Charity number
1111898

The Frontline Club Charitable Trust

Trustees' Report and Financial Statements

for the year ended

31 March 2022

THE FRONTLINE CLUB CHARITABLE TRUST

TRUST INFORMATION
at the date of this report

Charity Commission reg number	1111898
Headquarters and Registered Office	13 Norfolk Place London W2 1QJ
Solicitors	Duane Morris London EC2Y 9AW
Independent Examiners	Price Bailey LLP Chartered Accountants Norwich NR7 0HR
Bankers	HSBC Praed Street London W2 1NJ

THE FRONTLINE CLUB CHARITABLE TRUST

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THE FRONTLINE CLUB CHARITABLE TRUST

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The trustees submit their annual report and the financial statements of The Frontline Club Charitable Trust ('FCCT') for the year ended 31 March 2022.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's trust deed, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution
The Charity is constituted by a Trust Deed dated 28th October 2005, and is a UK registered charity, number 1111898.

The registered office is 13 Norfolk Place, London, W2 1QJ

Method of Appointment and Election of Trustees
Potential new trustees are interviewed by the board of trustees and are selected with a view to ensuring an appropriate mix of skills and expertise.

The trustees who served during the period were R Sambrook, S Phillips and P Conroy, W Clayton, N Dahrendorf.

Policies adopted for the Induction and Training of Trustees
All trustees are issued with the Charity Commission booklet setting out the duties and responsibilities of trustees. New trustees also receive the latest financial statements and management accounts, and other briefing documentation explaining the organisational structure and practices and are invited to attend the offices and events programme at any time.

Risk Management
The trustees regularly monitor the major risks to which the trust is exposed, in particular those related to the operations and finances of the trust and are satisfied that systems are in place to mitigate exposure to these risks.

The trustees consider the major risk to the Charity to be the continuing impact of the Covid 19 pandemic, which reduced the charity's membership donation income, and the impact of inflation on our ability to rebuild our supporter base.

OBJECTIVES AND ACTIVITIES

Public Benefit Statement
The charity benefits the public and the global community by promoting independent and responsible journalism and media coverage throughout the world, through education and forums for journalists, decision-makers, educators and anyone interested in matters of public concern. This is achieved through the charity's year round programme of public events, training courses, international projects and website information. More details of all of these can be found on the charity's website www.frontlineclub.com

THE FRONTLINE CLUB CHARITABLE TRUST

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 MARCH 2022

Aims and Objectives

The Frontline Club Charitable Trust exists to advance, for the benefit of the public, education of journalists, media decision-makers, educators and other interested persons in matters of public concern, such as equality, diversity, accountability and human rights, including the right to freedom of expression.

The Frontline Club Charitable Trust aims to:

- Promote free, accurate and responsible media coverage anywhere in the world
- Train in the safety and health of journalists and other personnel exposed to danger as a result of media activities in areas of conflict

Activities for Achieving Objectives

To achieve it's objectives the trust provides a forum for conferences, courses, debates, discussions, events, seminars and exhibitions; promotes writing, films and recordings; undertakes research and promotes the provision of information, advice, training, guidance and counselling.

Grant making policy

The Trust does not currently undertake the making of grants from its own resources.

ACHIEVEMENTS AND PERFORMANCE

Review of Activities

Over the 2021-22 year, The Frontline Club's membership donations increased by 3% though the club's largely professional media membership was still under pressure post-pandemic.

The Charity started to reintroduce its physical events programme in June 2021. With its partnership in its premises with The Frontline Club Limited no longer possible, with that hospitality operation being unable to trade, the Charity decided to launch a trading subsidiary to conduct those activities. Running the hospitality trade for almost 3 months before launching Norfolk Place Restaurant Limited, a wholly owned trading subsidiary of the Charity. The Norfolk Place Restaurant Limited operated as a contractor to keep its operation as simple as possible.

The events programme continues to be popular and was conducted at a rate of 2 events per week.

As an example of our events, on the 7 September 2021 the Frontline Club Charitable Trust hosted an event moderated by Sana Safi, discussing the plight of women in Afghanistan.

On 11 October 2021 we held another popular event with Peter Oborne, discussing his book "The Assault on the Truth".

On 29 November 2021 we held a panel event called "The War on Culture" with Professor Bobby Duffy from the the Policy Institute, Zoe Strimpel from the Sunday Times, Emilio Casalicchio from Politico Europe and Gideon Skinner from Ipso Mori

On 20 March 2022 we launched our #StraightFromTheFrontline campaign with actress Rosamund Pike outside the Russian Consulate in London, lighting it up with the colours of the Ukrainian flag to observe the 5 journalists already killed in the conflict.

The Frontline Freelance Register (FFR) has continued to support the international community of conflict freelancers and remains the only international body to represent them.

FINANCIAL REVIEW

Result for the year

A deficit for the year of £115,496 (2021: surplus £118,904) arose on the general unrestricted fund giving a balance of (£673) (2021: £114,823) to carry forward at the year end.

A surplus for the year of £13,647 (2021: £84) arose on the restricted fund resulting in a balance on the restricted fund at the year end of £51,343 (2021: £37,696).

The detailed income and expenditure figures are set out in the financial statements, which follow this report.

Investment policy and performance

Any surplus funds are placed into a deposit account with the Trust's bankers. Funds need to be readily available and so they are subject to low interest rates. The Trustees do not consider that more longer term, higher yield investments are realistic at this time.

Key management personnel remuneration

The Trustees consider the board of trustees, along with Mr H Vaughan L Smith and Mr Mario Armani, as comprising the key management personnel of the charity in charge of directing and controlling the charity and running and operating the charity on a day to day basis. All trustees give of their time freely and no trustee remuneration was paid in the year. No remuneration or expenses were paid to Mr H V L Smith or Mr M Armani. Details of trustee expenses and related party transactions are disclosed in note 18 to the accounts.

Reserves policy

Unrestricted reserves are needed:

- to provide funds which can be designated to specific projects to enable these projects to be undertaken at short notice, and
- to cover administration, fund-raising and support costs, without which the trust could not function.

The trustees consider it prudent that unrestricted reserves should be sufficient to cover two to three months' expenditure on the forum events programme, administration, fund raising and support costs, which is approximately £30,000 per month.

The level of reserves is monitored and reviewed by the Trustees, who have determined that it should be a strategic aim of the charity to improve this in order to give a greater margin of comfort in the charity's ability to withstand the unexpected.

The Trustees have put in place efficiencies to reduce ongoing costs.

Principal Risks and Uncertainties

The main income for the Charity currently comes from membership donations and these are threatened by increases in the national cost of living and the more difficult national economic situation.

The trustees have drawn up and implemented contingency plans to replace the hospitality services that the charity depends upon in order to be able to re-open fully following the pandemic.

Going Concern

The Trustees have considered the going concern basis of preparation of the financial statements noting the fall in external funding, liquidity or cash flow problems and the need for additional funding:

The Charity has been rebuilding its activities after the problems brought about by the pandemic, lockdowns and post-covid periods. It has used reserves, the government-backed Bounceback Loan and Covid recovery grants to assist, but with the political volatility in the UK and internationally, and the energy price crisis, rising wages and inflation, and hospitality staff shortage, a full recovery continues to be challenging. Since the year end the charity has incurred losses in running its operations and has negative unrestricted funds of £118,083 as at 31 March 2023. From 1 April 2023 to 25 February 2024, the charity has since made a small deficit of £905.

The Charity has had to contend with increased energy costs as it has worked to rebuild its activities, and those activities are now returning to levels that they were before lockdown. To manage those increased costs, which have recently subsided, the charity surrendered the lease on one of its offices, and has made other cost savings to stabilise its finances. Further restructuring of operations is in process to bring down overheads and achieve financial security. The charity's hospitality subsidiary, which commenced trading in 2022, has ceased to trade and these services are now provided by a third party, with no risk to the charity.

The trustees and management of the Charity continue to monitor performance closely and to manage on a daily basis since the year end 31 March 2022. During 2023, progress has been made with fresh recruitment of new members, with a successful reinstatement of 'in-person' events and the provision of life-saving training for journalists in Ukraine. The Charity has managed to train 287 Ukrainian journalists in battlefield first aid, providing each of them with a bespoke media first aid kit. This programme completed its task and has now closed.

The Charity's growing membership is committed to it's values and objectives. The Settlor and landlord of the Charity, also it's main creditor, is also committed to the long-term survival of the Charity, but unfortunately he has been going through a divorce since early 2020, and the charity was pulled into some ancillary litigation relating to employment and trademarks as a result of the divorce which caused the charity to incur some legal costs and poor publicity. It is expected that this matter will be finalised in late autumn 2023 and no financial liability to the charity will arise from it. Because of this, we are confident that the Charity has a long-term future.

With the continued support of members and the hard work of the staff, The Frontline Club Charitable Trust will continue to provide its essential services to the journalistic community for the foreseeable future. The Trustees are seeking to obtain donations and grants as available, and they will adapt operations in the light of ongoing financial circumstances, to build a strong basis for the long-term future of the charity. At the date of these accounts being approved, February 2024, the company has sufficient cash to meet liabilities as they fall due for a period not limited to 12 months from the date of approval of these financial statements. However, due to the financial position of the charity at the year end, the Trustees do have a material uncertainty over the future of the charity in being able to secure adequate future income and resolve its outstanding litigation issues, these create a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. At the date of approving these financial statements however, the Trustees are comfortable that the Charity will receive the required funding. On this basis the Trustees believe that the accounts should be prepared on a going concern basis.

<u>Litigation</u>
The charity has been engaged in litigation caused by the attempted use of the 'Frontline' name and brand by a third party, which cost the charity approximately £35,000 in legal fees. The litigation has currently ceased, and it is hoped that this matter will be settled satisfactorily in the near future, The Charity's objective is to ensure that its brand ownership is legally established and registered.

PLANS FOR THE FUTURE

The Charity has ensured that a good quality hospitality service will be available at its premises at 13 Norfolk Place in Paddington as London re-opens post-pandemic. This has operated from September 2021 through our wholly-owned trading subsidiary, in accordance with charity law and good practice.

After the pandemic the Charity will continue to rebuild its public events programme and to encourage third parties to use the building to support its costs.

