requires the elements to be separated between investment property and property held for operational purposes if the resulting portions could be sold separately (or leased separately under a finance lease). The operational element would be included within the charity's tangible fixed assets in accordance with their stated accounting policy and the investment property included at fair value. The undue cost or effort exemption, included in the previous version of the SORP, has now been removed requiring all charities who meet the criteria for mixed use property to follow this treatment.

Properties rented to group entities

If a charity rents investment property to another group company, it may now choose to account for such properties in their individual financial statements either:

- at fair value (as previously required) or;
- to transfer them to tangible fixed assets and measure them using the cost model.

If the cost model is chosen, this constitutes a change in accounting policy and the comparatives should be restated. The fair value at the start of the previous accounting period is treated as the new deemed cost of the property. No further revaluations to the property are then required all the time the cost model is used.

Statement of cashflows

Large charities required to include a Statement of Cash Flows in their statutory accounts must now include a reconciliation of net debt. This is the same format as was previously required under old UK GAAP and so should be familiar to many. The SORP provides an example of how the reconciliation may be set out for those whose memories may need refreshing.

Clarifying amendments

These amendments are not changes to FRS 102 but they clarify how the requirements of FRS 102 must be applied.
As these clarifications should have been applied since their publication in 2018, the majority of charities should have already made the necessary amendments to their statutory accounts.

Gift aid payments made by a subsidiary to its parent

It is common practice for a charity's trading subsidiary to donate their distributable profits to the parent charity under gift aid,

therefore negating any corporation tax charge that may have been otherwise incurred. This is dependent on any donation being physically paid to the parent charity either within the year in question, or within nine months of the company's accounting period end.

In 2014, HMRC released updated guidance on corporate gift aid which determined that such distributions were akin to a dividend. The Charities SORP (FRS 102) has been amended to clarify how such payments should be treated. In the same manner as companies cannot accrue dividends declared and paid after the year end, the charity sector is now expected to follow suit.

Impact for subsidiary company accounts

The change means that the statutory accounts for a subsidiary company, which has not paid its profits up to its parent during the year in question, will now reflect a profit for the period.

As a distribution, the payment is required to be reflected as a movement in equity rather than as expenditure. Such expenditure should no longer be shown in the Income Statement/Profit and Loss Account but instead companies will need to reflect it through its Statement of Changes in Equity or Statement of Income and Retained Earnings.

An exception is where the group can demonstrate there is a legal obligation for the subsidiary to make a payment, for example by entering into a Deed of Covenant. In these instances, such payments can continue to be accrued as before.

For most subsidiary companies, the above changes will constitute a change in accounting policy and require the comparative figures to be restated.

Impact for parent charity accounts

The criteria for revenue recognition has not changed and so charities should continue to only account for income when they have entitlement, receipt is probable and the amount can be measured.

Where a legal obligation is in place, the above criteria is considered to be met and income should be recognised in the charity's accounts.

Where there is no legal obligation, Trustees may still be able to demonstrate a constructive obligation which would result in an expected donation being recognised, despite the subsidiary not being able to recognise the associated expense. Examples include directors of the subsidiary communicating their intention to make a distribution, clauses in the subsidiary's Articles of Association or that custom dictates that payments have always been made.

Impact on taxation

There are no changes to the tax treatment so long as the donation continues to be paid to the parent company within nine months of the year end to meet the criteria under gift aid.

The tax note in the subsidiary company's accounts should disclose that the accounting profits will be paid to the parent charity within nine months of the reporting date and as such, there are no taxable profits.

Depreciation of fixed assets comprising of two or more major components

Previously there was an undue cost or effort exemption included in Charities SORP (FRS 102) for charities to depreciate assets comprising two or more major components which have substantially different useful economic lives.

A common scenario may be where a charity owns property and for example structural features such as a roof may have a different lifespan to items such as windows or boilers.

Charities will now be required to depreciate each component separately over their useful economic lives.

Implications of COVID-19 on financial reporting

Due to the exceptional circumstances of the COVID-19 pandemic, the Charity SORP making body issued guidance at the end of March 2020 on the financial implications on the measures put in place by the UK Government to contain the virus.

This advice is not an amendment to the Charities SORP (FRS 102) and is advisory in nature to assist preparers of accounts. The advice can be considered with immediate effect for any sets of accounts yet to be approved.

The areas of financial reporting on which COVID-19 may impact your charity include:

Trustees' Annual Report, including risk reporting

Trustees have a duty to report a fair and balanced view on the activities of their charity and this narrative should be inclusive to the date of approval by the Board. As COVID-19 is a significant event that will impact all, Trustees will be required to highlight that this event has occurred and how it has impacted, and is likely to impact, the charity. In a number of cases the full extent of how charities are to be impacted is not yet known, but it is ok to be candid in this regard.

We should remember that the Trustees' Report is the opportunity to tell your story alongside the numbers. A user should be able to pick up last year's Report and look at the 'Plans for Future Developments' section and then relate that to what you have reported this year. How Trustees set the scene before approving their Annual Report this year will help the connection with the following year's Report when the full effects of COVID-19 are likely to have played out.

Going concern

We are all aware that Trustees have a duty to consider whether their charity is a going concern for at least 12 months after approving their accounts. When the last two weeks has felt like a year, 12 months can seem like a lifetime. No one has a crystal ball, however, Trustees should consider all available information about the future at the date they approve the accounts. This will include information that should usually be considered such as budgets and forecasts about income and expenditure and cashflows, paying particular attention to the level of unrestricted funds the charity currently holds. In addition, you should also consider the impact on any future funding that was due to be received by checking the terms and conditions and the obligations by the charity to fulfil such funding, as well as considering any financial assistance that may be available, either from the government or other charitable organisations.

