

# Annual Charities Update

Tuesday 19 January





## IBB and Moore Kingston Smith – Annual Charities Update 2020/21

### “Coming Out of a Crisis”

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Moore Kingston Smith



## Learnings from Lockdown – the big picture

- Sector proved adaptable and resilient
  - Many charities moved quickly and planned realistically
  - Remote working – impact on effective working and delivery
  - Technology challenges and successes
  - Leases/premises – many were decisive and moved out
- 
- Government support has been “extensive” (£750m) but targeted
  - Furlough was inappropriate for many charities – beneficiaries’ needs were significant and charity teams often small
  - Some use of delayed payment of HMRC liabilities
- Charity’s sector’s importance and added value clearer than ever...
  - ...and will be critical to British Society for the foreseeable future
  - Support from the British public overwhelmingly in favour of the sector as a whole

## Learnings from Lockdown – accounting

### Trustees Report

- An important document for the stakeholders
- Need to cover the pre and post Covid story, uncertainty and future plans.
- Impact on Reserves policy and going concern disclosures

### Going concern & Post Balance Sheet Events (“PBSE”)

- Are there any material uncertainties?
- Regulatory pressure – specific, appropriate disclosures in Trustees’ Report and Accounting Policies
- 12 months from sign off – how reliable?
- Forecasts, including cash flows from demonstrate at least 12 months from date of sign off
- PBSE disclosure – adjusting and non adjusting events
- <https://www.charitycorp.org/about-the-corp/covid-19/>
- <https://www.frc.org.uk/news/april-2016/guidance-on-the-going-concern-basis-of-accounting>

### Accounting for government support cash

- Coronavirus Job retention Scheme
- Other Government grant income



## Learnings from Lockdown – accounting

### **Fund accounting**

- Consider effective use of restricted funds
- Re-examine designated funds – are they (still) relevant?
- Likely level of unrestricted funds....

### **Potential for a simplified SORP in the future**

<https://www.civilsociety.co.uk/news/survey-shows-support-for-simplified-accounting-at-small-charities.html>



## Learnings From Lockdown – purpose, strategy and income

**Purpose** - is your charity's purpose and impact clear/relevant to the changing world?

### Strategy

- Has the strategy been renewed or amended?
- Does it meet the objects and beneficiaries' needs?
- KPIs and targets appropriate?
- IT and digital strategy included?

### Income

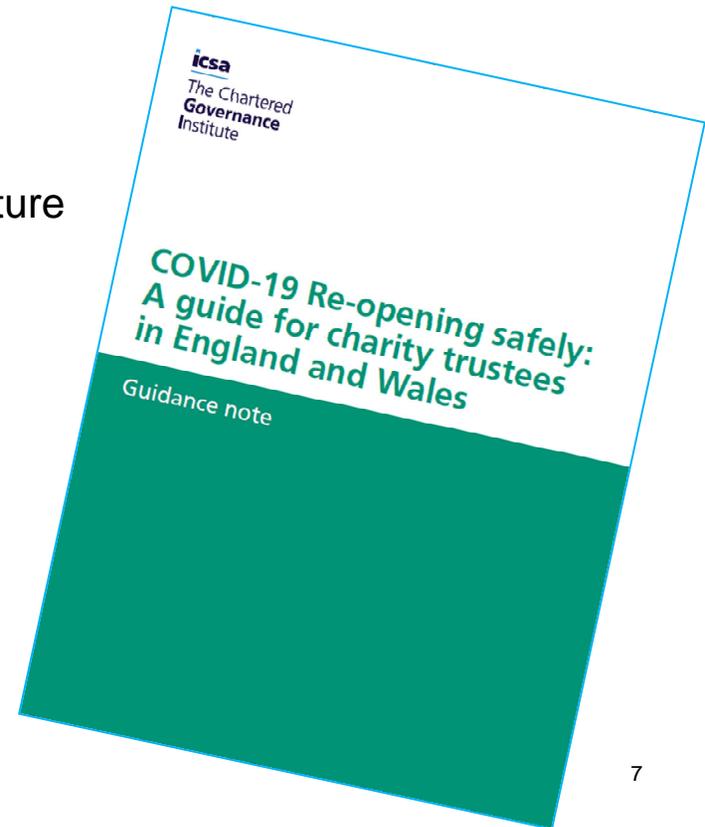
- Contract income – was under pressure for a decade before the pandemic. Increased future risks?
- Fundraising
  - does your strategy fit the changing world?
  - have donors' circumstances/outlook changed?
  - need to make a clear case and refresh it regularly
  - diversification – away from or “as well as” big ticket items such as the London marathon.

