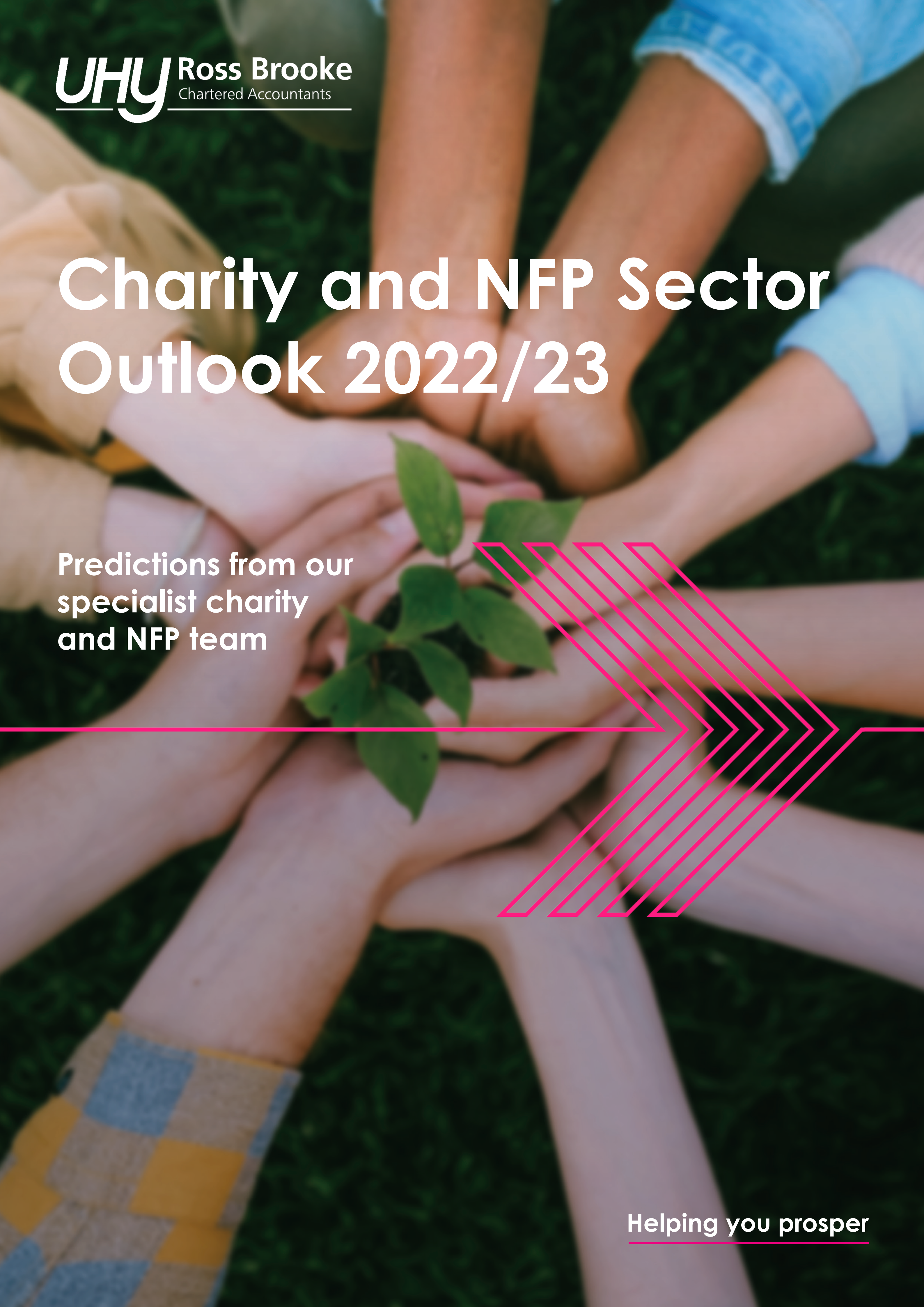


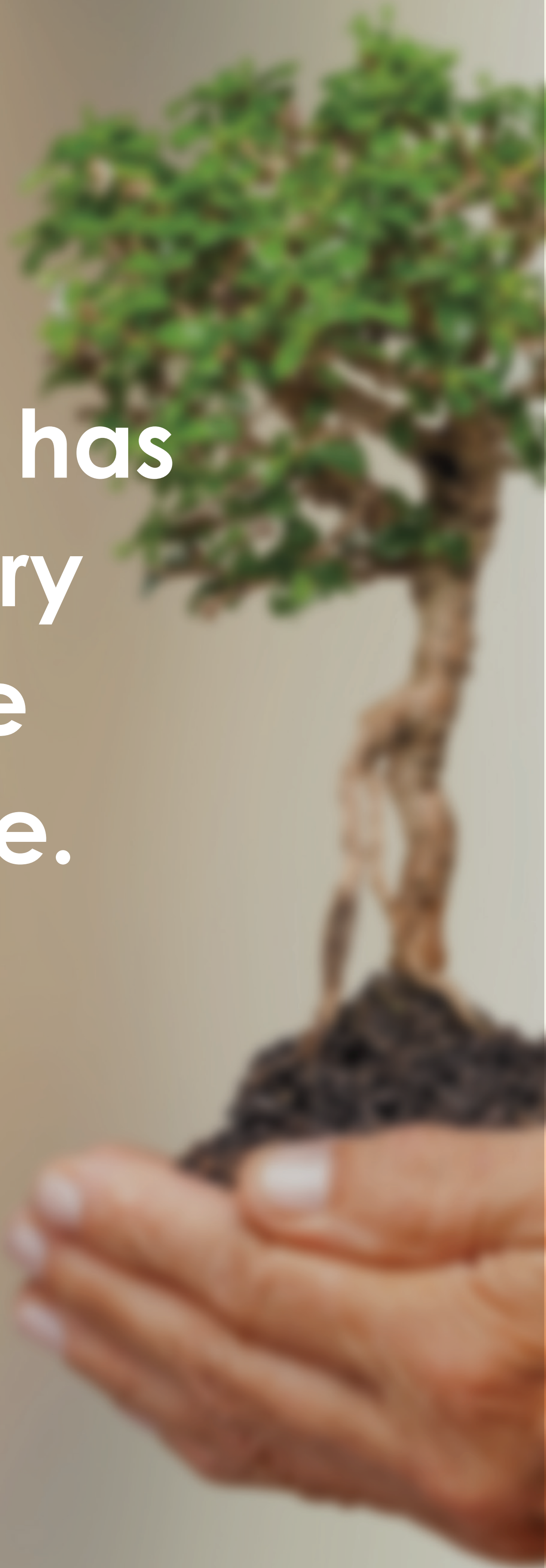
UHY Ross Brooke
Chartered Accountants

Charity and NFP Sector Outlook 2022/23

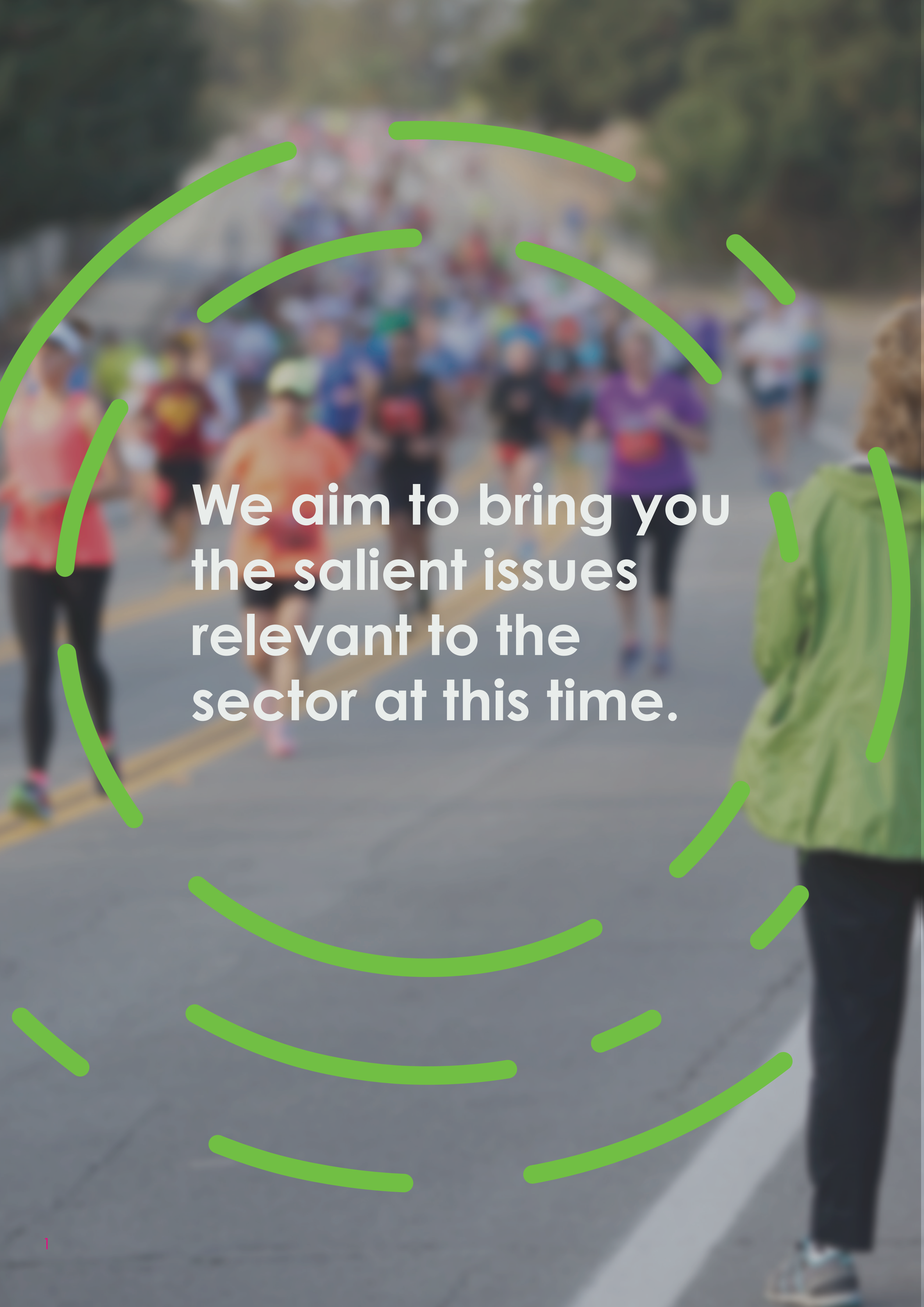
Predictions from our specialist charity and NFP team

Helping you prosper

The pandemic has left almost every charity in some state of change.



Contents



We aim to bring you the salient issues relevant to the sector at this time.

Editor's welcome

Welcome to our sixth edition of our Charity and Not-for-Profit Outlook for the year 2022/23.

Our last Outlook was published in mid-2020 and what a couple of years it has been since then. We are now coming out of the grip of the pandemic and find ourselves in a position of 'living with Covid'. However, it is still a precarious time for the sector as we get used to our 'new normal'.

Our Outlook aims to bring you the salient issues relevant to our sector at this time. With all of the upheaval of the past two years, the pandemic has left almost every charity in some sort of change. Whilst it is never quick or easy, to help you smooth the way we have provided our top tips about how to effect change on page 3.