If accounts cannot be prepared on a going concern basis, this will need to be disclosed. Consideration should then be given to the accounting policies and in particular the judgements and estimates used to value assets and liabilities. Consideration will also need to be given to the value of any operational assets.

Post balance sheet events

There are two types of post balance sheet events that Trustees should consider:

1. Adjusting
2. Non-adjusting

As a reminder, adjusting post balance sheet events are those occurring where conditions existed at the year end. The disclosure of non-adjusting events provides useful and relevant information about the charity to the users.

Charities with December reporting dates are unlikely to have adjusting post balance sheet events as only a few cases of the virus had been reported at this time. They will, however, be likely to have to report non-adjusting post balance sheet events

and the disclosure should also include, where relevant, the impact on the asset values of the charity – ie. those who are lucky to have large investment portfolios.

Charities with reporting dates ending in 2020 may well have year-end balances affected by adjusting post balance sheet events as the situation around the spread of the coronavirus is evolving daily, sometimes even hourly. The up-to-date position will need to be assessed carefully at the point at which the accounts are to be approved.

Defined benefit pension schemes

In the same way in which charities own investment asset values may be impacted, so may the assets and liabilities of a defined benefit pension scheme of which the charity is a participating employer. Trustees of the charity may wish to contact the Trustees of the pension scheme to assess any potential implications for the charity, whether it be a change to the liability to be reported on the charity's Balance Sheet, or a change to the contributions payable. The conditions set out above for post balance sheet events continue to apply here as to whether the year end number will need to be adjusted.

Provisions and liabilities

Charities providing goods and services to their beneficiaries will need to consider whether there has been any impact to their costs, arising as a result of disruption to their normal supply chains. One simple example of this would be social care charities who provide care in the community currently having to pay much higher costs for items such as hand sanitiser and Protective Personal Equipment (PPE). Another example would be the ability of charities to fulfil contractual obligations or performance targets which may give rise to additional costs or penalties. As with defined benefit pension schemes, the conditions for post balance sheet events also continue to apply.

To sum up, the key messages from the guidance are:

- charities will be impacted in different ways. It is important for Trustees to understand the impact on the delivery of their activity and their governance, including their finances
- where a charity is preparing a set of accounts and these have not yet been approved, Trustees should consider whether information needs to be included to explain the impact of the COVID-19 situation on the charity
- changes to the financial statements will be needed as a result of COVID-19 and it is important that Trustees understand and consider these.

If you have any questions about how these changes could affect you, please contact one of our charity and not-for-profit specialists.

VAT update for charities

The general public perception is that charities do not pay VAT. However, those working in finance in the not-for-profit sector are well aware VAT is a cost as well as a complicated tax.

1. In respect of income it is critical to determine the VAT treatment. It is easy to consider a payment as a donation and outside the scope of VAT when HMRC may consider it sponsorship and subject to VAT. HMRC have revised their guidance in respect of grants in recent years.
2. For expenditure there are reliefs available to charities which include property development. These reliefs can be complicated and any commercial activity can result in a loss of relief.
3. And what if the incorrect treatment is applied? This is costly – a penalty is typically 30% plus interest.

In this article we consider some current issues against this backdrop.

The VAT treatment of income

In the Budget announcement on 11 March 2020, the Chancellor confirmed that VAT would be removed on the sale of women's sanitary products from 1 January 2021. This follows a high profile campaign. VAT was charged at 5% which was the lowest rate that could be applied under EU rules. With the UK's withdrawal from the EU, it has allowed the UK Government flexibility to set its own VAT rates.

This is a game changer.

It indicates the UK will not align fully with the EU's single market VAT rules. It means there is increased scope for the UK to continue to develop and apply tax to support public and political policy. This policy tool – think sugar tax, carrier bag levy – can be extended to VAT.

For charities, there is an opportunity to lobby for better and more effective VAT reliefs. These reliefs are common in the public sector, for example local authorities generally enjoy full VAT recovery, yet the charity sector delivers much of the public and social policy objectives and does not enjoy any general relief as it was not allowed under EU rules. This is now available as an option on the UK's exit.

Consideration should be given to the actual cost of VAT for charities – compliance or actual – and what could be achieved if that cost was removed. In the current climate there is a real opportunity. This is underscored by the evolution of the delivery model.

Maximising reliefs - digital publications – the view from the courts pre-empts the Chancellor

In the March Budget, the Chancellor announced that supplies of digital copies of specified publications will no longer be subject to VAT from 1 May 2020. This follows (although may be unrelated to) a 2019 tribunal loss for HMRC who had been granted leave to appeal.

HMRC invited protective claims following their loss subject to the appeal decision. The decision results in an opportunity for a four year retrospective claim as well as future savings.

Background

It has long been considered unfair that digital versions of books magazines and other printed matter are subject to VAT while the hard copy versions are not. There was never any intention to tax what is considered educational and free of VAT as it is in the public interest. But this has been the default position as tax law has not kept pace with technology and social change. This may have changed on Christmas Eve 2019 when the Upper Tier Tribunal ruled

that digital versions of newspapers should have the same VAT treatment as physical copies.

What is the change?

HMRC took the view that the law restricted zero rating relief to goods. As there is no physical product the digital version could not benefit from zero rating and VAT was due. The Upper Tribunal produced a detailed judgement that concluded it was never the intention of parliament to tax these products. In essence, it took a purposive approach rather than a literal approach. It is interesting that this view has now been confirmed in a statement by the Chancellor of the Exchequer.