Many charities with one “robust” income stream have been affected significantly



## Learnings From Lockdown – Governance

- Emergency decisions
- Level of trustee involvement / meetings and the future
- delegated authority
- risk profile/appetite
- reserves policy
- diversification



# Learnings From Lockdown – Governance

Moore Kingston Smith Charity Coronavirus Hub

<https://mooreks.co.uk/corona-virus/>

ISCA (“The Governance Institute”) reopening safely guidance

<https://www.icsa.org.uk/knowledge/resources/covid-re-opening-charity>

CHARITY COMMISSION GUIDANCE

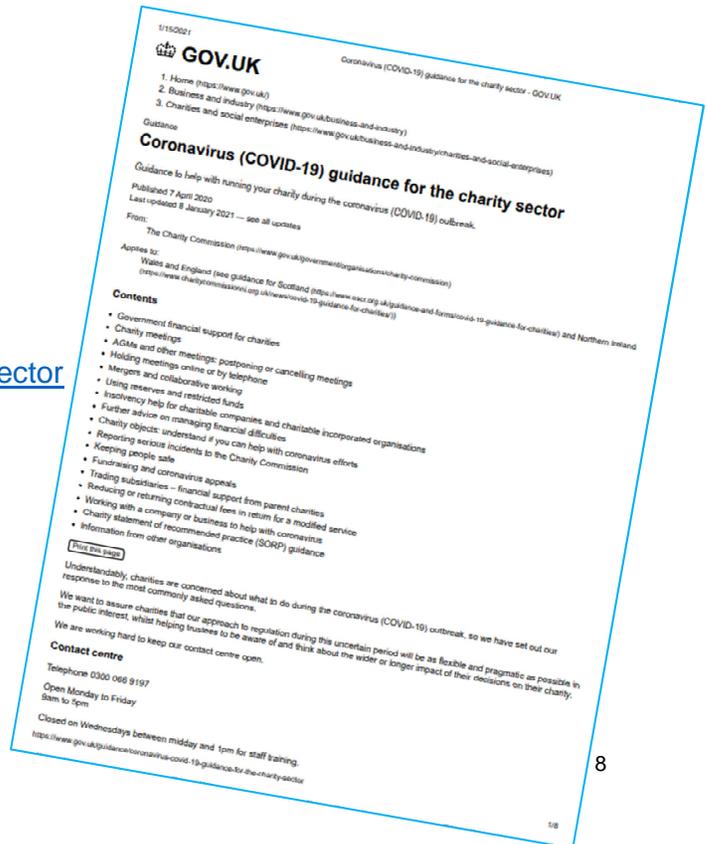
<https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-the-charity-sector>