With a surge in people looking to support charities during the pandemic, we have seen many new trustees appointed to Boards. With face-to-face meetings also now making a comeback, we look at the importance and value of trustee training on page 7 and consider how your accountant could support you.

We also look at why setting values for your charity should be of central importance and guide how you make decisions and conduct business. On page 9, Doug Aitken from Remarkable Practice discusses how values can be a real differentiator.

And of course, the big issue of concern across all sectors this year is the sharp rise in inflation and the cost-of-living crisis. But what does it mean for charities specifically? On page 5, we consider the main way rising inflation is likely to affect the sector and look at what can you do to weather the storm.

As a firm of accountants, our Outlook would not be complete without taking a look at VAT; that simple tax, until it isn't! VAT in the charity and not-for-profit sector can be complex given the number of exemptions that can be granted to charities by HMRC, resulting in those that are VAT registered being partially exempt. We shine a spotlight on a recent VAT charity case, highlighting the approach of HMRC to charities and the challenges faced when dealing with HMRC on page 11.

We also look at the difference between funds and reserves on page 13, including the importance of setting a strong reserves policy, and provide an update on the statutory changes that you should be aware of, including the Charities Act 2022 and changes to International Standards on Auditing, on page 17.

Finally, we have a really interesting interview with Stephanie Sirr, Chief Executive at Nottingham Playhouse. Theatre and the Arts has been one of the sectors hardest hit by the pandemic and was also one of the last sectors able to fully reopen. Stephanie discusses the current issues affecting Nottingham Playhouse and also shares details about her amazing career journey to date. I personally found this interview really insightful and I hope you will enjoy it too.