Is this binding?

HMRC have been granted leave to appeal. The case proceeds direct to the Court of Appeal leapfrogging the High Court as one of that court's Justices 'stepped down' to the Tribunal to co-hear the case. The decision is founded in a comprehensive analysis of UK law and principles of legal interpretation. HMRC always seek to narrow the scope of rulings they consider adverse to their view and an appeal was inevitable. The appeal may well proceed as the application is retrospective.

What does this mean for charities?

If you digitally supply publications that would be zero rated in hard copy then you should consider protecting your position. This is likely to mean considering a claim to protect the past as there are time limits and protecting future periods until the matter is settled in the courts. Care needs to be taken to ensure the penalty position is appropriately managed.

Wider application

This decision has the scope to include publications provided as part of a membership package, purchased publications and subscriptions sold to private customers outside the UK but in the EU.

Managing penalties

The penalty range for the incorrect treatment of VAT is 0% to 100% of the tax underdeclared. This is punitive. The typical penalty is 30%. Penalties can be mitigated through co-operation and the exercise of reasonable care.

Reasonable care includes review and control which has evolved from themes developed from previous changes over the last 20 years. These controls were developed and required following high profile accounting failures.

This introduces a not unreasonable expectation that proper governance will be exercised in respect of tax and that will be rewarded if errors do occur. In order to benefit from this mitigation you may receive a lengthy questionnaire and it is essential that any controls and advice is recorded and held on file.

The final and largely unknown mitigation is suspension. HMRC do not automatically offer suspension but it has the benefit of suspending the penalty with control conditions. At the end of the suspension period the penalty will be quashed if the conditions have been met.

What next?

There are some significant opportunities arising from the UK's withdrawal from the EU. This presents an opportunity to transform the VAT landscape.
There remain control and governance issues that need to be addressed. VAT is a cost but it is capable of and requires management.

IR35 and off-payroll workers

In the emergency response to COVID-19, the Government announced it is postponing the extension to off-payroll working rules to the private sector from 6 April 2020 to 6 April 2021.

The intermediaries' legislation, commonly known as IR35, was first introduced twenty years ago to counter perceived tax avoidance where independent contractors provided services to end users through an intermediary (typically, a personal service company). IR35 essentially triggers a PAYE and national insurance cost when an otherwise independent contractor is deemed to be employed by the end client.

New rules, that were intended to be effective from 6 April 2020, would have impacted on contractors working through a personal service company (PSC), recruitment agencies and all large and medium-sized private sector end clients.

Since 2017, public sector organisations have become responsible for considering whether the contractor, or rather the contract, is caught by IR35. On 6 April 2020, the burden of assessing the employment status of contractors was due to extend to the private sector, including larger charities with an annual turnover of more than £10.2 million, but the new measures have been postponed for a year due to the economic impact of the coronavirus.

The Government continues to believe that it is right to address the "fundamental unfairness" of non-compliance with the existing off-payroll working rules, and the rules will now come into force on 6 April 2021.

The thresholds that organisations must meet to fall under the new rules are an annual turnover of £10.2m or more, a balance sheet total of more than £5.1m and having over 50 employees. If your charity falls into that category and engages workers through an intermediary, you will become responsible for assessing employment status and consequently applying deemed PAYE to the remuneration.

If your charity falls into the above category, you need to follow the below steps before 6 April 2021 to prepare for the new rules.

1. Review your current workforce (including those engaged through agencies and any other intermediaries) to identify those workers who are not processed through your payroll because they are providing their services through a PSC, partnership or as other (self-employed) individuals.
2. Determine if the off-payroll rules will apply for any contracts that will extend beyond April 2021, that is, whether individual contractors should be considered employed for tax purposes. You can use HMRC's Check Employment Status for Tax (CEST) to do this. It is hoped the delay will give HMRC time to improve guidance and the CEST tool which has been causing some confusion.
3. Before 6 April 2021, you need to provide a Status Determination Statement (SDS) to explain the reason that you consider the worker or contractor to be a deemed employee. You will need to issue a SDS to the supply chain if the contractor is using an agency, recruiter or umbrella company. Unless and until you have provided the SDS to the worker and the organisation you contract through, you will be liable for any income tax and national insurance contributions due on the payments you make.

It is important not to apply blanket decisions on whether certain contracts fall within IR35 and each case must be reviewed on its own facts. HMRC has the authority to issue significant penalties if an organisation is not compliant with the legislation, so if your charity has an income of over £10.2m it is important you review your situation.

We understand that if you have already issued Status Determination Statements (to state that you believe a PSC provider falls within IR35), it will not be bound by law and should not be used by HMRC in the event of an enquiry over the next 12 months.

We will keep you informed should any further considerations be required as the situation develops. As this is an extremely technical area, if you have any concerns or require advice about employment status for tax more generally, please contact your local UHY charity specialist.

Cybercrime and protecting your charity from fraud

Every day we hear stories of individuals and companies being victims of fraud or cybercrime. Charities are also targeted by ruthless criminals, who are unlikely to care about stealing from charity funds intended for their vulnerable beneficiaries.

Worryingly, surveys reported by the National Cyber Security Centre show that smaller charities have weaker systems and controls in place, and may have Trustees who are less knowledgeable about fraud and cybercrime.