The Charity will continue to develop its work supporting international conflict freelancers and freelance journalists local to the stories that they work on. It will continue to seek another grant to extend FFR and launch more local chapters in countries where journalism is being severely tested. FFR will continue to investigate alternative sources of revenue for independent journalists and photographers.

This report was approved by the trustees on 16 Feb 2024 and signed on its behalf, by

R Sambrook

Richard Sambrook (Feb 16, 2024, 4:57pm)

R Sambrook

Chair of the Trustees

INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES OF THE FRONTLINE CLUB CHARITABLE TRUST

I report to the charity trustees on my examination of the accounts of the charity for the year ended 31 March 2022 which are set out on pages 7 to 16.

Responsibilities and basis of report

As the charity's trustees you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 ('the Act').

I report in respect of my examination of the charity's accounts carried out under section 145 of the Act and in carrying out my examination I have followed all the applicable Directions given by the Charity Commission under section 145(5)(b) of the Act.

Independent examiner's statement – matter of concern identified

Since the charity's gross income exceeded £250,000 your examiner must be a member of a body listed in section 145 of the Act. I confirm that I am qualified to undertake the examination because I am a member of The Institute of Chartered Accountants of England and Wales (ICAEW), which is one of the listed bodies.

Material uncertainty related to going concern

I have completed my examination. I have identified a matter of concern in my report because, as indicated in accounting policy note 2.1b, the charity has incurred losses since the year end and has negative unrestricted funds of £118,083 as at 31 March 2023. From 1 April 2023 to 15 February 2024, the charity has since made a small deficit of £905. As stated in note 2.1b, the charity indicates that the energy price crisis, rising wages and inflation have caused significant losses and negative unrestricted funds which indicate that a material uncertainty exists that cast significant doubt on the charity to continue as a going concern.

I confirm that no other matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

1. accounting records were not kept in respect of the charity as required by section 130 of the Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination.

I have no other concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Helena Wilkinson FCA DChA

Price Bailey LLP
Chartered Accountants

Anglia House, 6 Central Avenue
St Andrews Business Park
Thorpe St Andrew
Norwich
NR7 0HR

Date:

The Frontline Club Charitable Trust

Statement of Financial Activities
for the year ended 31 March 2022

	Note	Unrestricted funds 2022 £	Restricted funds 2022 £	Total funds 2022 £	Total funds 2021 £
INCOME					
Donations and legacies	4	244,906	32,101	277,007	210,577
Investment income	5	6,520	-	6,520	8,007
Income from charitable activities	6	116,189	-	116,189	8,072
Other income (COVID related grants)		28,983		28,983	69,184
TOTAL INCOME		396,598	32,101	428,699	295,840
EXPENDITURE					
Charitable activities	7	512,094	18,454	530,548	176,852
TOTAL EXPENDITURE		512,094	18,454	530,548	176,852
MOVEMENT IN TOTAL FUNDS FOR THE YEAR					
Net income/(expenditure)		(115,496)	13,647	(101,849)	118,988
Total funds brought forward		114,823	37,696	152,519	33,531
TOTAL FUNDS CARRIED FORWARD		(673)	51,343	50,670	152,519

Total income and expenditure arises from continuing operations of the charity

The notes on pages 9 to 15 form part of these accounts.

The Frontline Club Charitable Trust
Balance Sheet
as at 31 March 2022

	Notes		2022 £		2021 £
Fixed assets					
Fixed asset investments	10		1		-
Tangible assets	11		15,003		20,985
			15,004		20,985
Current assets					
Debtors	12	170,231		75,428	
Cash at bank and in hand		20,257		145,709	
		190,488		221,137	
Creditors: amounts falling due within one year	13	(119,409)		(39,603)	
Net current assets			71,079		181,534
Bounceback loan due after more than one year			(35,413)		(50,000)
Total assets less current liabilities			50,670		152,519
Net assets			50,670		152,519
Funds					
Unrestricted funds	15		(673)		114,823
Restricted funds	15		51,343		37,696
			50,670		152,519

These financial statements were approved by the Board of Trustees on 16 Feb 2024 and signed on it's behalf by:

R Sambrook
……………………………………..
Richard Sambrook (Feb 16, 2024, 4:57pm)
R Sambrook
on behalf of the Trustees

The notes on pages 9 to 15 form part of these accounts.

The Frontline Club Charitable Trust
Notes to the Accounts
for the year ended 31 March 2022

1 General Information

The Frontline Club Charitable Trust is an unincorporated not-for-profit organisation. The registered office is 13 Norfolk Place, London W2 1QJ, and the charitable trust is registered in the UK. The financial statements are presented in pounds sterling, which is the functional currency of the trust, and are rounded to the nearest pound.

2 Accounting policies

2.1a Basis of Preparation of Financial Statements

The accounts (Financial Statements) have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102 1A (reduced disclosure)) and the Charities Act 2011.

The financial statements have been prepared to give us a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The Trust constitutes a public benefit entity as defined by FRS 102.

2.1b Going concern

The Trustees have considered the going concern basis of preparation of the financial statements noting the fall in external funding, liquidity or cash flow problems and the need for additional funding:

The Charity has been rebuilding its activities after the problems brought about by the pandemic, lockdowns and post-covid periods. It has used reserves, the government-backed Bounceback Loan and Covid recovery grants to assist, but with the political volatility in the UK and internationally, and the energy price crisis, rising wages and inflation, and hospitality staff shortage, a full recovery continues to be challenging. Since the year end the charity has incurred losses in running its operations and has negative unrestricted funds of £118,083 as at 31 March 2023. From 1 April 2023 to 15 February 2024, the charity has since made a small deficit of £905.

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2 Accounting policies (continued)

2.1b Going concern (continued)

The Charity's growing membership is committed to it's values and objectives. The Settlor and landlord of the Charity, also it's main creditor, is also committed to the long-term survival of the Charity, but unfortunately he has been going through a divorce since early 2020, and the charity was pulled into some ancillary litigation relating to employment and trademarks as a result of the divorce which caused the charity to incur some legal costs and poor publicity. It is expected that this matter will be finalised in late autumn 2023 and no financial liability to the charity will arise from it. Because of this, we are confident that the Charity has a long-term future.

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2.2 Fund Accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors which have been raised by the charity for particular purposes. The cost of raising and adminstering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

2.3 Income Recognition

All income is included in the Statement of Financial Activities when the charity has earned entitlement to the income, it is probably that the income will be received and the amount of the income receivable can be measured reliably.

Donations are recognised when the Trust has been notified in writing of both the amount receivable and the settlement date or when the donation is received if later.

Event income is recognised when received.

Grants are recognised in the Statement of Financial Activities when the charity is entitled to the funds, the amount can be reasonably and accurately quantified and it is probable the funds will be received. To the extent that their purpose is restricted they are included as restricted funds or endowment funds.

Income tax recoverable in relation to donations received under Gift Aid is recognised at the time of the donation.

2 Accounting policies (continued)

2.4 Expenditure

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

Grants payable are payments made to third parties in the furtherance of the charitable objects of the Trust. Single or multi-year grants are accounted for when either the recipient has a resonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and any condition attaching to the grant is outside of the control of the Trust.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

2.5 Operating Leases

Rentals under operating leases are charged to the Statement of Financial Activities on a straight line

2.6 Financial Instruments

The Trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the trust and their measurement basis are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 11. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in note 12. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services.

2.7 Allocation of support and governance costs

Governance costs include the external examination, book-keeping some administration costs, legal fees for advice to the trustees and the costs of trustees meetings.

Support costs have been allocated between charitable expenditure and other support costs as detailed in note 8.

Governance costs are allocated 100% to charitable expenditure.

2.8 Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Fixtures and fittings	- 50% reducing balance
Equipment	- 20% reducing balance (office), 30% straight line (computer)
Website	- 33% straight line

2.9 Debtors

Debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Prepayments are valued at the amount prepaid.

2.10 Cash and cash equivalents

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

2 Accounting policies (continued)

2.11 Creditors

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event and the amount can be measured reliably.

2.12 Pensions

Employees of the charity are entitled to join a defined contribution pension scheme. The charity contribution is restricted to the contributions disclosed in note 9. Outstanding charity contributions at the year end totalled £Nil (2021: £85). The costs of the defined contribution scheme are charged to unrestricted funds. The Trust has chosen to use the NEST pension scheme as its fund provider.

2.13 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are depreciation.

There are no areas of judgement.

3 Net Income/(Expenditure)

This is stated after charging:	**2022 £**	**2021 £**
Depreciation of tangible fixed assets:		
- owned by the charity	9,549	9,983
Operating lease rentals	129,260	82,750

4 Donations and legacies

	Unrestricted funds 2022 £	**Restricted funds 2022 £**	**Total funds 2022 £**	**Unrestricted funds 2021 £**	**Restricted funds 2021 £**	**Total funds 2021 £**
Ukraine Projects Appeal	-	32,101	32,101	-	-	-
Donations	14,023	-	14,023	8,895	-	8,895
Members donations	200,461	-	200,461	177,665	-	177,665
Gift Aid	30,422	-	30,422	24,017	-	24,017
	244,906	32,101	277,007	210,577	-	210,577

5 Investment income

	Unrestricted funds 2022 £	**Restricted funds 2022 £**	**Total funds 2022 £**	**Unrestricted funds 2021 £**	**Restricted funds 2021 £**	**Total funds 2021 £**
Interest received	20	-	20	7	-	7
Rent received	6,500	-	6,500	8,000	-	8,000
	6,520	-	6,520	8,007	-	8,007

6 Income from Charitable Activities

	Unrestricted funds 2022 £	**Restricted funds 2022 £**	**Total funds 2022 £**	**Unrestricted funds 2021 £**	**Restricted funds 2021 £**	**Total funds 2021 £**
Café Takings and room hire sales	92,296	-	92,296	-	-	-
Frontline Freelance Register	1,064	-	1,064	2,636		2,636
Frontline Fund	53	-	53	-	90	90
Entry fees to Forum/online events	22,776	-	22,776	5,346	-	5,346
	116,189	-	116,189	7,982	90	8,072

7 Charitable Activities: Expenditure

	Unrestricted funds 2022 £	Restricted funds 2022 £	Total funds 2022 £	Unrestricted funds 2021 £	Restricted funds 2021 £	Total funds 2021 £
Ukraine Projects	-	1,014	1,014	-	-	-
Forum/online events and supporter costs	478,496	-	478,496	164,615	-	164,615
Governance costs (note 8)	31,135	-	31,135	9,245	-	9,245
Frontline Freelance Register	2,463	-	2,463	2,986	-	2,986
Frontline Fund	-	17,440	17,440	-	6	6
	512,094	18,454	530,548	176,846	6	176,852

Included within Frontline Fund is 2 grants payable to institutions, consisting of £7,440 to Soe Charitable Trust and £10,000 to Feinstein Charity.