As ever, we are here to help. Please do contact one of our charity team if we can be of any assistance. Contact details for our national charity and not-for-profit experts can be found on page 28.

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Six steps to managing change in the charity sector

The pandemic has left almost every charity in some state of change. This may be positive for some, but not for all. What's clear is, by now, most will have confirmed the future is anything but certain.

There have been many reports in the media about charities being hit by increased demand for their services, whilst at the same time having to adapt the ways in which they work and fundraise.

Covid-19 put a hole in the finances of many. For a few, income has sky-rocketed thanks to extraordinary fundraising efforts. And others may just be starting their journey of responding to the aftermath of Covid-19.

With the UK experiencing a mobilisation of volunteers for Covid-19 related activities, there are opportunities to recruit more volunteers who want to do some good in society in a post-pandemic world. There may also be new opportunities to plug gaps left behind by services curtailed by local councils which will generate income.

We are all operating in a changed environment. To some degree, the nature of the change is not important, the key is how the change is handled.

Many charities we work with have identified the issues they face and have a plan in place to address these, but few know how to successfully implement that change. Even a small change can unsettle people in an organisation, so getting it right the first time is critical. There is never a quick or easy way to make change and it takes more than a short article to outline everything you need to do to execute change well. But to help you with the planning stage, we have provided some key tips to help smooth the way.

1. Recognise when change is happening and engage with the management team

Change can unnerve people. Some will thrive working in an environment where no two days are the same, but most will find this unsettling. Often, the cause of resistance to change is a fear of the unknown and a feeling that the goalposts are being moved without their input. This is often caused by a lack of engagement. It is incredibly easy to sit as a board of trustees and 'know' what your charity needs to do next, but have you engaged fully with your management team?

As your management team are involved in the charity daily, they are best placed to know the finer details of what is happening at the coal face and how people feel about change, especially where the rumour mill is working hard. Most trustees simply can't have that level of detail of the day-to-day running. Whilst it is appropriate for trustees to ultimately set the strategic vision, ensuring your management team have early involvement and input into the process will reduce the risk of resistance to change. So, when you identify that there is a change needed for strategic reasons, make sure management are involved before a final decision is made.

2. Have a clear plan and vision

Before sharing your idea, it is important you have a clear plan and vision in place that all the Board buys into. Being challenged will almost be a given. If you fumble over answers when presenting your plan, acceptance will be harder to achieve. Think about the questions that may be asked and have clear responses to them. Perhaps have one trustee take the role of the objector who has done everything and knows that nothing will work, except the thing they have always done. Spend some time rehearsing the presentation to the team, with objections from the objector! If there are ambiguities, they will quickly become apparent in the questioning.

3. Communication is key

"I knew exactly what was needed and what my role was in executing this plan" is the response you need everyone in the charity to say after the change has happened. The only way to do this is to communicate clearly. Inevitably, there will be some whispers around the team if there is the scent of change in the air. The only way to stop misinformation being disseminated is to make sure that every single person in your charity is in the know. Time and effort should be given to communicating with your team, ideally in the shape of a face-to-face meeting. Make sure that a date is set for an all-team meeting well in advance to ensure that as close to 100% attendance as possible can be achieved, with specific details set out about how those unable to attend will be updated.

4. Respond to feedback and concerns

Once the plan has been communicated with everyone across the organisation, consider holding one-to-one meetings with key team members. Ideally, this would be trustee-led where possible. At these meetings, allow people an opportunity to provide feedback and be empathetic in your response. However, one of the key aspects to these meetings will be to set expectations – perhaps the role of an individual will change or expand as part of change; have you made it absolutely clear what is expected, set appropriate targets and given clarity on what key performance indicators will be measured? This may involve holding some difficult conversations. Whilst these can be uncomfortable, it is better to have conversations and deal with the problem early on, rather than see the problem escalate in the future.

5. Bring in advisers to deal with tricky situations

Unfortunately in change, sometimes a role may become redundant. If there is a risk to some roles, meetings with those individuals affected should be held as a priority. Any conversations need to be held with empathy, but also to a strict process. If redundancies are likely, the best course of action is to involve an HR specialist as soon as possible. This will help ensure you do not fall foul of rules in an area which can be a minefield.

