

UNW's Charity Group

Charity Bulletin

UNW's regular update about topics of financial interest to charities and not-for-profit organisations



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Welcome to our autumn Charity Bulletin 2020



Welcome to our Autumn round up! It seems like an awfully long time since I wrote the intro to our February Bulletin, but as we continue to adjust and establish a new normal, some things are reassuringly continuing as planned.

In this issue, we look at the anticipated changes to the Charity Governance Code, which is expected to be published in its refreshed form later this year (and which will probably form the basis of a future event in the New Year). I expect that some aspects of Governance will have been slightly neglected over the last 6-9 months with everything else that has been going on around us, so that might be a good time to stand back and take stock.

We also caught up with Bob Eldridge, the driving force behind first People's Kitchen and then more recently Street Zero, and his tireless campaign to end rough sleeping in Newcastle. The pandemic has thrown up some interesting challenges for all working in that sector.

Paul Tucker, who recently joined UNW's Employment Taxes team as Senior Manager, has provided an overview of the employee benefit and tax issues around

supplying job related accommodation. This is an area that is coming under increased scrutiny, so it is definitely worth a read if you provide accommodation.

Mark Hetherington, VAT Partner at UNW, then provides an update on the VAT position for digital advertising by charities.

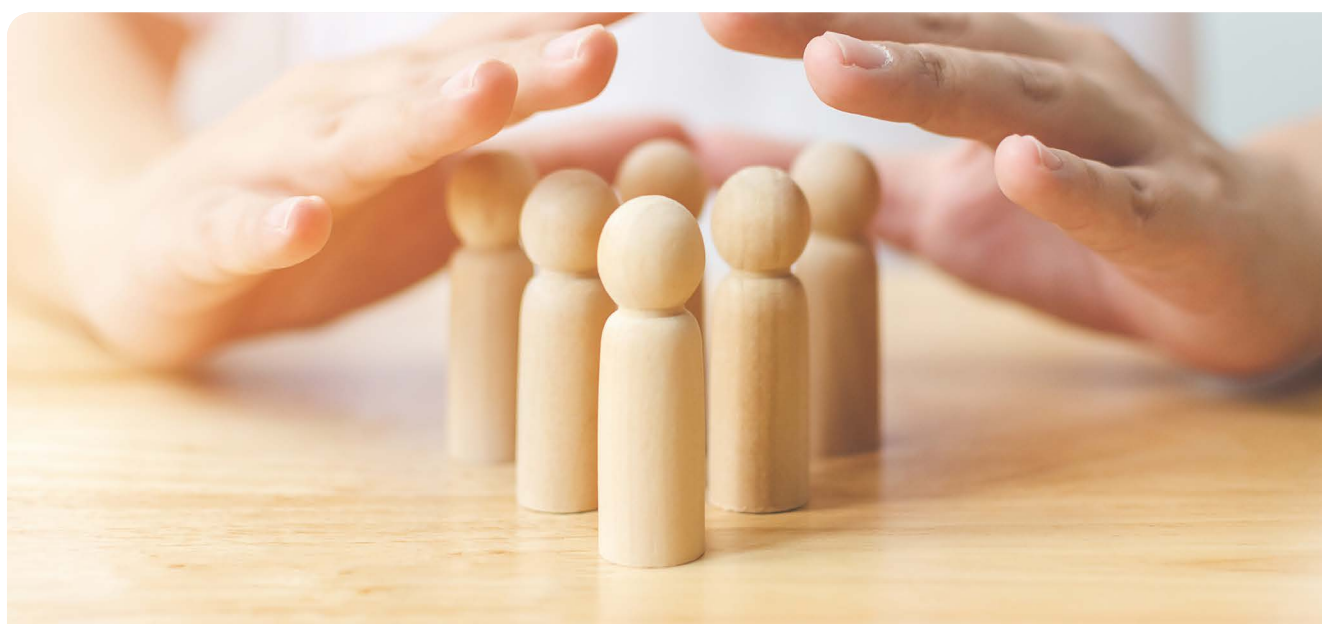
On 15th October we pushed our IT technical department to its limit for our first ever Online Charity Networking event, which was originally planned as an in-person event over the summer following requests from attendees at our briefings. Whilst I couldn't get round all the different virtual "rooms," I think there was interesting and valuable discussion and experience sharing in them all – many thanks to all those who attended.

We are starting to shape our 2021 Events Programme, and so if anyone has any burning requests or ideas then do let us know. We are crossing everything in the hope that real events will be allowed - and safe for all - at some point over the coming months!