8 Governance Costs

	Unrestricted funds 2022 £	Restricted funds 2022 £	Total funds 2022 £	Unrestricted funds 2021 £	Restricted funds 2021 £	Total funds 2021 £
Independent Examination and accountancy fees	15,775	-	15,775	6,745	-	6,745
Bookkeeping & administration costs	15,360	-	15,360	2,500	-	2,500
	31,135	-	31,135	9,245	-	9,245

Allocation of governance and support costs

Support costs, property support costs and depreciation are allocated 100% to charitable activities.

Governance costs consist of Independent Examination, accountancy, book-keeping and administration costs, allocated 100% to charitable expenditure.

9 Staff costs

Analysis of staff costs and remuneration of key management personnel	**2022 £**	**2021 £**
Wages and salaries	20,866	34,802
Social security costs	-	256
Pension costs	150	1,074
	21,016	36,132
The average head count of employees during the year was:	1	2

No employees received employer benefits exceeding £60,000 (2021: none).

The Trust considers its key management personnel to comprise the trustees, Mr Smith and Mr Armani. The total employment benefits including employer pension contributions of the key management personnel were £nil (2021: £nil).

10 Fixed asset investments

	Investments in subsidiary companies £
At 1 April 2022	-
Additions	1
At 31 March 2023	1

The Frontline Club Charitable Trust
Notes to the Accounts
for the year ended 31 March 2022

11 Fixed Assets

	Website	Fixtures and fittings	Equipment	Total
	£	£	£	£
Cost				
At 1 April 2021	76,623	12,719	54,731	144,073
Additions	-	-	3,567	3,567
Old website w/o	(55,787)			(55,787)
At 31 March 2022	20,836	12,719	58,298	91,853
Depreciation				
At 1 April 2021	62,733	12,069	48,286	123,088
On write-off	(55,787)			(55,787)
Charge for the year	6,946	325	2,278	9,549
At 31 March 2022	13,892	12,394	50,564	76,850
Net book value				
At 31 March 2022	6,944	325	7,734	15,003
At 31 March 2021	13,890	650	6,445	20,985

12 Debtors

	2022	2021
	£	£
Amounts due from subsidiary company	6,426	-
Trade debtors	37,582	7,200
VAT	14,693	6,001
Other debtors	11,000	11,000
Prepayments and accrued income	100,530	51,227
	170,231	75,428

13 Creditors: amounts falling due within one year

	2022	2021
	£	£
Bank loan	10,648	-
Trade creditors	59,745	2,505
Other taxes and social security costs	4,762	134
Other creditors	10,573	29,614
Accruals and deferred income	33,681	7,350
	119,409	39,603

Deferred income

	2022	2021
	£	£
Deferred income at 1 April 2021	-	548
Amounts deferred during the year	-	-
Amounts released from previous years	-	(548)
Deferred income at 31 March 2022	-	-

14 Operating Lease Commitments

	2022 Land and buildings	2021 Land and buildings
	£	£
Operating leases expiring:		
Within one year	42,000	12,000
Between one to five years	7,000	133,000
Later than five years	-	-
	49,000	145,000

15 Summary of Funds

	2022 Brought forward £	2022 Income £	2022 Expenditure £	2022 Transfers £	2022 Carried forward £
Unrestricted funds	114,823	396,598	(512,094)	-	(673)
Restricted funds	37,696	32,101	(18,454)	-	51,343
Total funds	152,519	428,699	(530,548)	-	50,670

	2021 Brought forward £	2021 Income £	2021 Expenditure £	2021 Transfers £	2020 Carried forward £
Unrestricted funds	(4,081)	295,750	(176,846)		114,823
Restricted funds	37,612	90	(6)		37,696
Total funds	33,531	295,840	(176,852)	-	152,519

The General unrestricted fund includes income and expenditure from services provided by the Frontline Club Limited in order to enable the Forum Events Programme run by the Charity to operate effectively.
The Frontline Freelance Register (FFR) fund is a representative body open to all freelance journalists working in conflict or foreign reporting.

Restricted funds

	Brought forward 2022 £	Income 2022 £	Expenditure 2022 £	Transfers 2022 £	Carried forward 2022 £
Ukraine War Projects Appeal		32,101	(1,014)		31,087
Frontline Fund	37,696	-	(17,440)	-	20,256
Total funds	37,696	32,101	(18,454)	-	51,343

	Brought forward 2021 £	Income 2021 £	Expenditure 2021 £	Transfers 2021 £	Carried forward 2021 £
Frontline Fund	37,612	90	(6)	-	37,696
Total funds	37,612	90	(6)	-	37,696

The Frontline Fund (formerly named the Fixers Fund) supports families of 'fixers' (nationals who assist foreign journalists in obtaining information and 'fixing' meetings etc) who have been killed or died in the process of their activities. £17,440 was distributed by the fund in the year.

The Ukraine War projects Appeal was launched in March 2022 after the invasion of Ukraine to train and support frontline journalists in battlefield safety and emergency first aid procedures, including practical kits, and to support and advise people affected by the war in Ukraine.

16 Analysis of net assets between funds

	2022 Unrestricted £	2022 Restricted £	2022 Total £
Tangible fixed assets	15,003	-	15,003
Current assets	139,145	51,343	190,488
Current liabilities	(119,409)	-	(119,409)
Long term liabilities	(35,413)	-	(35,413)
	(674)	51,343	50,669

	2021 Unrestricted £	2021 Restricted £	2021 Total £
Tangible fixed assets	20,985	-	20,985
Current assets	183,441	37,696	221,137
Current liabilities	(39,603)	-	(39,603)
Long term liabilities	(50,000)	-	(50,000)
	114,823	37,696	152,519

17 Subsidiary Trading Company

The Frontline Club facilities were allowed to re-open after Covid-19 restrictions were largely lifted in June 2021. After a successful period of trading from June to September 2021, mainly providing hospitality to members attending events, in the Clubroom, Forum and restaurant under the name Norfolk Place Café, the charity formed a wholly-owned trading subsidiary, Norfolk Place Restaurant Ltd (13209774), which took over the hospitality of the Frontline Club on 13 September 2021. Due to ongoing homeworking, followed in 2022-3 by increased energy and other costs, strikes by transport workers in London, and rising inflation which continued into 2023, the company made significant losses and ceased to trade on 5 May 2023. The Frontline Club Charitable Trust owns 100% of the share capital of Norfolk Place Restaurant Limited.

Key trading figures for the company to the balace sheet date are as follows:

Trading commenced 13 September 2021	2022 £
Sales	351,602
Direct Costs	(304,855)
Gross profit	46,597
Administrative expenses	(71,779)
Net loss for the period	(25,032)
Balance Sheet	
Current assets	51,077
Current liabilites	(71,487)
Charity's inter-company acount	(4,621)
Total net liabilities	(25,031)
Capital	
Ordinary Share held by the charity	1
Profit & loss account	(25,032)
Total Capital and reserves	(25,031)

18 Related Party Transactions

Key Management Personnel

During the year the Honorary Chief Executive of the Charity was Vaughan Smith, who was also the original settlor of FCCT. He was also the sole shareholder of Frontline Television News Ltd, and owned a sole trader property letting business trading as Ellingham Land.
During the year Frontline Television News Ltd recharged costs and services to the Trust of £nil (2021: £3,000) for computer rental. At the year end the Trust owed Frontline Television News Ltd £nil (2021: £nil).
During the year The Frontline Club Ltd recharged costs to the Trust of £5,057 (2021: £nil) for kitchen and restaurant items. At the year end the Trust owed The Frontline Club Ltd £714 (2021: £nil).
During the year Ellingham Land charged rent to the Trust of £85,500 (2021: £35,750). At the year end the Trust owed Ellingham Land £13,600 (2021: £6,600). They also charged the Trust £8,887 (2021: £nil) for expenses related to the property.

Trustees' expenses and remuneration

The trustees all freely give their time and expertise without any form of remuneration. No subsistence costs were paid on behalf of Trustees (2021:£ nil).
During the year Vaughan Smith claimed reimbursement of £12,638 (2021: £4,176) for computer equipment, office equipment, event costs, postage, maintenance and travel and web hostings purchased on the Trust's behalf. At the year end the Trust owed Vaughan Smith £15,766 (2021: £4,176).
No other related party transactions took place in the year (2021: none).

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Frontline Club Charitable Trust
13 Norfolk Place
London
W12 1QJ

Price Bailey LLP
Anglia House
6 Central Avenue
St Andrew's Business Park
Thorpe St Andrew
Norwich
NR7 0HR

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your independent examination of the charity's financial statements for the year ended 31 March 2022. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

General

1 We acknowledge that the work performed by you is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK) and that you do not express an audit opinion.

2 We confirm that the charity was entitled to exemption under section 144 of the Charities Act 2011 the requirement to have its financial statements for the financial year ended 31 March 2022 audited. We also confirm that the members have not required the company to obtain an audit of its financial statements for the financial year in accordance with section 476 of the Companies Act 2006.

3 We have fulfilled our responsibilities as trustees as set out in the terms of your engagement letter dated 17 January 2019, under the Charities Act 2011 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.

4 All the transactions undertaken by the charity have been properly reflected and recorded in the accounting records.

5 All the accounting records have been made available to you for the purpose of your independent examination. We have provided you with unrestricted access to all appropriate persons within the charity, and with all other records and related information requested, including minutes of all management and trustee meetings and correspondence with The Charity Commission.

6 The financial statements are free of material misstatements, including omissions.

7 The effects of uncorrected misstatements are immaterial both individually and in total.

Assets and liabilities

8 The charity has satisfactory title to all assets and there are no liens or encumbrances on the charity's assets, except for those that are disclosed in the notes to the financial statements.