The Charity Commission survey in 2019 revealed that 3% of all charities were successfully attacked in the last two years, whilst 4% had suffered at least one fraud. Whilst 50% of respondents said that the Board was responsible for security, 15% said that no-one had responsibility! Only 29% of frauds were reported to the Charity Commission, 42% to the Police, and 89% to the Board.

In this article, we look at the key fraud risks you should be aware of and consider some of the systems you can put in place to protect your charity.

Key types of fraud

Fraud

There are multiple cases of fraud suffered by charities including:

- theft of cash at fundraising events or challenges
- theft of legacies by executors or relatives
- fake websites claiming to be raising funds for your charity
- fake emergency appeals
- fake beneficiaries, (individuals or groups) sometimes backed by terrorist organisations
- fake donors – beware money laundering
- cheque fraud and procurement fraud.

Impersonation

In December 2019, the Charity Commission announced that they had received several reports from charities who have been targeted by fraudsters impersonating members of staff, specifically attempting to change employees' bank details. In all these cases, the request was made through an email.

These plausible emails, often purporting to be from the CEO or chair of trustees, ask for a large sum to be transferred to a bank account. They often cleverly mention where the person is (eg. a conference or meeting), having hacked into the system and checked their diary. Where the fraud is successful, sums are transferred without telephoning the individual to check that it is genuine.

The same process is used in emails allegedly coming from a supplier or employee, advising that their bank details have changed. If the accounts department does not check directly with the supplier or employee, future BACS payments are then diverted into fraudsters' accounts.

Your accounting systems should have strong controls in place to include double-checking before transferring funds or changing bank details.

Cyber extortion

Cyber extortion is an online crime where hackers break into your systems and hold your data, website, computer systems, or other sensitive information hostage until you meet their demands for payment. By doing so, cybercriminals can extort large sums of money from businesses and charities.

Protecting your charity

Much like putting strong GDPR systems into place, the same principles need to apply to fraud and cybersecurity. You have probably improved your IT systems and firewalls using internal or external specialists, but these need to be kept under review, and regularly refreshed.

The best way to combat fraud and cybercrime is to have a fraud awareness plan and a counter-fraud policy, carry out fraud awareness training for your employees and volunteers, encourage whistle-blowing, and regularly communicate on these issues.

Preventing cybercrime

There are a few simple actions you can take to protect your charity:

- hold awareness training for staff, volunteers and Trustees
- don't open emails from unknown sources, and be suspicious of poor spelling

- be extra alert in the aftermath of natural disaster and human tragedy
- offsite staff should avoid using public Wi-Fi. Make it a policy to use 3G/4G instead
- consider encryption for staff mobiles, laptops and PCs
- strengthen your password protocols, although latest guidance suggests changing too often leads to staff using passwords that are easier to crack!
- create a cyber-fraud response plan
- back-up off-site, ensure that devices can be tracked locked and remotely wiped.

Remember to report cybercrime to the Board of Trustees, Action Fraud, the Charity Commission (online serious incident form) and the Police.

Check out the National Cyber Security Centre (NCSC) website for the latest guides for charities, including tips about how to improve cyber security within your charity - quickly, easily and at low cost:

www.ncsc.gov.uk/collection/charity/cyber-threat-assessment-uk-charity-sector

The Charity Commission updated its fraud and cybercrime guidance in light of the recent increase in fraud attempts to take advantage of the COVID-19 crisis. We recommend that all charities review this latest guidance, following up the advice given, the useful links and the free webinar offered:

www.gov.uk/government/news/coronavirus-covid-19-increased-risk-of-fraud-and-cybercrime-against-charities

Preventing fraud

To prevent your charity from fraud, make sure you:

- set up a fraud awareness plan and a counter-fraud policy
- appoint a fraud awareness champion or team to ensure an ongoing programme
- ensure that all staff, volunteers and Trustees undergo fraud awareness training
- use blogs, emails, webinars, posters to raise awareness
- devise an easy to use internal reporting system, linked to your whistle-blowing policy
- regularly discuss fraud risks with senior staff and Trustees.

Due diligence and communication

Due diligence and communication is key, so ensure that you always know and can verify who you are dealing with:

- carry out ID and good-standing checks on new and existing donors
- be sceptical about large/unsolicited donations, with unusual conditions attached to them
- check out your grant holders; are they genuine beneficiaries, does the organisation exist?
- monitor projects to ensure that grants are being spent as applied for
- set KPIs or milestones, ensure these are in the original grant conditions
- check out your volunteers; carry out ID and good standing checks, and DBS checks, obtain references
- carry out pre-employment checks, including qualifications and ID
- ensure that volunteers and staff are trained to spot frauds and unusual behaviour.