Anne

Charity Governance Code refresh coming later this year

The Charity Governance code is intended for use by charities registered in England and Wales; much of it applies to other not-for-profit organisations that deliver a public or community benefit, and those with a social purpose. It is a practical tool launched to help charities and their trustees develop high standards of governance, as good governance in charities is fundamental to their success.



After it was launched in 2017, 2020 was scheduled as a year to “refresh” it. Upon launch, the intention was to review the contents and impact of the Code at three-year intervals. This is to ensure it remains current and embraces and reflects the recent changes in the operating environment for charities.

The public consultation of the Code was closed in February 2020, after receiving over 800 responses, about 500 of which came from a survey carried out by the Small Charities Coalition; Following a review process, the outcome of the consultation was released in August 2020. The key themes identified were:

- Majority of feedback on the Integrity and Diversity principles;

- Diversity principle will be renamed – most likely to “Equality, Diversity and Inclusion”, and get a rewrite recognising this as an area where thinking has moved on substantially since the first draft of the code;
- Integrity principle will be updated and incorporate the four NCVO ethical principles;
- The other principles are expected to be largely unchanged; and
- The intention is to review it every three years – so the next update will be 2023 when it will be due for a more substantial overhaul.

The sector can expect to see an updated Charity Governance Code later in 2020. Alongside the refresh, it

is expected that a “route map” will be developed allowing the Code to go under a more in-depth revision in 2023.

The full consultation response to the report, which was published in August, can be found here: <https://www.charitygovernancecode.org/en/about-the-code-1/refreshing-the-charity-governance-code-1.pdf>

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Charity Client Focus:

Bob Eldridge MBE

Founder and Chair of Street Zero

Bob Eldridge founded Street Zero in 2018, with the mission of eradicating homelessness and “rough sleeping” in Newcastle by 2022. In 2020, the City has reported 87% fewer people sleeping rough over the previous year. He was previously the Chair of The People’s Kitchen, a charity which also plays a unique role in helping to meet the needs of rough sleepers and vulnerable people in Newcastle.

We recently spoke to him about the impact Covid-19 has had on the work of Street Zero, and his vision for the future of the organisation.

Could you please tell me a little about your background?

I founded the consultancy Retail Directions over 30 years ago. We built a team of 20 experts based in London and Newcastle, who advised retail clients in leisure, aviation, and travel across Northern Europe. I retired from consultancy and now live in Tyne Valley with my wife Jo and our three children, with an aspiration to focus on voluntary work in the charity sector.

What inspired you to get involved in the charity sector?

My strong desire to help the vulnerable stems from my Christian beliefs to ‘love thy neighbour.’ I had an empathy to do something practical as a volunteer to help those marginalised in our society. Over 30 years ago, I helped to form the Newcastle-based People’s Kitchen from the outset, using my business skills around governance, funding, and people management. I helped

build its reputation and vital life support work, which has grown with the support and generosity of the local community.

What were your first steps into the charity sector after retiring from consultancy?

In 2018, I formed the Newcastle Homeless Commission (NHC) with Newcastle City Council with the aim of bringing a together collective rough sleeping strategy across the city. I had previously seen charities working autonomously doing good work but failing to collaborate with other organisations in their sector. It was clear that a coherent approach was needed to address rough sleeping in Newcastle.

From an outside perspective, it appeared that individuals seeking support had to navigate pathways and often fell between the cracks. Therefore, establishing NHC was to act as a catalyst to bring together all partners, charities, public, and private organisations with a clear plan of how to tackle this crisis in our own city.

STREET ZERO

ENDING
ROUGH
SLEEPING
NEWCASTLE
2018-2022

www.streetzero.org.uk



How was Street Zero established?

Street Zero was established with the NHC, alongside Newcastle City Council and partners, in 2018. It was created as a way to coordinate city-wide efforts to prevent homelessness and ultimately eradicate rough sleeping in Newcastle for good by 2022.

How has the Covid-19 pandemic changed the work of Street Zero?

When the pandemic hit, it was not surprising to learn that the vulnerable – who live with acute crises and are often affected by mental health struggles – were potentially even more marginalised than others. However, within Newcastle we already had two years of planning behind us and were able to move quickly to accommodate 185 rough sleepers into hostels.