9 All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

10 We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Accounting estimates

11 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Loans and arrangements

12 The charity has not granted any advances or credits to, or made guarantees on behalf of, trustee other than those disclosed in the financial statements.

Legal claims

13 We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for, and disclosed in, the financial statements.

Laws and regulations

14 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

Related parties

15 Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with legislative and accounting standards requirements.

During the year Frontline Television News Ltd recharged costs and services to the Trust of £nil (2021: £3,000) for computer rental. At the year end the Trust owed Frontline Television News Ltd £nil (2021: £nil). During the year The Frontline Club Ltd recharged costs to the Trust of £5,057 (2021: £nil) for kitchen and restaurant items. At the year end the Trust owed The Frontline Club Ltd £714 (2021: £nil).

During the year Ellingham Land charged rent to the Trust of £85,500 (2021: £35,750). At the year end the Trust owed Ellingham Land £13,600 (2021: £6,600). They also charged the Trust £8,887 (2021: £nil) for expenses related to the property.

The trustees all freely give their time and expertise without any form of remuneration. No subsistence costs were paid on behalf of Trustees (2021:£ nil). During the year Vaughan Smith claimed reimbursement of £12,638 (2021: £4,176) for computer equipment, office equipment, event costs, postage, maintenance and travel and web hostings purchased on the Trust's behalf. At the year end the Trust owed Vaughan Smith £15,766 (2021: £4,176). No other related party transactions took place in the year (2021: none).

Subsequent events

16 All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

Going concern

17 The Trustees have considered the going concern basis of preparation of the financial statements noting the fall in external funding, liquidity or cash flow problems and the need for additional funding:

The Charity has been rebuilding its activities after the problems brought about by the pandemic, lockdowns and post-covid periods. It has used reserves, the government-backed Bounceback Loan and Covid recovery grants to assist, but with the political volatility in the UK and internationally, and the energy price crisis, rising wages and inflation, and hospitality staff shortage, a full recovery continues to be challenging. Since the year end the charity has incurred losses in running its operations and has negative unrestricted funds of £118,083 as at 31 March 2023. From 1 April 2023 to 15 February 2024, the charity has since made a small deficit of £905.

The Charity has had to contend with increased energy costs as it has worked to rebuild its activities, and those activities are now returning to levels that they were before lockdown. To manage those increased costs, which have recently subsided, the charity surrendered the lease on one of its offices, and has made other cost savings to stabilise its finances. Further restructuring of operations is in process to bring down overheads and achieve financial security. The charity's hospitality subsidiary, which commenced trading in 2022, has ceased to trade and these services are now provided by a third party, with no risk to the charity.

The trustees and management of the Charity continue to monitor performance closely and to manage on a daily basis since the year end 31 March 2022. During 2023, progress has been made with fresh recruitment of new members, with a successful reinstatement of 'in-person' events and the provision of life-saving training for journalists in Ukraine. The Charity has managed to train 287 Ukrainian journalists in battlefield first aid, providing each of them with a bespoke media first aid kit. This programme completed its task and has now closed.

The Charity's growing membership is committed to it's values and objectives. The Settlor and landlord of the Charity, also it's main creditor, is also committed to the long-term survival of the Charity, but unfortunately he has been going through a divorce since early 2020, and the charity was pulled into some ancillary litigation relating to employment and trademarks as a result of the divorce which caused the charity to incur some legal costs and poor publicity. It is expected that this matter will be finalised in late autumn 2023 and no financial liability to the charity will arise from it. Because of this, we are confident that the Charity has a long-term future.

With the continued support of members and the hard work of the staff, The Frontline Club Charitable Trust will continue to provide its essential services to the journalistic community for the foreseeable future. The Trustees are seeking to obtain donations and grants as available, and they will adapt operations in the light of ongoing financial circumstances, to build a strong basis for the long-term future of the charity. At the date of these accounts being approved, February 2024, the company has sufficient cash to meet liabilities as they fall due for a period not limited to 12 months from the date of approval of these financial statements. However, due to the financial position of the charity at the year end, the Trustees do have a material uncertainty over the future of the charity in being able to secure adequate future income and resolve its outstanding litigation issues, these create a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. At the date of approving these financial statements however, the Trustees are comfortable that the Charity will receive the required funding. On this basis the Trustees believe that the accounts should be prepared on a going concern basis.

Grants and donations

18 All grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such income.

Yours faithfully

R Sambrook

....

Richard Sambrook (Feb 16, 2024 4:57pm)

Signed on behalf of the board of trustees

Print Name: R Sambrook

Date: 16 Feb 2024

Signable

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Price Bailey
CHARTERED ACCOUNTANTS

The Frontline Club Charitable Trust

Management letter to the Trustees following our independent examination for the year ended 31 March 2022

Price Bailey
CHARTERED ACCOUNTANTS

Introduction

Introduction and approach

This report has been prepared for the Trustees and management of The Frontline Club Charitable Trust (the 'Charity') and summarises the results of the independent examination carried out for the year ended 31 March 2022.

The scope of our work has already been communicated within our engagement letter, dated 17 January 2019.

Our independent examination procedures have been designed to enable us to report on the financial statements.

We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the independent examination that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

Executive summary

We anticipate that that we will issue a modified report on the financial statements to 31 March 2022 in respect of a material uncertainty related to Going Concern.

Profit reconciliation

Deficit per draft accounts	(93,774)
Increase in accountancy accrual	(8,075)
Deficit per final accounts	(101,849)

Summary of adjustments

	Dr	Cr
1. Increase in accountancy accrual		
Accountancy fees (SOFA)	8,075	
Accruals (BS)		8,075
2. Reclassify furlough income on face of SOFA		
Other income		28,983
Donations and legacies	28,983	
3. Reclassify fixed asset investments on Balance Sheet		
Fixed asset investments	1	
Tangible fixed assets		1
4. Reclassify duplicated member invoices on Balance Sheet		
Trade debtors		15,104
Accruals	15,104	
5. Reclassify Ukraine appeal income on Balance Sheet		
Prepayments and accrued income	32,000	
Accruals and deferred income		32,000
	84,163	84,163

Our findings

Deficiencies to be brought to the attention of the Trustees

We are required to report to you in writing, significant deficiencies in the charity’s internal control environment that we have identified during the course of our independent examination. These matters are limited to those which we have concluded are of sufficient importance to be reported to you.

Our independent examination cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters re portedmay not be the only ones which exist. As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate independent examination procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We have categorised the internal deficiencies noted via a colour-scale rating system. The key to which follows:

Key

- This is important. The Trustees must ensure this recommendation is addressed as a matter of priority.
- Internal controls should be strengthened to enhance operational efficiency but this action is not time critical.
- Controls could be strengthened but there is little risk of material loss. For future consideration as risks faced by the business evolve.
- This is either for information only or relates to a recommendation made last year where action has been taken and is no longer of concern

Points raised this year

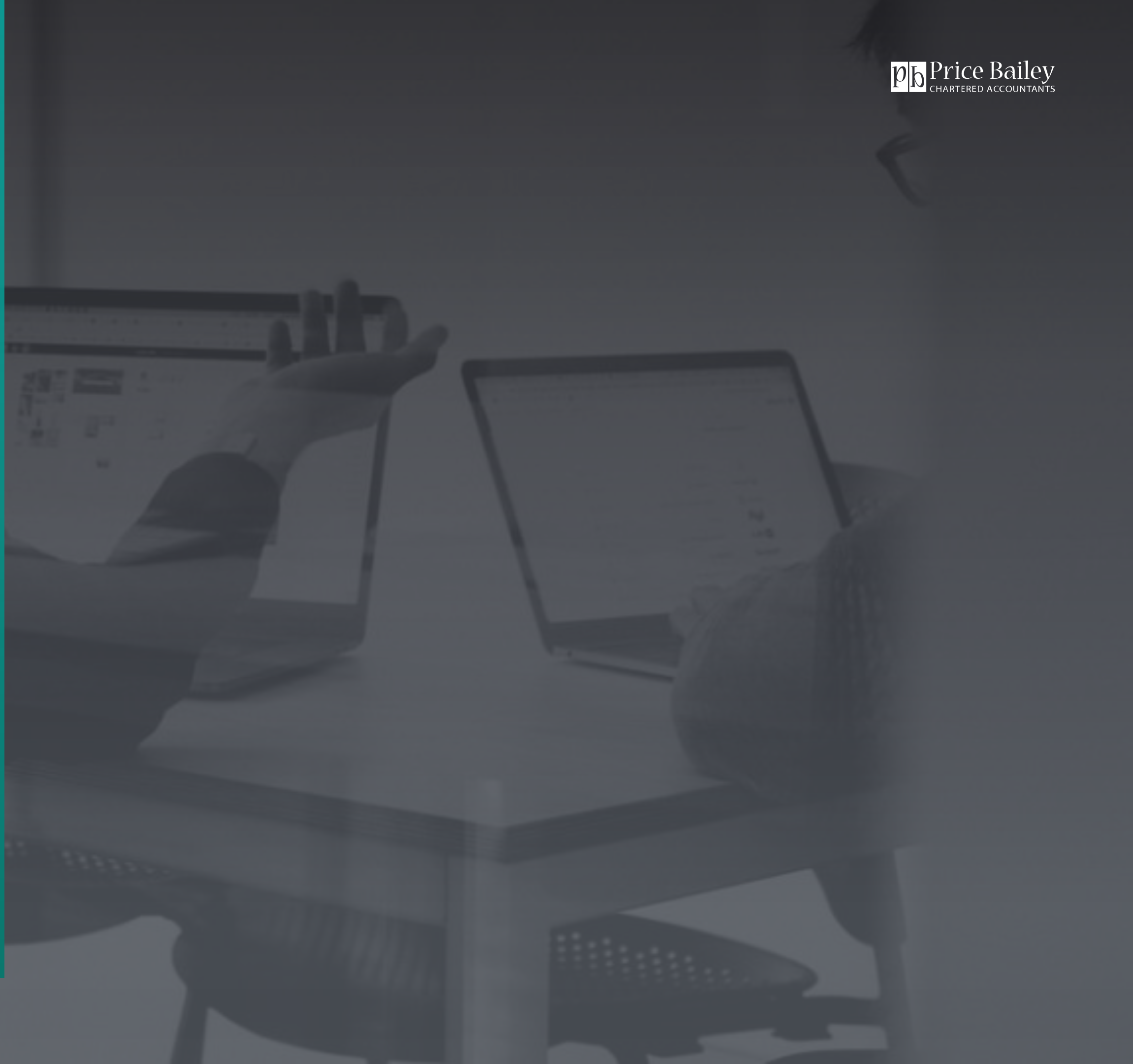
Current year findings	Priority	Implication	Recommendation	Client comments
Bank balances do not agree to the year end statements for the following accounts: PayPal Pleo HSBC Credit card		Bank balances are incorrectly stated, or unreconciled.	We recommend that all bank accounts are reviewed and reconciled to the statements and amended to ensure all income and expenses are correctly included.	
There are various control accounts which need to be sorted, including the Ellingham Land, FC current account and VS current account in debtors. We were also advised the Tronmaster account and FC current account in creditors needs to be written off.		Debtors and creditors could be incorrectly over/understated.	We recommend these balances be cleared if they no longer exist. We recommend amounts owed to Vaughan are consolidated to give a clearer picture as to what is outstanding.	
There are differences between the intercompany debtor per the charity of £6,426 and note 17 per the accounts of £4,613 of £1,813 which is unknown.		Intercompany accounts do not agree at the year end.	We recommend intercompany accounts are reviewed and reconciled regularly.	