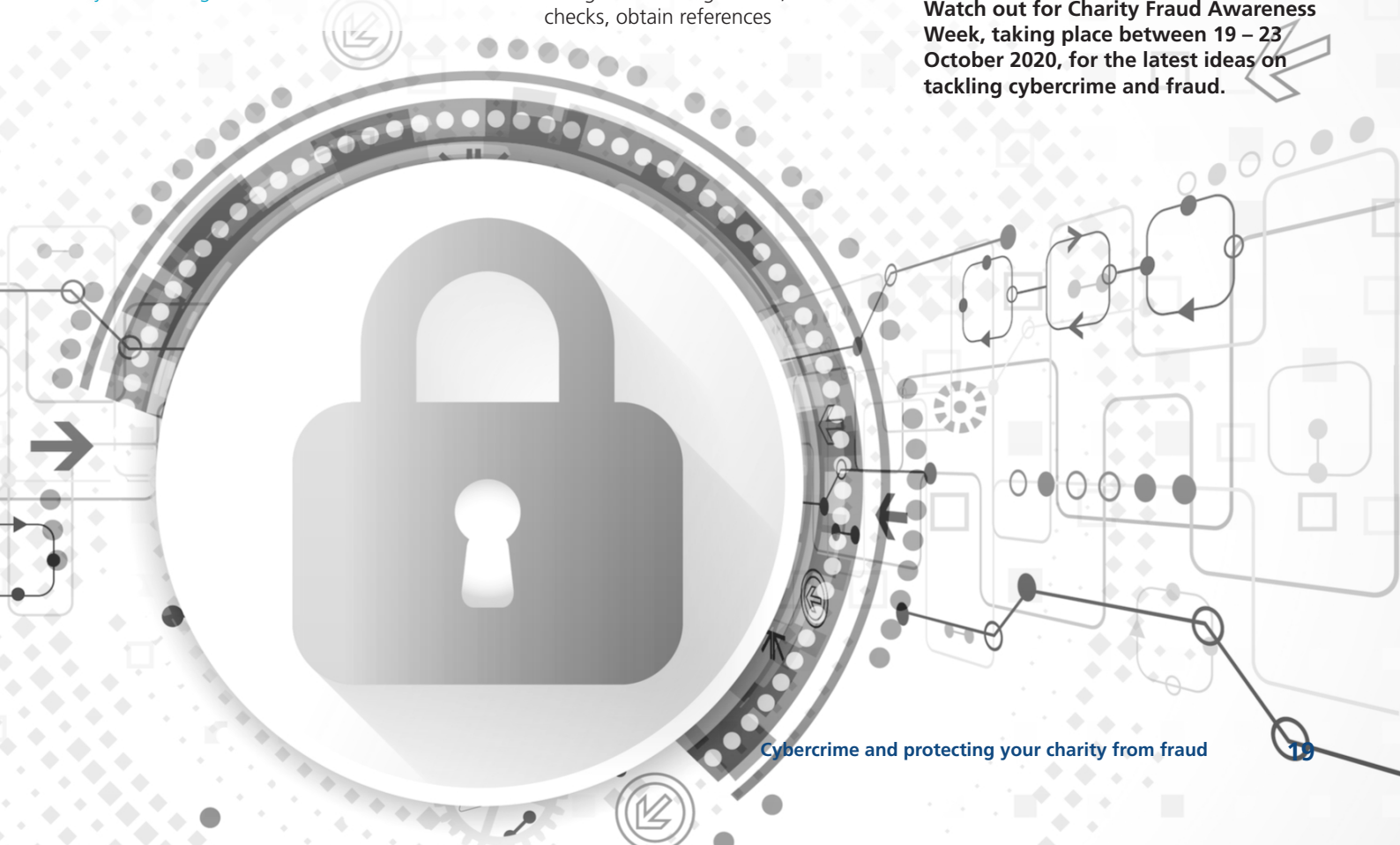
Preventing fundraising fraud

- be extra alert when there is a major disaster or human tragedy
- check online pages, fraudsters using your name to raise funds, or posing as survivors
- carry out due diligence on potential partners
- check that funds raised at events and challenges are all collected in, use strict procedures to monitor, explain that funds are held on trust and there is a duty to pass them on
- be aware of warning signs, behaviours, attitude, lack of contact, branded materials misused
- ensure that fraud awareness training covers fundraising risks.

And remember - discovering a fraud is good!

If you discover a fraud or attempted fraud in your charity, it means that heightened awareness and controls/procedures are working, otherwise, it would not have been discovered. Be open about it and tell staff and volunteers about the fraud. Real case studies work best. They should increase staff/volunteer willingness to challenge unusual activity or behaviour. Consider disclosing it in your annual report, demonstrating your fraud-awareness status. Tell your auditors, report it to the Board, Action Fraud, the Police and the Charity Commission.

Watch out for Charity Fraud Awareness Week, taking place between 19 – 23 October 2020, for the latest ideas on tackling cybercrime and fraud.



A Gift Aid reminder

Many charities rely on donations as a key income stream to fund their activities. If you do, are you maximising your income from donations? Here is a reminder of the principles of HMRC's Gift Aid scheme.

Who can claim?

If your organisation is recognised as a charity by HMRC, then you could be eligible to claim an additional 25% on donations received from individuals. That's an extra 25p for every £1 donation.

To be able to claim Gift Aid, broadly the organisation has to meet certain criteria:

1. be recognised as a charity
2. be based in the UK, EU, Iceland, Liechtenstein or Norway
3. run by 'fit and proper' persons
4. be recognised as a charity by HMRC.

The first point may sound a little obvious as surely to be recognised as a charity, an organisation's details would be registered with the Charity Commission. This, however, is not always the case as there are many different types of organisations with charitable aims. The types of organisations that are considered charities will therefore include those registered with the Charity Commission, OSCR or CCNI; organisations such as churches or smaller Parochial Church Councils and other exempt charities; and clubs such as Community Amateur Sports Clubs (CASCs).

Special rules

Most of us are au fait with the general definition of a 'donation' on which gift aid can be claimed. However, HMRC has some special rules for certain charitable activities which include:

- sponsored challenges
- charity membership fees
- church collections
- selling goods on behalf of individuals (eg. via charity shops)
- charity events or to view charity property
- charity auctions
- volunteer expenses
- funds raised through charities involved in running schools.

If your charity undertakes any of these activities, we would recommend getting in contact with one of our charity experts to discuss the rules in detail compared with your specific circumstances. It is worth highlighting, however, a few areas which may be little known but could allow you to easily increase your income.