NCVO

<https://knowhow.ncvo.org.uk/coronavirus>

CFG

<https://cfg.org.uk/Covid19Resource>



# Charity Governance Code 2020 – Consultation and refresh

## Charity Governance Code

Home

About the Code ▾

Foundation: the trustee role and charity context

1. Organisational purpose

2. Leadership

3. Integrity

4. Decision making, risk and control

5. Board effectiveness

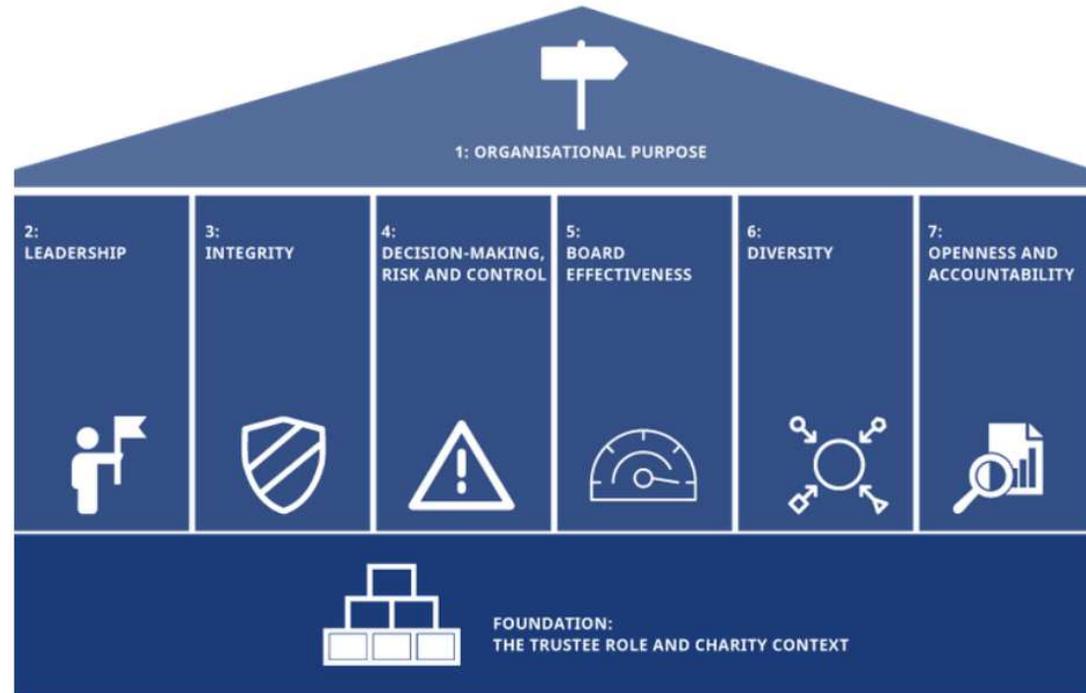
6. Diversity

7. Openness and accountability

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## The principles

There are seven principles which make up this Code. These seven principles build on the assumption that a charity is meeting its legal and regulatory responsibilities as a foundation.



## Charity Governance Code 2020 – Integrity refresh



### **What has actually changed – Integrity Principle (Values and Ethics)**

This principle has undergone a 'light refresh' with the key changes being in relation to:

- Ensuring the charity acts in line with 'its values' in everything that it does.
- Integrity, and putting the charity's best interest's first in every situation, has been expanded from just one section in the previous Code to four sections covering:
  - not being unduly influenced by those with personal interests
  - ensuring no person or group has undue influence in the charity
  - regularly checking for power imbalances at Board level
  - the Charity Ethical Principles (NCVO guidance that was signposted during the consultation phase) have been included in the 'non-binding rules and other Codes' that charities may wish to have due consideration of.

## Charity Governance Code 2020 – Integrity refresh



**Charity  
Governance  
Code**

### What has actually changed – Integrity Principle (Safeguarding)

- Entirely new section that considers the governance around safeguarding, as follows:
- *3.7 Ensuring the right to be safe*
  - 3.7.1 Trustees ***understand their safeguarding responsibilities*** and go beyond the legal minimum to ***promote a culture*** in which everyone feels safe and respected.
  - 3.7.2 Where appropriate:
    - the board makes sure that there are appropriate and regularly reviewed ***safeguarding policies*** and procedures
    - as part of a charity's risk-management process, the board checks ***key safeguarding risks*** carefully and records how these are managed
    - all trustees, staff, volunteers and people who work with the charity have ***information or training*** on the safeguarding policy, so they understand it, know how to speak up and feel comfortable raising concerns.

# Charity Governance Code 2020 – Diversity refresh

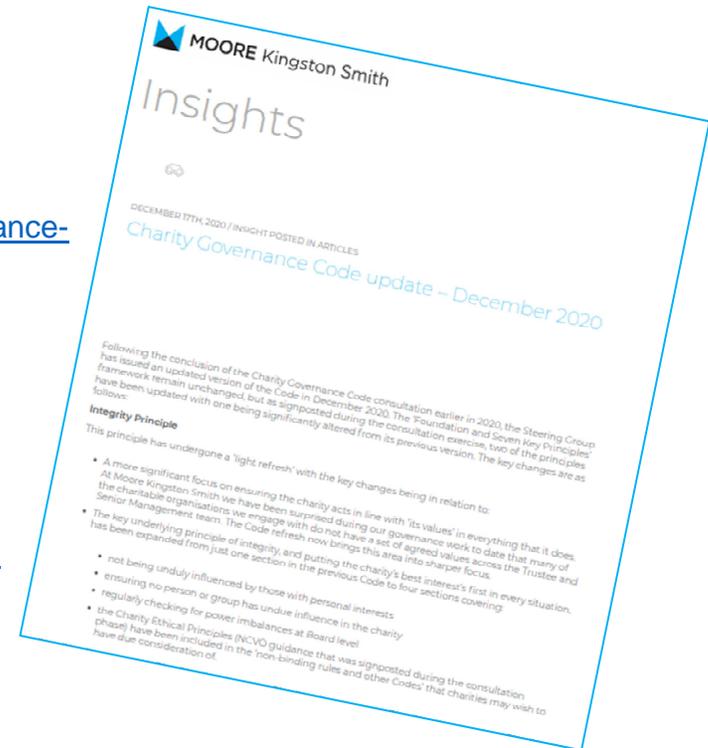


## Diversity Principle (Now Equality, Diversity and Inclusion (“EDI”))

- New Principle has been completely reworked
- 'Equality, Diversity and Inclusion Principle (EDI)' – importance of all three terms and mirroring terminology
- New Code area much more “externally focused” and about the Charity’s “EDI Journey”
- 1. Think about why EDI is important for the charity and assess the current level of understanding.
  2. Set out plans and targets tailored to the charity and its starting point.
  3. Monitor and measure how well the charity is doing.
  4. Be transparent and publish the charity’s progress.
- More guidance and sub-sector guidance to follow.