Price Bailey
CHARTERED ACCOUNTANTS

Points raised this year

Current year findings	Priority	Implication	Recommendation	Client comments
There are differences between the figures in note 17 of the accounts detailing Norfolk Place Restaurant Ltd results for the year, and the filed accounts at Companies House. | | **Per note 17** | **Per Companies House** | | Current assets | £50,136 | £50,077 | | Current liabilities | £71,633 | £71,487 | | Intercompany | £4,613 | £4,621 | | Reserves | £26,111 | £25,031 |		The accounts are inconsistent with filed accounts.	We recommend amounts are compared and inconsistencies are reviewed and amended.	
No documentation held for donation of £9,267 for Sarah Giaziri.		A large donation in the year does not have supporting evidence for the amount or that it is unrestricted income.	We recommend documentation is obtained to support donations received.	

Charity and Not For Profit Sector developments



1 Audit, accounting and fundraising key issues

1.1 The new SORP Committee and future SORP

Price Bailey (through Helena Wilkinson) is involved in this stakeholder process.

Our initial feed back is that the narrative reporting of the next SORP will change – we expect that it will be a requirement on impact reporting (strategy and its success tied to outcomes and outputs); free reserves calculation and more explanation on reasons, compliance with Charity Governance Code.

There is a real push for simplification in the numbers – more organisations to be allowed to fall into the natural classification of expenditure, push for accruals accounting for grants and removal of support costs disclosure. Expect more requirements on staff costs disclosures.

We will be sure to keep you up to date – the implementation date is for years beginning 1 January 2025 with a 2023 draft for comments.

1.2 Carbon Reporting

More charities are voluntarily reporting on climate change and their carbon footprint, and such information requests are also coming from more funders.

We would encourage all charities to consider whether they should voluntarily disclose this information in their statutory accounts, FRS102 exposure draft at this time does not intend to change the current reporting requirements.

1.3 New FRS 102

FRS 102 will be updated for periods commencing on or after 1 January 2025. An exposure draft was issued in December 2022 – FRED 82. The proposals include: a new model of revenue recognition in FRS 102 and FRS 105 (based on IFRS 15); a new model of lease accounting in FRS 102 (looking to bring operating leases on balance sheet based on IFRS 16); and various other incremental improvements and clarifications. This will include a clear five-step model for determining the recognition of revenue from all contracts with customers. The proposals have been designed to be proportionate to the size and complexity of the entities applying the standards. The consultation closed on 30 April 2023, and we await the outcome.

1.4 International Financial Reporting Guidance (IFR4NPOs)

A new project has begun to develop a set of internationally applicable accounting and reporting guidelines for non-profit entities.

The project is lead through a steering group formed from industry and sector professionals and lead by organisations such as CIPFA and Humentum. The project has been called IFR4NPO and you can find more on their website here: https://www.ifr4npo.org/

The first exposure closed for comment on 31 March 2023 with the initial focus to address those issues identified as priorities following the Consultation Paper. NPO-specific financial reporting issues are being addressed by the IFR4NPO project in stages. It is expected to take another three to four t=years to complete.

As FRS102 tends to follow international standards and adopt these – as can be seen above in FRED 823, it is important to consider and feed back on this exposure draft as it will impact reporting in the UK.

1.5 Fundraising regular report

It is a legal requirement under the Act for charities registered in England and Wales with a gross income of over £1 million to include statements on their fundraising activities in their annual report.

The Fundraising Regulator published its latest Annual Complaints Report in October 2022 which covers the period 1 April 2021 to 31 March 2022. The report analyses complaints received by the Fundraising Regulator and complaints reported to 56 of the UK's largest fundraising charities.

Data reported by the sample shows that most have returned to in-person fundraising methods, such as door-to-door and in-person collections, after this activity was restricted throughout the pandemic. However, the volume of in-person fundraising activity generally remains below pre-pandemic levels, suggesting the sector may still be navigating the impact of this period.

The number of complaints to the sampled charities rose proportionally for most methods in line with increased fundraising activity – with 13 of the 23 fundraising methods having increased complaint numbers in 2021/22 compared to 2020/21. However, the overall number of complaints had decreased since 2019/20 which is reflective of changes in fundraising activity and public mood during the pandemic, as well as demonstrating the sector's commitment to high standards of fundraising.

The Fundraising Regulator published new research and updated guidance to support compliance with the fundraising reporting requirements in the Charities (Protection and Social Investment) Act 2016 (the Act) in January 2023.

In July 2022, the regulator reviewed the annual reports of 198 charities with an income of over £1 million to provide a benchmark for the charity sector, highlight good practice, and identify areas for improvement in the reporting of fundraising activity. The results indicate that there are signs of improvement in reporting – though more action is required overall by charities to fully meet the requirements. In addition, sample charities that did not pay the levy were less likely to meet the requirements in comparison to levy-paying charities.

Overall, it was found of levy-paying charities 33% (47 of 144 reports) included a statement on each of the requirements a, b, d, e and f; and 9% (13 of 144) reported on none of the requirements. Of the levy-refusing charities, overall 13% (5 of 38 reports) reported on all the requirements; and 32% (12 of 38) reported on none of the requirements.

Please see the updated reporting guidance on how to be compliant: https://www.fundraisingregulator.org.uk/more-from-us/resources/charities-act-2016-fundraising-reporting-requirements-guidance

The Fundraising regulator is also updating the Code of Fundraising Practice following the public consultation which closed in November 2022. Tin the autumn a 12-week public consultation will gather feedback on any proposals on changing the Code. The Regulator will publish the new Code in autumn 2024.

1.6 NCVO Almanac

The 2022 edition of NCVO's UK Civil Society Almanac published in October 2022 provides the latest overview of the voluntary sector, its finances, and the people who make it what it is. https://www.ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2022/#/

The voluntary sector contributes about £20bn to the UK's GDP

- Two-fifths of voluntary organisations rely on the public for most of their income, while more than a quarter don't receive their income from a majority source
- The voluntary sector spent £56.9bn in 2019/20
- The voluntary sector contributed about £20 bn to the UK's economy, or 1% of Gross Domestic Product (GDP).
- The social services subsector contributed the most, worth £3.8 bn, followed by the international subsector with £3.1bn and health with £2.5 bn
- The voluntary sector employed over 950,000 workers in 2022

2. Legal and regulatory

2.1 Charity Commission report on Kids Company

The Charity Commission has published its findings into Keeping Kids Company on 10 February 2022. https://www.gov.uk/government/publications/charity-inquiry-keeping-kids-company/charity-inquiry-keeping-kids-company.
Recapping:

The Public Administration and Constitutional Affairs Committee Report (PACAC) published a report on 21 January 2016. PACAC report's stated "The Board failed to protect the interests of the charity and its beneficiaries…. Trustees repeatedly ignored auditors' clear warnings about Kids Company's precarious finances. This negligent financial management rendered the charity incapable of surviving any variance in its funding stream; when allegations of sexual misconduct emerged in July 2015 and threatened to impede fundraising, the charity was obliged to close immediately…. Primary responsibility for Kid's Company's collapse rests with the charity's Trustees."

The High Court's Judgement was given on 12 February 2021 and included that:

- whilst aspects of it were high risk, the Charity's operating model was not unsustainable in principle. The Charity experienced significant cash flow difficulties as costs accrued evenly, but donations were seasonal giving rise to cash flow difficulties.
- the Charity recognised that it could not continue to increase in scale to meet demand without changing its funding. The trustees reasonably believed additional funding could be obtained, and had developed a contingency response as discussions with the Government were pursued
- the Charity had a full-time permanent executive, in addition to the CEO, whose expertise the trustees were legitimately entitled to rely upon, and they did so
- the Charity had formulated a restructuring plan. If it had not been for the unfounded sexual assault allegations it is more likely than not that the restructuring would have succeeded, and the Charity would have survived.

Furthermore the CEO did have a central role, including in developing strategy, but she was subject to supervision and control by the trustees, who were the ultimate decision makers. The trustees exercised real scrutiny over expenditure and were entitled to gain comfort from external reports and to expect staff to draw any major concerns to their attention and the trustees' conduct did not amount to incompetence of a high degree

The Judge concluded that most charities would be delighted to have individuals with the abilities and experience of the Trustees in this case. It is vital that able and experienced individuals are not dissuaded from becoming or remaining trustees. A disqualification order was not warranted against any of the trustees and the public needed no protection from them. The Judge stated that she had a great deal of respect for the care and commitment the trustees had shown in highly challenging circumstances.

In the Commission's opinion, the Charity operated under a high-risk business model as illustrated by the combination of (i) heavy reliance on grants and donations, (ii) reliance on a key fundraiser (the CEO), (iii) a lack of reserves and (iv) a demand led service. The trustees were aware of these risks and continued to operate the Charity under the same model for many years, only developing a restructuring plan in the last months of the charity's operation.