Volunteer expenses

In lots of instances, volunteers (including Trustees) will not reclaim expenses, such as travel costs, back from the charity to whom they are donating their time. However, if volunteers were to claim expenses and then gift them back to the charity, the charity could then claim an extra 25p for every £1 donated. An important point to note, however, is that the charity is only able to claim when the volunteer makes an actual payment of money to the charity. Gift Aid will not apply if they simply waive their right to expenses.

Church collections

In the instance of church collections, Gift Aid cannot be claimed if the church is raising funds for another charity as they are effectively acting as an agent in passing the donations on. If, however, the church sets up a separate fund within their accounts to raise money for a charity, this would form part of the church's income and therefore Gift Aid can then be claimed. Donations, and any associated Gift Aid, should then be paid over to the recipient charity.

Membership subscriptions

CASCs cannot claim gift aid on membership fees but some charities may be able to. Bodies who are deemed 'approved professional organisations and learned societies' by HMRC can maximise their income as Gift Aid can be claimed on retired and student members' subscription fees (where those persons have no associated income to deduct professional membership subscriptions).

Declarations

You should ensure you obtain Gift Aid Declarations from all individual donors where you intend to claim Gift Aid on their donations. At the current time of publication, any declarations should include the following information:

- ☑ name of charity/CASC
- ☑ donor's name
- ☑ donor's home address
- ☑ whether the declaration is to cover past/present/future or just a single donation
- ☑ a statement that the donor wishes for the charity to claim Gift Aid on their donation
- ☑ explanation that the charity needs to pay the equivalent in tax for the charity to claim gift aid.

There are also additional requirements for sponsorship forms. For the avoidance of any doubt, we would always recommend comparing your Gift Aid Declarations against the examples provided by HMRC on their website (www.gov.uk/claim-gift-aid/gift-aid-declarations).

Although the most common method of recording declarations is to use pre-printed forms that donors complete themselves, records of declarations can be either written, online or verbal. You should also remember to retain any details of cancelled declarations.

A reminder on record keeping

Each year, HMRC selects a number of charities and CASCs for audit to ensure that the Gift Aid scheme is being properly applied. Charity Trustees are ultimately responsible for ensuring that all claims are correct so they have an obligation to ensure that appropriate systems are in place to achieve that result.

The general rule is to keep Gift Aid records, including declarations, for six years after the end of the tax year that the claim relates to.

Claims can be made within four years of the end of the financial period in which the donation was made.

Gift Aid Small Donations Scheme

The Gift Aid Small Donations Scheme (GASDS) was introduced in April 2013 to allow charities to claim Gift Aid on small cash donations, for example cash collected in tins and buckets during street collections or the office dress-down day.

The scheme can be utilised on any cash donations of £30 or less. Since 6 April 2019, the scheme can also be applied to any cardless cash donations of £30 or less, opening it up to many more charities since the younger generation is fast becoming a cashless society.

Charities can claim up to £2,600 in a tax year under the scheme (since 6 April 2016).
HMRC has the following stipulations for those using GASDS:

1. to use the scheme, you must already be claiming Gift Aid in the normal manner (and in the same year as you are claiming under GASDS). A charity cannot claim using the GASDS only.
2. you cannot claim more than 10 times the value of your other Gift Aid claims. For example, if you have received £100 of Gift Aid donations in the year, then the maximum value of donations you can claim Gift Aid on under the GASDS is £1,000.

Given the nature of the donations that can be included within the scheme, the requirements for record keeping are less onerous than for normal Gift Aid. However, there are still elements of key information that must be recorded as a minimum:

- total cash donations
- date of the collection
- date paid into the charity's bank account.

You will also need to keep records of any contactless card donations taken, such as copies of the receipts from card machines.

The timeframe in which claims can be made is shorter than the normal Gift Aid Scheme. Any claims made under the GASDS must be made within two years of the end of the relevant tax year that the donations were collected in.

It is important to note both the reduced timeframe and that the GASDS references the tax year and not the accounting period, as is used in the normal Gift Aid scheme.

If you would like to discuss any aspects of your charity's income where there is potential for Gift Aid to be claimed or you would like a Gift Aid audit to ensure your record keeping complies with best practice, please get in touch a member of our Charity and Not-for-Profit team.

In the spotlight: Rita Akushie, CFO at Cancer Research UK

We caught up with Rita Akushie, Chief Financial Officer and Executive Director, Corporate Resources at Cancer Research UK, to hear about the amazing work the organisation does, as well as Rita's take on some of the current issues facing the charity sector.

Rita Akushie
CFO and Executive Director,
Cancer Research UK

Tell us a bit about your background and how you ended up at Cancer Research UK

I trained as a chartered accountant in practice. The decision to move out of practice was an easy one because I never enjoyed audit! I joined a housing association in 1995 and immediately knew I would remain in the sector for a long time. For me, it was the right mix of commercial and social purpose. In 1999, I took on my first executive finance director role and, for the next 20 years, worked in several housing associations. I also studied and qualified as a member of the Association of Corporate Treasurers in 2006. This probably wasn't essential for an FD role, but I enjoy studying.

I've always known that I am deeply motivated by purpose and that it would take a very special organisation for me to leave social housing. The role at Cancer Research UK was one of the few roles that really felt right for me. My role covers finance, property, audit, risk, governance and legal.

Have you found there to be much of a difference moving from your previous roles in the housing sector to the charity sector? For example, the housing sector uses a different SORP to prepare its accounts and annual reports. Is there anything useful from the housing sector that the charity sector could take on board?