Throughout 2020, Street Zero partners working with the City Council have been able to move 120 people from these temporary hostels to independent supported living in the community. Through the public and local businesses, alongside Fenwick, we have been able to raise £100,000 for the Street Zero Emergency Fund. We have been able to redistribute £57,000 for Covid-19 related issues to help individuals through this difficult period.

What is your vision for the future of Street Zero?

We are absolutely delighted to have reduced rough sleeping by 87% in 2020, alongside our partners. The challenge for those involved now is

to ensure we support individuals in their accommodation; in particular to make sure they have the right healthcare provisions and addiction support, rather than them seeking to return to a life on the streets.

We currently have a pipeline of 117 new self-contained flats which will be accessible by May 2021. Newcastle

We have raised an additional £1.2 million government funding to focus on housing and health initiatives. Although all the partners and I are encouraged by this relative success, both my and Street Zero's personal mantra is that it is an absolute failure that anyone in Newcastle sleeps rough – particularly in the current climate.

“ We are absolutely delighted to have reduced rough sleeping by 87% in 2020, alongside our partners.

City Council are also working effectively with neighbouring councils to ensure those from outside of the area, who have a connection to another area, are safely reconnected – 48 individuals have already accepted reconnection outside of the City.

You've mentioned that rough sleeping has been reduced by 87% this year. How much has Covid played a part in that?

The reduction is a testament to the success of the joined up, city-wide Street Zero plan to bring a seamless approach where everybody involved is on the same page. The pandemic in March merely accelerated what was already underway so we were in a better position than many other cities in that respect. A lot of public funds are spent on tackling rough sleeping across local councils, and Street Zero has proven to be a very successful model.

How has UNW supported you, both with The People's Kitchen and Street Zero?

I have worked with the UNW team over many years under the professional

stewardship of Anne Hollowell. I have great confidence in UNW to explore collaboration and innovative management approaches.

Receiving charity sector advice from UNW as a sounding board has been extremely valuable. Anne and the wider team have supported in setting up new models at The People's Kitchen and helped introduce good governance and management accounting procedures in a voluntary-run organisation.

More recently, they have helped establish the Newcastle Homeless Commission from scratch as the infrastructure behind the Street Zero partnership. It is always good to be able to share ideas with someone who is professionally equipped before you “jump” – even if, like me, you have run a successful business and been an adviser to many corporate clients.

If you would like to find out more information or to support Street Zero, please visit the website: www.streetzero.org



Expansion of zero-rated VAT for charity digital advertising



HMRC recently published a brief clarifying its policy on VAT and digital advertising services purchased by charities. The brief expands on what different types of digital and electronically delivered advertising for charities can be zero-rated.

The guidance reiterates HMRC's established view that where advertising is aimed at general audiences, rather than at individuals, this can be seen as eligible for the zero rate – subject to all other conditions being met.

However, if the audience is targeted individually, this will be subject to the standard rate of VAT (20%); this includes any method of contact, including electronically (such as via email or social media). The brief gives a helpful summary of the various types of charity advertising that will qualify for zero-rating, and those that HMRC consider should be subject to VAT at 20%.

HMRC has stated that it will continue to engage with stakeholders to ensure it understands the VAT treatment of changing advertising practices.

The full guidance and list of items eligible for the zero rate, as well as those being standard rated, can be viewed here: <https://www.gov.uk/government/publications/revenue-and-customs-brief-13-2020-vat-charity-digital-advertising-relief/revenue-and-customs-brief-13-2020-vat-charity-digital-advertising-relief>.

Mark Hetherington, VAT Partner at UNW, said: "This is a welcome brief as it provides better clarity for charities on the scope of zero rating for advertisements delivered electronically. If a charity thinks they have been overcharged VAT, their first port of call should be with the supplier involved.

"Where advertising has been provided by an overseas-based business, for example Google Ireland, the charity should also

review how they have dealt with any UK VAT on the imported service, normally by the way of a Reverse Charge.

"The brief will help make clear if any UK VAT charge can be reduced and a repayment obtained from HMRC."

If you would like further guidance on this topic, please do not hesitate to contact one of our dedicated VAT specialists.

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Employee Living Accommodation – is it tax exempt?

HMRC are removing one exemption and are clamping down on another.

The tax treatment of employee living accommodation is complex. Some of the rules are very old and require information, from the 1970s, for example the 1973 Gross Rateable Value, for some calculations.

In broad terms, the living accommodation taxable benefit applies to the provision of a property, such as a house or flat, to an employee, rather than hotel accommodation. The provision of employee living accommodation is a taxable benefit unless it is covered by a job-related tax exemption. There have been proposals in recent years to simplify the calculations and restrict the availability of the exemptions – although nothing has changed, until now.