The lessons from Kids Company fall into four broad areas:

- the importance of checks and balances, and the right blend of skills and knowledge, in charity boards
- the requirement for operating models to reflect the nature and scale of the charity
- the role of financial planning and reserves policies
- considerations when charities grow

Charities need to have mechanisms in place to ensure longstanding CEOs and executives are challenged by trustees and that trustees have the requisite skills to do so. Founders of charities also need to be mindful that a permanent leadership role is rarely in the best interests of a charity. Asymmetric power or influence can lead to unhealthy board or wider organisation dynamics, and ultimately to poor decision making. No charity should be defined by a single individual.

Charities (of all sizes) could consider setting an agreed term of office for trustees, to bring in fresh perspectives and to avoid complacency. A greater breadth of experience in the trustees at the Charity might have meant they were better placed to question the executive's decisions; likewise if the trustees had a broader range of skills, including knowledge about the therapeutic process. Diversity across trustee boards leads to better decision making which can help to mitigate these risks.

For all charities, measuring impact should be part of the process of evaluation of whether their approach is effective – particularly where an innovative approach is being adopted. A low level of reserves may mean limited resilience against challenges including short–term financial difficulties, cash–flow problems, or increasing demand. All trustees must make well-rounded and appropriate decisions about their approach to reserves. If a deliberate decision has been made to operate with little or no reserves, this should be clearly explained in the Annual Report.

Trustees should have effective systems in place that enable them to analyse the charity's sources of income and identify risks from over dependence on any source of funding. Trustees should also ensure that there is a realistic budget for fundraising, against which results are monitored and fundraising performance, including costs and any risks are managed. While the conditions surrounding Kids Company's approach were unique, its operating model and hand–to–mouth reliance on short–term government grants were not.

However, In December 22 the charity's founder Camila Batmanghelidjh has been given permission to proceed to seek judicial review of the Charity Commission's approach as she feels that the inquiry lacked a proper evidential basis with the Charity Commission being determined to issue a report which criticised the charity, was unfair and biased.

2.2 Public trust and confidence

Annual Charity Commission research on public trust in charities and what trustees think about their duties and public expectations (July 2022): https://www.gov.uk/government/publications/research-into-public-trust-in-charities-and-trustees-experience-of-their-role/public-trust-in-charities-2022. For the second year running, public trust in charities in England and Wales is on the rise, approaching its 2014 peak (6.7) and now stands at 6.4.

The public continues to believe that charities are an important part of society, provided that they meet four consistent expectations. There is, however, a stubbornly persistent scepticism regarding how charities use their money and how they behave. These four public expectations are:

- That a high proportion of charities' money is used for charitable activity
- That charities are making the impact they promise to make
- That the way they go about making that impact is consistent with the spirit of 'charity'
- That all charities uphold the reputation of charity in adhering to these

2.3 Data protection and GDPR

A reminder that Data protection law and GDPR are still high on the agenda for both the ICO and the Charity Commission. Please see: https://ico.org.uk/for-organisations/charity Charities need to ensure that they know what information they hold, where it's stored, and how it is secured, and then process by which is reviewed and deleted. We are aware that many high profile charities have been targeted over the last couple of years with cyber attacks – such as The Woodland Trust, Macintyre Care and The Freemantle Trust and therefore cybercrime remains a key risk for many organisations.

2.4 Legal cases: Harpur Trust v Brazel case and holiday pay

On 20 July 2022 the Supreme Court decision upheld the Court of Appeals ruling on holiday pay. The 12.07% methodology has been deemed inappropriate and can no longer be used. For all workers be they part time, part year or zero hours workers, are all entitled to 5.6 weeks holiday a year.

Pro-rating this entitlement for part-time employees who have the same working hours each week is fairly straightforward. For workers who have no normal working hours, many employers have calculated holiday pay as being 12.07% of the relevant hourly rate for every hour worked. This method assumes that the worker does not accrue holiday during non-working time and has been deemed incorrect by the Courts.

The WTR were clear: a worker on a permanent contract, engaged for the whole year, has an entitlement to 5.6 weeks holiday and to be paid a week's pay for each week of holiday, calculated under the formula in the ERA (now a 52 week reference period, disregarding weeks when no work is done). For every week a worker remains under contract, they accrue 0.11 (i.e. 5.6/52) of a week's leave under the WTR, even if no work is done. However, according to the 12.07% rule they would accrue no leave if no work had been done. That means that for workers who have long periods of not working, but they remain under contract during this time, the less accurate the 12.07% method becomes.

The easiest way is to show the differences in an example which will tend to affect part year workers and zero hours contracts:

Worked calculation based on 12.07% method

Jane is paid £10 an hour, on a zero hours contract, and is entitled to the statutory minimum of 5.6 weeks' holiday. She started work on 1 January, the start of the holiday year. During that first year she got work during 30 weeks, but did no work at all in the other 22 weeks.

The total number of hours Jane worked in those 30 weeks was 300 hours, and so her total pay for that year was £3,000. She is given 12.07% of £3,000, which totals £362.10.

Worked calculation based on Brazel decision

Jane's average weekly pay is worked out on the basis of a 52 week reference period, discounting weeks when no work is done. Her average weekly pay during her first year is therefore £100. Her holiday entitlement is therefore £100 x 5.6 weeks = £560.

Types of workers impacted are likely to be those working in sectors with seasonal variations, like hospitality; or in schools, colleges and academies where someone's hours vary according to demand. If you have used 12.07% method for part year workers, our advice is to conduct an internal audit to assess potential liability and to rectify payment of holiday going forwards. Employees will be time-barred from making claims for historic underpayment of holiday pay which are over 2 years old.

The Government consulted on the calculation of holiday entitlement received by part-year and irregular hours workers. They propose to introduce a holiday entitlement reference period for part-year and irregular hours workers, to ensure that their holiday pay and entitlement is directly proportionate to the time they spend working and to restate the formula. The consultation is now closed and we await the outcome.

2.5 The Charity Governance Code 2020: the new App

Governance App, free resource for the charity sector, from the Directory of Social Change and can be found here: https://thegovernanceapp.org.uk/

2.6 The Charities Act 2022

The Charities Act 2022 received Royal Assent last year and gives charities wider or additional powers and flexibility:

- to amend their governing documents;
- to decide on how they procure goods and services;
- to make "ex gratia" payments
- Clarify when property can be applied cy-près including the proceeds of failed fundraising appeals. ["Cy-pres" means "as near as possible". When a charitable purpose cannot be carried out, the Charity Commission can direct that the funds should be used for other similar charitable purposes.]
- Produce a clearer and less administratively burdensome legal framework for buying, selling, leasing and mortgaging charity land.
- Clarify and expand the statutory regime that applies to permanent endowment [property held by, or on behalf of, a charity that is subject to a restriction on it being spent].
- Introduce a power – with appropriate safeguards – for charities to borrow from their permanent endowment and to make certain social investments using permanent endowment.
- Facilitate, where appropriate, charity mergers and incorporations.
- Confer additional powers on the Charity Commission:

  - to authorise charities to pay an equitable allowance;
  - to require charities to change or stop using inappropriate names; and
  - to ratify the appointment or election of charity trustees where there is uncertainty concerning the validity of their appointment or election.
- Improve and clarify certain powers of the Charity Tribunal.

In October 2022 the following changes came into force:

- a new power that trustees can use to be paid for providing goods to the charity
- where fundraising appeals do not raise enough money, or too much, simpler and more proportionate rules will apply (cy-pres)
- power to amend Royal Charters

In June 2023 the following changes become law:

Selling, leasing or otherwise disposing of charity land

Charities must comply with certain legal requirements before they dispose of charity land. The changes include:

- widening category of designated advisers who can advise
- confirming that a trustee, officer or employee can provide advice on a disposal if they meet the relevant requirements
- giving trustees discretion to decide how to advertise a proposed disposal of charity land
- removing the requirement for charities to get Commission authority to grant a residential lease to a charity employee for a short periodic or fixed term tenancy
- clarifying the legal requirements that apply when a charity is selling, leasing or otherwise disposing of land to another charity
- updating the statements and certificates that must be included in disposal or mortgage documents for charity land.

Charity names

The Act will enable the Commission to direct a charity to stop using a working name if it is too similar to another charity's name or is offensive or misleading, delay registrations and use powers on exempt charities.

Using permanent endowment

The Act has new statutory powers to enable charities to spend, in certain circumstances, from a 'smaller value' permanent endowment fund of £25,000 or less without Commission authority and to borrow up to 25% of the value of their permanent endowment fund without Commission authority

Charities that cannot use the statutory powers will require Charity Commission authority.

A new statutory power will enable charities that have opted into a total return approach to investment to use permanent endowment to make social investments with a negative or uncertain financial return, provided any losses are offset by other gains.

The final provisions included in the Act will be brought in the Autumn 2023.

2.7 Charity Commission new Annual Return for 2023

On 21 December 2021 details of the new questions for the 2023 Annual Return were published. There is some good news in that the total number of potential questions has reduced by 3 to 49 but it still increased by 10. In summary:

	Existing	New
Maximum number of questions	36	49
Annual baseline – the core questions that would be answered by all respondents	16	26
Sub-questions, responded to only by respondents with relevant operations or data	20	23

6 questions will be removed from the 2024 Annual Return, so there will only be 43 questions required as a maximum in the 2024 and 2025 Annual Returns.

2.8 Internal financial controls for charities CC8

The guidance has been redesigned and updated to reflect changes to practice and the law. The main changes are to redesign the guidance, update the controls questions and to focus attention on specific charity risk in various sections of the guidance. So the guidance now references fraud and cybercrime, risk of operating overseas and risks of corrupt and bribery as specific operational risks to consider. There are now sections which cover:

- Internal financial controls for banking
- Internal financial controls for income
- Internal financial controls for expenditure
- Internal financial controls for payments to related parties
- Internal financial controls for assets and investments
- Internal financial controls for loans
- Internal financial controls for hospitality, including gifts

The guidance has also be updated to consider the role of audit committees and internal audit functions in a new section.

Finally the internal control checklist has also been updated and follows the updated sections and guidance of CC8. The breakdown of the checklist into these section means it is easier to hone in on specific areas of internal control risk when reviewing the checklist.

The guidance and checklist can be found here:

https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8/internal-financial-controls-for-charities#internal-financial-controls-checklist

2.9 Investments and 'Butler-Sloss v Charity Commission'

Recent court cases like 'Butler-Sloss v Charity Commission' highlighted issue of what investment powers charities should have and how much attention they need to pay to issues of ethical investing.