I am not yet an expert on charity SORP, but I have an amazing team who are. In both sectors, there is the need for accountability and transparency. Social housing organisations have physical assets to rely on for their income, whereas charities like Cancer Research UK rely primarily on their purpose and brand to attract supporter income year on year. So, in my view, our supporters are key stakeholders in a way that social housing tenants and leaseholders might not be. Our volunteers and supporters are very much a part of what we do.

Regulation of social housing means that benchmarking and emphasis on financial performance is high on the agenda. There is also a discipline which comes with dealing with the financial markets. Although charities do not have this level of external pressure on financial performance, I think adopting a more proactive approach to benchmarking and challenging our own financial performance will add value to what we do.

The other big difference is the level of external scrutiny which comes with being the world's largest cancer charity and the constant awareness that each day's work is about saving lives.

What attracted you to the not-for-profit sector?

I joined Cancer Research UK in January 2019, and it was my first job within the charity sector. For as long as I can remember, I've always wanted to work within organisations that ultimately help people and transferring my skills and experience to the third sector seemed like the best place to do this. The UK charity sector makes a huge difference to people's lives every day and transforms the world we live in for the better. When the job opportunity came up at Cancer Research UK, I was naturally drawn to it – to have the chance to work at the world's largest cancer charity dedicated to saving lives through research was too good to turn down. 1 in 2 people will be diagnosed with cancer in their lifetime, and I like many others have seen the devastating impact it can have on people. We are working to ensure three in four people will survive their cancer for 10 or more years by 2034.

The past few months have certainly meant things have changed; COVID-19 has slowed us down, and we expect to see our fundraising income decline by 30% this financial year. But we won't stop - we're as committed as ever to beating cancer, and my team plays an incredibly important part in that.

Cancer Research UK's mission is to see three in four people survive cancer by 2034. Can you tell us about its major achievements since you joined the charity in January 2019?

Since joining the charity in January 2019, I have been in awe of the amazing work across the board - not only our inspirational scientists and researchers, but also by our supporters, volunteers and staff. And this could not be more true than in the last couple of months; the global COVID-19 pandemic has put a huge strain on the charity and I've seen many teams come together, determined to limit the impact on the charity's work and finances, whilst keeping people affected by cancer at the heart of everything we do.

Unfortunately, the pandemic has meant that many clinical trials have been postponed and research paused. Although the delays have set us back, we're determined to get research back on track to achieve our mission and help save lives.

Before the pandemic, we were making great progress against our research agenda, which follows four key objectives: preventing cancers, diagnosing more cancers earlier, developing new treatments and making cancer treatments more effective for each patient. Last year, we launched several ambitious research

programmes. For example, our largest ever investment in radiotherapy research, uniting seven centres of excellence across the UK to make this cornerstone cancer treatment more precise and effective than ever before. We've also been focused on accelerating progress against one of the hardest to treat cancers, through our new Brain Tumour Awards, which we're running in collaboration with the Brain Tumour Charity. Last year, we funded the first three teams who will be working to advance our understanding of the biology of brain tumours and find new ways to treat them. We're determined to get research back on track.

Information and influencing are another important aspect of our work, and our policy and information teams have worked hard in the last couple of months to support those affected by cancer during this difficult time. Last year we spent £42 million on increasing awareness of cancer and on working with the Government and the NHS to make sure advances in research and understanding reach people affected by cancer sooner. This work will be a continued focus for 2020 – keeping cancer high on the political agenda has never been more important.

What are Cancer Research UK's core values? How are these reflected in the work you do on a day-to-day basis?

With everything we do at Cancer Research UK, we aim to be brave, sharp and united, and believe these core values will help us accelerate our progress and achieve impact faster.

And for me these values are front of mind, particularly when it comes to managing our budgets and how we spend our supporters' donations. We need to be certain that we are the most efficient we can be and that we are investing our money in the right way. My team will always ask challenging questions, assess risk versus reward, and partner with teams across the charity so we can understand and embed ourselves in any financial decision making.

We value the importance of collaboration, both externally and internally, and continue to make progress against our EDI (equality, diversity and inclusion) agenda. We are committed to fostering a diverse workforce and inclusive culture, and believe our differences make us stronger and will enable us to accelerate progress in our aim to beat cancer.

Cancer Research UK is a large organisation and the role of CFO has a significant amount of responsibility. How do you ensure you are happy that you maintain the right balance of oversight over the organisation?

I think having the right team that is supportive and experienced is crucial. For me, it's about knowing what the important priorities are I need to focus on, whilst also allowing time for resolving reactive issues that come in and are not on the 'to do' list. It requires a style that can cope with constant change and the experience to make decisions on several issues quickly - I think that is one of my greatest strengths.

The charity sector is constantly evolving with many mergers continuing to take place between smaller (and larger) charities. Can you tell us a bit about your change management experience and any useful lessons you have learnt?

I have had a lot of experience in change management, however I have no doubt made some mistakes and learnt along the way. The most useful lessons I have learnt are:

- keep the process as simple as possible and be clear about the reasons
- be willing to accept that each change management programme is different so take criticisms and challenges in good faith and address them
- remember that your people are assets too – no less important just because they are not on your balance sheet – treat them well!

What do you think are the biggest challenges facing the charity sector at present?

The global pandemic is going to cause a huge strain on charities in the coming months. Cancer Research UK expects to see its fundraising income decline by 30% this financial year as a result of COVID-19, and we've already made the difficult decision to make cuts to our research portfolio of £44million this year.