HMRC are of the opinion that some employers are claiming exemptions when they may not be due. Employers must be able to explain to HMRC, if challenged, why they consider an exemption applies. A number of exemptions are available, but the most commonly claimed are the following:

1. The employee is a Representative Occupier;
2. The employee is occupying the property as it is necessary for the proper performance of their duties; or
3. The employee is occupying the property as it is customary and for the better performance of their duties.

HMRC are withdrawing the first of these exemptions, the Representative Occupier, from 6 April 2021. This is a very old exemption in respect of posts in existence before 6 April 1977 where the employee is required, as a condition of their contract of employment, to reside in that particular accommodation and is not allowed to reside anywhere else. In addition, given the nature of their employment they must reside in it for the better and more effective performance of their duties. It also applies to employees who succeed an employee who had representative

status. The conditions are tightly drawn. Tracking occupation since 1977 is a challenge, especially in relation to employees who succeeded employees who were previously eligible.

The other two exemptions are both very subjective. Both parts of the customary and better performance exemption must be satisfied. In their December 2018 Employer Bulletin, HMRC reminded employers that the customary test cannot be met by simply looking at one employer. Employers must demonstrate that they have considered the position in relation to employees holding similar positions with other employers. HMRC are challenging the use of this exemption; for example, from 6 April 2019, they indicated they no longer accept that the customary exemption is available for employees within the Higher and Further Education Sector.

Given the above, it is likely that HMRC will increase their activity in this area. If they identify an error, they may go back six years with their liability calculation and also charge interest and potentially penalties. It is also important to remember that even where an exemption applies, there may be a benefit in relation to other liabilities, such as light and heat.

Employers must be able to demonstrate to HMRC that they have dealt with their employee accommodation correctly. We recommend that employers undertake regular reviews to identify:

- Accommodation provided to employees;
- The employees who occupy the accommodation;
- Why they occupy the accommodation and whether it is taxable or exempt; and
- If an exemption applies, which exemption applies and why (including the interaction with contractual requirements and job descriptions).

If you have any questions or have any concerns about how this might affect you, please contact:

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UNW hosts successful “Virtual Charity Networking” event

In the past, one of the main aims of UNW’s charity briefings has been to bring together different people from across the sector to share experiences and ideas. Although events cannot currently be held face-to-face, the firm held a Virtual Charity Networking session to help facilitate discussion and collaboration.

On 15th October 2020, UNW brought together representatives from charity and not-for-profit organisations in a session held through Zoom. Following an introduction from Anne Hallowell, Charity and Not-For-Profit Partner at the firm, attendees were split into groups and then organised into virtual breakout “rooms” facilitated by UNW colleagues.

During the breakout room sessions, a variety of topics were discussed, including the biggest organisational challenges faced since the start of Covid lockdown in March. This allowed attendees who had already addressed similar issues to offer up solutions. Alongside this, funding and finance was covered, with time taken to discuss any new sources of funding available during the crisis.

Some sessions also turned to Governance and Board, with attendees sharing experiences on how they have adapted their boards through the crisis and future challenges they expect to face. There was also conversation about staffing and restructuring with the end of furlough approaching, as well as discussion around how each organisation adapted and approached re-opening.

The networking event received great reception from attendees, with feedback ranging that the sessions were “very beneficial” to “a great first session with a good group of people who shared their thoughts and experiences.” It was also stated that it was good to hear of other’s experiences during a “difficult and uncertain period,” as well as that the session was great to support learning while “embarking on a journey as a new trustee.”

Anne Hallowell said: “The UNW Charity Group is absolutely delighted with the success of our first charity networking event. We are well aware of the importance of networking in such a specialised sector, so were keen to help bring people together, promote the building of mutually beneficial relationships, and instigate discussion after such a difficult period for charities.”

“Charity and not-for-profit organisations really benefit from the sharing of ideas and interactive learning from peers, which was one of the goals of our session. It was great to see so many attendees come together to help each other with challenges and offer practical advice and solutions. We’re hoping that, in the coming months, in-person events will be allowed and safe for all.”

The UNW Charity Group is always developing its Events Programme to ensure we are offering events beneficial and relevant to our clients. If you have any requests or ideas, please feel to get in touch with Maxine Fox at maxinefox@unw.co.uk or on 07387 418995.

Any questions?

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