'Harries v Church commissioners' in 1992 considered whether a charity could invest for maximal financial return, even if those investments contradict with a charity's purpose. In this case the main principles set by the court were:

- Consider where an investment directly conflicts with charity's purposes
- Consider where an investment indirectly conflicts with charity's purposes - e.g. where particular investments might alienate supporters or donors or make beneficiaries less willing to accept help because of source of charity's money
- Trustees must not use property held by them for investment purposes as a means of making moral statements at expense of their charity, although they may if they wish accommodate the views of those who consider that on moral grounds a particular investment would be in conflict with objects of charity, provided that trustees are satisfied that that course would not involve a risk of financial detriment

The greater the risk of financial detriment, the clearer trustees will need to be of the advantages to the charity of the course of action they are adopting

Butler Sloss:

Trustees wanted to exclude, as far as practically possible, investments that are not aligned with environmental goals.

Trustees were concerned that adopting such an investment policy might not be lawful and consistent with their duties, as it may lower their returns following previous case.

Main issue in this case was whether previous decision laid down an absolute prohibition against charity trustees making investments that directly conflicted with their charities' purposes, or whether this was always a discretionary exercise by trustees.

The High Court decision confirmed that there is no absolute prohibition and that trustees enjoy exercise of discretion when making investment decisions. Trustees must consider the sources of their powers of investment in particular within their charities' governing documents and sections 3 and 4 of the Trustee Act 2000 (where applicable) and that charity trustees can take into account non-financial considerations when exercising their powers of financial investment. Trustees' overriding duty is to further their charities' purposes (as set out in Charity Guidance CC3).

The Charity Commission have released an update to say that CC14 guidance to be updated and released in summer 2023 so as to have:

- Redesigned guidance will incorporate an updated explanation of social investment, which is distinct from financial investment and is currently covered in separate guidance
- Update and explanations on duties that trustees have when making financial investments
- Discretion trustees have to decide whether or not to adopt a responsible investment approach

Adding straightforward structuring and examples where helpful. This 'should give trustees confidence about the options open to them for investing their charities' funds and about making investment decisions that serve their charities' best interests within the limits of the law.'

2.10 Online Safety bill

The Bill is currently making its way through Parliament. It is intended for it to be completed and be in force by the Summer 2023. The Government has said the Bill delivers its "manifesto commitment to make the UK the safest place in the world to be online while defending free expression".

The Bill introduces new rules for firms which host user-generated content, i.e. those which allow users to post their own content online or interact with each other, and for search engines, which will have tailored duties focussed on minimising the presentation of harmful search results to users.

Those platforms which fail to protect people will need to answer to the regulator, and could face fines of up to ten per cent of their revenues or, in the most serious cases, being blocked.

All platforms in scope will need to tackle and remove illegal material online, particularly material relating to terrorism and child sexual exploitation and abuse.

Freedom of expression will be protected because these laws are not about imposing excessive regulation or state removal of content, but ensuring that companies have the systems and processes in place to ensure users' safety. Proportionate measures will avoid unnecessary burdens on small and low-risk businesses.

With regards to private chat services, it requires the providers to proactively scan messages and so charities need to be aware of this aspect and the implications on them as a result if the bill remains as currently drafted.

2.11 Economic Crime and Corporate Transparency Bill

Currently this bill is making its passage through Parliament. It will allow the government to move faster when imposing sanctions, ability to cease cryptoassets, will create a register of overseas entities (ROE) so as to be able to target foreign criminals laundering money in the UK and reforms at Companies House- such as identity identification of all existing and new directors at Companies House.

However perhaps less known is that a 'failure to prevent fraud, false accounting or money laundering' could be become a new criminal offence. The draft legislation means that it brings responsibility onto the entity and thus its key management for failings in the internal control environment that allowed fraud, false accounting or money laundering to occur.

However, to ensure burdens on business are proportionate, only large organisations are in scope – defined (using the standard Companies Act 2006 definition) as organisations meeting two out of three of the following criteria: more than 250 employees, more than £36 million turnover and more than £18 million in total assets.

Presently, if there is a failure in the control environment that allows a fraud to take place, there is a requirement for prosecution to demonstrate that management were fully aware of the weakness in order to be able to take proceedings. This would completely change the onus of proof to just the weaknesses existing in the control environment that allowed the activity to take place. Hence it will mean that the onus will be on the organisations will need to demonstrate that they have documented potential fraud, false accounting and money laundering opportunities and how these will be managed through preventative measures. So watch this space, as the goal posts could move significantly.

2.12 Charitable Rates relief

The Supreme Court gave judgment confirming the test for eligibility for mandatory charity rates relief in England (London Borough of Merton v Nuffield Health). See: https://www.supremecourt.uk/cases/uksc-2021-0138.html. The Supreme Court looked at the two areas of law (charity law and rating law) and gives clear and pragmatic interruption of how to apply these. In summary there is now a two stage test:

Stage 1 – is the entity a charity? Which is factual yes or no for registered charities. For non registered charities it is whether they fulfil the public benefit test requirements.

Stage 2 is again factual are the premises are used for charitable purpose. In order to qualify for relief the hereditament 'must be wholly or mainly used directly for activities which constitute the carrying out of the charitable purposes of the charity or, by a modest extension, for activities which directly facilitate or are wholly ancillary to the carrying out of those purposes'.

2.13 Carers leave

On 24 May 2023, the Carer's Leave Bill gained Royal Assent and became the Carer's Leave Act which is a Bill to make provision about unpaid leave for employees with caring responsibilities (1 week of unpaid leave in a year).

2.14 Unpredictable working hours and employee

The Workers (Predictable Terms and Conditions) Bill is currently making it way through the House of Commons. Workers with unpredictable working hours will have the right to request a more predictable working pattern after 26 weeks' service. The right will apply where a worker's existing working pattern lacks certainty in terms of the hours or times they work, or if it is a fixed term contract of less than 12 months. Employers will be able to refuse a request for certain specified reasons similar to those available in response to a flexible working request. The timeline for its passage into a bill is still unknown.

2.15 Martyn's law

On 2 May 2023, the Government published the draft Terrorism (Protection of Premises) Bill, also known as Martyn's Law.

The proposals would apply to premises which are accessible to the public, are used primarily for a purpose listed in the Bill (e.g. for entertainment and leisure, retail, food and drink, museums and galleries, sports grounds, public areas of local and central Government buildings, visitor attractions, places of worship, health, and education establishments), and have a public capacity greater than 100 individuals. Premises in scope will include buildings and permanent outdoor premises which have a physical boundary. The Bill will also make provisions for events (e.g. festivals) which have a public capacity of 800 or more individuals, and where access to the event is by express permission (i.e. payment or ticketed entry).

The Bill will impose requirements on premises and events to increase their preparedness for and protection from a terrorist attack by requiring them to take proportionate steps, depending on the size and nature of the activities that take place there (tiered model).

A standard tier will drive good preparedness outcomes. Responsible persons will be required to undertake simple yet effective activities to improve protective security and preparedness. This will apply to qualifying premises with a maximum capacity of 100 or more individuals. This could include larger retail stores, bars, or restaurants. An enhanced tier will see additional requirements placed on high-capacity venues in recognition of the potential catastrophic consequences of a successful attack. This will apply to premises and events with a capacity of 800 or more individuals. This could include live music premises or events, theatres, and department stores.

3. VAT and Tax

3.1 Spring budget 2023 highlights

Tax measures:

- UK tax reliefs for non-UK charities and their donors: withdrawn immediately. For overseas charities that qualified for relief on 15 March 2023, relief will continue until April 2024, so as to give time to make appropriate adjustments.
- VAT relief for energy saving materials: a call for evidence has been published by government on options to reform the VAT relief for the installation of energy saving materials in the UK; and suggests the possible extension of the relief to include buildings used solely for a relevant charitable purpose.
- Temporary higher rates of theatre, orchestra, and museums and galleries tax reliefs extended for 2 further years from April 2023.
- Social investment tax relief (SITR): SITR will not be renewed and will close to any new investments from 6 April 2023.
- Business rates: –business rates review has been published by the government and looks to expand the local retention of business rates to more areas in the next Parliament.
- VAT: fund management reform: Following the consultation which closed in February on the proposed reform of the VAT rules on fund management to improve legal clarity and certainty, continued dialogue is being undertaken with interested stakeholders with an intention to publish a response in the next few months.
- £100 million of support for charities and community organisations in England and is targeted at organisations most at risk, due to increased demand from vulnerable groups and higher delivery costs, as well as providing investment in energy efficiency measures to reduce future operating costs.
- Community facilities: £63m fund for public leisure centres and swimming pools
- New apprenticeship scheme ("returnerships") targeted at over 50s who want to return to work to focus on flexibility and previous experience to reduce training length
- Nurseries: Increased direct funding to nurseries from Sept 23.
- Climate change agreement scheme extended for two years.
- Real Estate Investment Trusts: implementation of the Edinburgh reforms to increase attractiveness of regime.

3.2 HMRC newsletter

HMRC have published a Charities newsletter in June 2023, https://www.gov.uk/government/publications/charities-newsletter-1-june-2023/newsletter-1-june-2023. You can subscribe to receive updates from HMRC as and when they issue charity related matters as part of this link.

The newsletter covers the charity tax consultation. HMRC will consult with the charities sector on reform of the tax rules to help tackle non-compliance, whilst protecting the integrity of the sector and therefore we would encourage charities to be involved to ensure reliefs are retained.

There is also a consultation on the future of gift aid too. HMRC will continue to engage with the charities sector to improve the way that Gift Aid works by using digital technology to minimise administrative burdens. HMRC are currently looking at how the Gift Aid service can be improved for everyone who uses it.

3. VAT AND TAX

3.3 Gift aid updates

Retail gift aid, waivers and loan repayments

HMRC has updated its view on gift aid eligibility due to COVID 19 as until this change was made then where an event was cancelled and the charity asked a individual to waive repayment of the ticket price, this was, on the face of it, a waiver of a debt so that Gift Aid was not available.