We are in incredibly challenging times, and we won't stop working towards making progress for people affected by cancer. But now, more than ever, we need support from the Government and the public to be able to continue funding our life-saving work.

We are also in uncertain times politically with Brexit and a changing political landscape, so it's more important than ever for us to keep cancer at the top of the agenda.

We're also finding the way people want to support charities is changing, and we need to adapt and evolve in order to grow our income – especially as a result of the pandemic where we've seen many fundraising events cancelled. Fundraising is likely to become harder over the coming years, and so maintaining our relevance to people affected by cancer will be critical. We recently created Race for Life at Home for supporters to continue raising funds, taking part in activities from the comfort of their own homes. We have seen successes with things like Facebook donate too, which is an easy way for people to support a charity of their choice.

We also need to make sure we maintain our supporters' trust, and this has never been more important. We must act in an honest and open way, and this includes being transparent about how we spend our supporters' generous donations. For every £1 donated, around 80p goes towards our life-saving research.

Despite the challenges, we are prepared and making clear, measurable progress against our mission and goals, and we will continue to do that.

How do you plan financially – how do you know what you are getting year on year?

Our key sources of income are donations, trading and investment income. Donations account for about 65% of our income and we start with a zero each year – nothing is guaranteed. The remaining 35% we can predict more easily because it is more regular income.

We estimate the donations income by carefully analysing trends and key economic indicators and we do this quite well year on year, so we don't have material differences between what we project and the outturns.

Although we certainly didn't predict a pandemic of this scale to have such an impact. But we learn, we adapt and it's shown the importance of reacting quickly.

Have donations to Cancer Research UK been affected by political and economic uncertainty?

Before the pandemic, we were in a relatively strong financial position, given the wider challenges and uncertainties that we faced in the economy. Thanks to our supporters' generosity the last financial year was one of our most successful so far, which meant we were able to spend more on our charitable work than almost any time in our history.

However, due to the cancellation of our fundraising events and the closure of our shops, this year we are expected to see a decline of £160million in income. With the economic uncertainty as a result of the pandemic, we're having to think carefully about how we plan our recovery for the coming years.

Of course, we are incredibly humbled by our supporters' generosity and owe it to them to make the best use of their donations. Without their continued support in the coming years, we won't be able to fund our life-saving research, so the trust of our supporters is vital. This is one of my priorities as CFO.

Cyber-crime has become a major issue for charities thanks to the growing sophistication of cyber-criminals. How do you address this important area at Cancer Research UK?

Information security is a high priority for Cancer Research UK. It is a risk we are managing and monitoring at all levels and we have an in-house team of experienced security professionals and the latest technology tools, so we make sure we are testing, protecting and monitoring our infrastructure and applications regularly.

What do you feel is the best way for a management board to interact with its Trustee Board? As a CFO, what kind of involvement do you most value from your Trustees?

At Cancer Research UK we have a very experienced Council of Trustees and Chair and so the interaction is excellent. The Trustees are supportive, but also very good at challenging the Executive Board when needed.

What I value most is a Trustee who devotes enough time to understand the issues and is happy to challenge when there is the need to.

The two top roles in Cancer Research UK changed recently, with Michelle Mitchell OBE being appointed CEO in November 2018 and then you were appointed as CFO in January 2019. What is it like joining an Executive Board at the same time as other changes in the leadership team?

The positive of joining at a time of change is that you get to play a role in defining how the new team works and what culture is developed.

I very much hope that Michelle and I joining has encouraged others in Cancer Research UK to be more confident that they can aspire to hold such senior roles in future; especially colleagues who are juggling hectic home lives with full time work. Both of us have been trying to find our feet at the same time, and this has sometimes been a challenge, but it's meant we have had to learn very fast.

I have also learnt to sit back and take time to understand the culture and style of Cancer Research UK, so that the changes I introduce can be more effective.

What role do you see professional advisers playing to you and the sector?

There is always a role for professional advisers because not even the largest organisations can hire all the skills required. There are also very specialist skills which are best outsourced. There are many ways in which professional advisers can also be proactive in approaching charities with specialist services to help them add value. I find that this does not happen so much in the charity sector as it did in the social housing sector.

What would be your top three tips to give to anyone moving into a CFO role at a charity from outside the sector?

I would say:

- make sure you are passionate about the charity's purpose
- be ambitious – just because there is no shareholder value to protect does not mean that strong financial performance is not essential
- don't assume that it's the job you do when you want to put your feet up and 'give something back' to society. It is very much as challenging and important as any equivalent commercial role.

Our sector expertise

The provision of professional services to the charity and not-for-profit (NFP) sector is one of the core areas we have built our business around and we are committed to the sharing of best practice and knowledge for the benefit of our clients. We recognise that while your primary focus will be on those who benefit from your services, you have to manage tightly controlled finances that are then transparently reported in the public domain.

With increased competition for grant funding and charitable giving, and many income streams disrupted due to COVID-19, your charity needs to be managed better than ever to withstand the long haul.

We advise over 300 charity and NFP clients across the UK, from local charities of varying sizes to major national organisations. The long-term relationships we have developed with our charity clients enable us to understand the challenges faced and to offer advice based upon real understanding and experience.

We understand the need for a robust process that can demonstrate clearly good governance arrangements to stakeholders. Our decades of experience ranges from assisting with audits for grant and funding applications, advising on annual Charity Commission submissions, helping charities take advantage of the various VAT concessions available, to assisting with setting up a charity and obtaining charitable status.

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