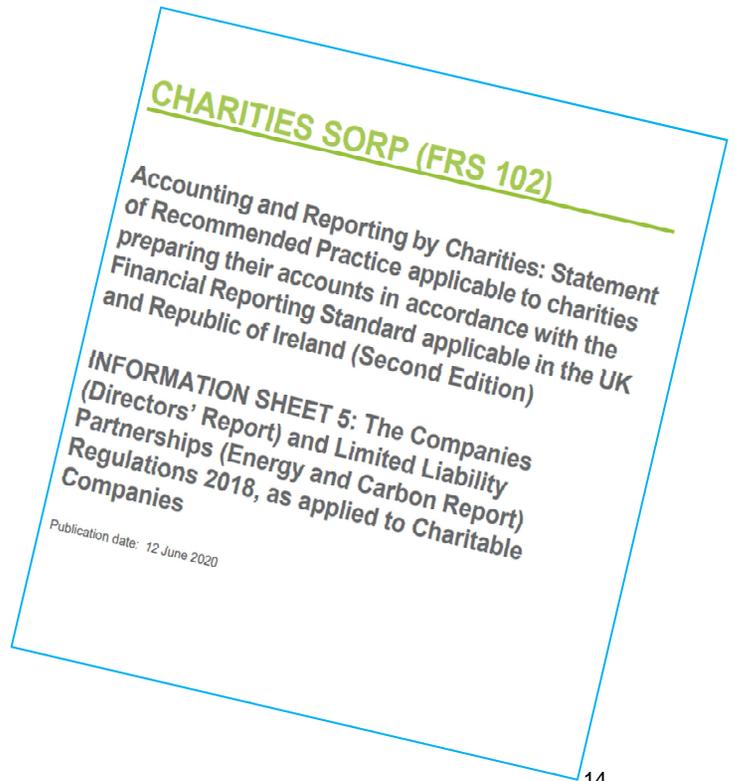
# Charity Governance Code 2020 – Helpful links

- Links to the Codes  
<https://www.charitygovernancecode.org/en/pdf>
- Self Assessment Governance tools  
<https://www.charitygovernancecode.org/en/template-for-assessing-governance-code-large-charities-2020-3.docx>
- Micro Charity Code  
<https://knowhow.ncvo.org.uk/tools-resources/board-basics/tools-and-guidance/charity-governance-code-guide-for-micro-charities>
- Moore Kingston Smith Governance Bulletin  
<https://mooreks.co.uk/insights/charity-governance-code-update-december-2020/>



## The Future of the Sector – Other pertinent sector updates

- **Carbon Reporting – SECR**
  - currently only mandatory for very large charities
  - key issue and concern in the sector
  - beginning to see voluntary disclosure/adoption
- **Corporate Criminal Offences**
  - “criminally facilitate tax evasion”
  - training and policies are key mitigations
- **Ethical/Responsible Investments**
  - policies largely outdated in this area
  - Housing association sector pushing forward with “ESG”
  - <https://www.gov.uk/government/news/charity-commission-to-consult-on-updated-responsible-investment-guidance>
- **Making Tax Digital “MTD” soft landing ending April 2021**





**THANK YOU!**

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[www.mooreks.co.uk/governance](http://www.mooreks.co.uk/governance)

# CHARITY LAW UPDATE

January 2021

# What happened to 2020?

- Charity Commission casework
- Court cases
- COVID19

# What to expect in 2021

IBB Law

# Charity Commission cases

- St Margaret's Somerset Hospice
- National Rifle Association
- Prince Andrew Charitable Trust
- RNIB



# Court cases

- National Fund
- Agudas Israel Housing Association
- Lehtimäki and ors v Cooper
- Ethiopian Orthodox Tewahedo Church St Mary of Debre Tsion, London

# COVID19

- Meetings
- Reserves and restricted funds
- Avoiding insolvency
- Serious incident reporting
- Refunds of fees etc

[www.gov.uk/guidance/coronavirus-covid-19-guidance-for-the-charity-sector](http://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-the-charity-sector)

IBB Law

# What will 2021 bring?

- Restructuring and mergers
- Freeing up assets
- Extending excepting regulations
- Appeal on NHS Foundation Trusts
- Scheme for National Fund
- Levelling up our communities?



Thank you for listening

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