This has now been written into the gift aid guidance, with the text in paras 3.13 and 3.45 is updated and much clearer on what needs to happen to be able to claim gift aid: https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid

The new guidance is **helpful as now to help reduce administrative burdens on charities, HMRC will accept that where a person due a refund decides to donate this to a charity, the requirements of S416 ITA07 are met provided:**

- the individual does not receive a benefit as a result of their donation
- agrees that the cost of their ticket becomes a donation
- completes a Gift Aid declaration
- the charity keeps an audit trail, including a copy of the agreement from an individual agreeing to the donation of the cost of the ticket

HMRC has now issued guidance in May 2021 which makes these waivers permanently available for gift aid, including **loan repayments**. See:. https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid#chapter-345-claiming-gift-aid-on-waived-refunds-and-loan-repayments . This guidance explains the conditions that apply. Please note that the gift aid relief will only apply to individual etc and **NOT** to companies/unincorporataed entities that are subject to corporation tax.

Retail gift aid concessions can be found:

https://www.charitytaxgroup.org.uk/news-post/2021/hmrc-concessions-retail-gift-aid-may-2021/

Please note that for a Loan repayment waiver, HMRC would expect there to be a legally enforceable document in place – i.e. a deed. So Gift aid is claimable provided agreement to waive the loan/right to a refund is clear and irrevocable. Hence reason for needing a paperwork trail. Examples of this for waived refunds could include:

- email exchange
- letter out to the taxpayer and their response
- recorded telephone call

Major donors and naming rights

The policy has been updated in para 3.19.8.

https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid

Sometimes charities may want to name a building or part thereof after an individual donor who's provided a substantial donation to the charity and need to ensure that this is no seen to be part and parcel of a condition which could call into question sponsorship rights.

Therefore avoid 'naming rights' contracts. It is more about allowing the charity to acknowledge donation

……. 'as long as the naming does not act as an advertisement or sponsorship for a business, then naming of building or part after individual donor would not be considered a benefit.'

3.4 Employed vs Self-Employed for Charities:

From 6 April 2022, operating IR35 (off-payroll working rules) becomes the responsibility of the organisation, not the worker. Full details including links to HMRC guidance can be found here: https://www.charitytaxgroup.org.uk/news-post/2019/hmrc-off-payroll-working-ir35-guidance-updated/

IR35 rules for private sector bodies will only apply to larger organisations, those with:

- Turnover > £10.2m
- Balance sheet total > £5.1m
- Number of employees: 50 or more

In response to consultations on IR35, the Charity Tax Group argued that the definition of turnover should exclude donation and grant income. HMRC has now confirmed in an e-mail to CTG that this is the case. In some cases, this should exclude charities from having to follow the off-payroll working rules.

3.5 VAT

In June 2022, HMRC have issued the Revenue and Customs Brief 10 (2022): VAT — business and non-business activities.

https://www.gov.uk/government/publications/revenue-and-customs-brief-10-2022-vat-business-and-non-business-activities

Recent court cases have provided further clarification on how to determine whether or not an activity is a business activity; and in determining this, there should be no reliance on an organisation's overall objective or profit motive. The guidance has been updated to consider a two stage test. The Two stage test is as follows:

Test 1: The activity results in a supply of goods or services for consideration. If not, then not a business activity. An activity will fall within the scope of VAT when all the conditions listed in sections 4(1) and 5(2) of VAT Act 1994 are met:

- it is done for consideration
- it is a supply of goods or services
- supply is made in the UK
- it is made by a taxable person
- it is made in the course or furtherance of any business carried on or to be carried on by that person.

Goods or services are not provided for consideration:

- provided for free
- payment is made but not consideration – e.g. parking fine
- there is no link between supply and payment received (see VATSC05100)
- Money is freely given as donation

Charity VAT Risk: If a grant is given for a particular purpose and person providing it, or other persons specified by them, receive the benefit, then the grant may be consideration. E.g. research grant - beneficial results will become property of person providing grant - grant is consideration for provision of research services.

Test 2: The supply is made for the purpose of obtaining income therefrom (remuneration). If not, then not a business activity. So "carried out for the purpose of obtaining income". It is also objective test, i.e. it must be determined from the outside observer's standpoint, and not based on subjective views of charity. Is the purpose of the consideration to create an income? Is the income so low to be considered a concession? Is there an intention to make a profit?; and conducted on sound business principles?

Consider whether activity is pursued with recognisable continuity and level of seriousness, preparations and investment made to promote the activity. So a business activity:

- will normally involve book and record keeping plus annual accounting and audit reports
- is likely to be advertised or publicised to attract customers
- is less likely to be done for pleasure as would a hobby or pastime
- is less likely to be an isolated transaction or a one off

3.6 VAT and digital advertising

HMRC which is adopting a narrow interpretation of the VAT rules, is stating that digital advertising does not all qualify for zero rating. In a letter to CTG, HMRC sets out its interpretation of the VAT treatment of the following situations where advertising takes place online:

- 'Natural hits' – not supplies of advertising for the purposes of item 8 and standard rated
- Pay-per-click adverts – zero rated
- Direct placements on third party websites – zero rated
- Social media/subscription websites – standard rated
- Retargeting of individuals revisiting a website – standard rated. Commentary is also provided on other types of targeting

HMRC have updated their guidance 701/58. Sections "Media where charities can advertise VAT free", "What the term 'the public' covers", "Information on the internet" and "Relief on the design or production of an advertisement" have been updated.

Placing of advertisement by a charity in someone else's media can usually qualify for zero rating. Different rules apply for digital and social media advertising.

Advertising covering any subject, including staff recruitment, in a third-party medium can qualify for zero rating, including advertisements on television, cinema, billboards, buses, in newspapers, programmes, annuals, leaflets and other publications, and on Internet sites. Marketing and advertising of items to targeted individuals or groups are excluded from zero rate relief.

You need to review your digital advertising and media agencies as regards the actions you could take in respect of this information. We would be delighted to assist you in this regard.

3.7 Yorkshire Agricultural Society case VAT case

A recent First Tier Tribunal case, Yorkshire Agricultural Society v Revenue & Customs [2023] UKFTT 389 (TC) (25 April 2023), has agreed that admission charges to the event where exempt under fundraising events exemptions. See: https://www.bailii.org/uk/cases/UKFTT/TC/2023/TC08803.html

Previously YAS used to treat the event as a charitable activity but deemed the event to be a fundraising event and reclaimed the VAT on the income. The Tribunal found that:

- The shows were planned to raise as much as possible. They were budgeted and managed to make a surplus.
- Activities within the shows were carried out in pursuance of the charitable purposes of the charity.
- YAS did not "promote" the shows as being "primarily" to raise money. But the publicity, Souvenir Programme and admission tickets stated that the shows would raise funds for the charity and help support faming and the countryside.
- The shows had two purposes: fundraising and education (charitable purpose).

The Tribunal stated that the test is not whether or not fundraising is **the** primary purpose, but **a** primary purpose of the event. So that there can be more than one primary purpose and is one that is important, rather than being an indication of hierarchy of fundraising or charitable purpose. Therefore it could be both.

Therefore the tribunal found that the show was an exempt event within the proper meaning and effect of the fundraising exemption in Schedule 9 Group 12 Item 1 of the VAT Act 1994, read compatibly with Title IX Articles 131 and 132 of the Principal VAT Directive (i.e it was a fundraising event for VAT purposes).

This is not binding as it is only a tribunal ruling so care needs to be taken if this is going to be applied to your circumstances but does raise interesting situation that an event can be both charitable and a fundraising event at the same time.

3.6 VAT and digital advertising

HMRC which is adopting a narrow interpretation of the VAT rules, is stating that digital advertising does not all qualify for zero rating. In a letter to CTG, HMRC sets out its interpretation of the VAT treatment of the following situations where advertising takes place online:

- 'Natural hits' – not supplies of advertising for the purposes of item 8 and standard rated
- Pay-per-click adverts – zero rated
- Direct placements on third party websites – zero rated
- Social media/subscription websites – standard rated
- Retargeting of individuals revisiting a website – standard rated. Commentary is also provided on other types of targeting

HMRC have updated their guidance 701/58. Sections "Media where charities can advertise VAT free", "What the term 'the public' covers", "Information on the internet" and "Relief on the design or production of an advertisement" have been updated.

Placing of advertisement by a charity in someone else's media can usually qualify for zero rating. Different rules apply for digital and social media advertising.

Advertising covering any subject, including staff recruitment, in a third-party medium can qualify for zero rating, including advertisements on television, cinema, billboards, buses, in newspapers, programmes, annuals, leaflets and other publications, and on Internet sites. Marketing and advertising of items to targeted individuals or groups are excluded from zero rate relief.

You need to review your digital advertising and media agencies as regards the actions you could take in respect of this information. We would be delighted to assist you in this regard.

3.7 Towards Zero Foundation (TZF) VAT case

In summary, TZF carried out uncharged activities but these were intended to lead to fee earning work. The VAT Tribunal agreed that the tests for which charges were made would never have happened if not for the initial tests provided for free. Those initial tests were therefore part of the business model to generate taxable income. HMRC tried to disallow the input tax on 'free' activity, but Tribunal allowed on appeal.

https://www.bailii.org/uk/cases/UKFTT/TC/2022/TC08547.pdf

3.8 Museums and Galleries - VAT refund scheme And Tax Relief Scheme

This VAT refund scheme encourages museums and galleries to provide free entry and open up access to works in collections. Any museum and gallery open to the public free of charge for 30 hours a week can apply.

It will help organisations boost their finances and open up their collections more regularly. The VAT Refund Scheme, which has been running since 2001, was last open to new applicants in 2018/19 .

Museums and Galleries Exhibitions Tax Relief scheme is to encourage cultural venues to develop new exhibitions through financial incentives. Temporary uplift, meaning 45% tax relief for permanent and temporary exhibitions and 50% tax relief on touring exhibitions respectively up to a maximum of £100,000. From 1 April 23, these rates reduce to 30% and 35% respectively, before returning to their usual rates of 20% and 25% on 1 April 24.

https://www.gov.uk/government/news/museums-and-galleries-urged-to-sign-up-for-vat-refund-to-support-free-entry-for-the-public

3.9 Listed Places of Worship Grant Scheme funding

Government funded Listed Place of Worship Grant Scheme aims to support the works by giving grants that cover the VAT incurred in making repairs to listed buildings in use as places of worship. This supports the effective conservation of these sites and has been protected until March 2025.

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