6. Review and reflect

Our final tip would be to make it clear that, post-change, there will be time for review and reflection. It may be the case that where there has been a significant change to the organisation, the factors which caused the need for change may be fluid and the plan may need tweaking. Having regular sense checks that the direction of travel is still correct are vital to ensure the plan is not deviated from. If a part of the plan hasn't worked as hoped, don't be afraid to revise that part of the change. Above all though, be brave, and where change is needed, turn and face it head on.

Whether you are facing big a change or a small one, change is never easy. However, thorough planning is key to drive forward a successful transformation where staff and supporters are on board.

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The cost of living crisis - what can your charity do?

UK inflation, the rate at which prices rise, hit a 40-year high of 9.4% in May 2022 and the Bank of England has warned that UK inflation could reach 11% by the end of the year. Along with soaring energy costs and higher fuel and food prices, the cost of living is rapidly increasing pressure on household budgets. So, what does this mean for charities? And what can you do to weather the storm?

How will rising inflation affect your charity?

Firstly, let's look at the main ways rising inflation is likely to affect the sector:

Costs will rise

Inflation is a measure of how much the price of goods and services increase over time; so as rates soar, so too will your costs. One of the most notable cost increases across all sectors will arise from salary increases if wages are not to fall in real terms. In the charity sector, according to the NCVO, staffing costs account for 37% of total expenditure, so any increase in pay to ensure your teams are not worse off could have a profound impact on the finances of your charity. But if you avoid increasing wages, there is a risk staff will leave and you will struggle to replace them.

In addition to higher staff costs, you will need to factor in increases in business rates, materials and energy supplies.

Income from fundraising and donations could fall

Just as life returns to some sort of normality and you are able to hold in person fundraising events again, along comes soaring inflation and a cost of living crisis. As household budgets come under increasing pressure, people will have less disposable income and those struggling will inevitably stop non-essential expenditure. This means that, once again, the sector is likely to see a knock to donations and fundraising efforts. Fundamentally, as costs rise, there is a risk your charity's income could struggle to keep pace.

Demand for services may increase

The vulnerable will likely be the hardest hit by the rise in inflation, which in turn is likely to drive up the demand for many charities' services. This will result in some charities facing greater demand for support, whilst trying to maintain services with a reduction in donations. In a recent survey by the Charities Aid Foundation of more than 1,000 voluntary sector chief executives, 75% said demand for their organisation's services had increased during the coronavirus pandemic and 86% expected demand to rise over the next five years. Over 90% of those polled thought charities would be expected to fill the gaps in public services over the coming years.

What can you do to protect your charity?

The sharp spike in inflation could put a real strain on your income and operating model so your financial planning strategy must be robust. When it comes to keeping your charity up and running, knowing the right questions to ask and where to find the information you need can make all the difference. Even if your charity appears to be in good financial shape, it may not be immune, depending on how long it takes for inflation to return to normal levels.

Below are some practical tips and advice to help you ensure your charity is prepared.

Have a good understanding of your charity's financial position and a strong reserves policy

It is essential that you have a good overall understanding of the financial health of your charity. When planning budgets, factor higher than anticipated costs into any assumptions and review every cost from the bottom up, with a view to cutting and saving, where possible.

Prepare regular cashflow forecasts to assess financial viability, whether it be on a sheet of paper or using one of the latest software models (or ask for our help!). You need to always have a clear idea of how cash will flow in and out over the coming months. Reviewing how much your charity receives and spends against your budget enables you to identify problems quickly and agree a solution and change in strategy to bring activities back on course.

It is also essential that you have set a strong reserves policy, and for this to be reviewed regularly to ensure that too much or too little is not being set aside. Read more about how much your charity should hold in reserve in our article on page 16.

Continually consider how you can diversify income

It is important to ensure your income stems from several sources, allowing you to spread risk and promote long-term financial stability. Sufficient income diversity means that, even if your main source of income is removed, you will be able to continue your operations and fulfil your charitable objects. It is an ongoing, evolving process that you should consistently revisit.

Determine demand for your services

If you think the demand for your services are going to increase, make sure you plan ahead. This may mean getting creative to find different ways to generate income. As highlighted above, the key to maintaining or increasing resources is to diversify income, so that if one revenue stream dries up, you can turn the tap on faster elsewhere.

Look after your people

This is key. Get your teams involved by getting them to suggest ways to diversify income or streamline the costs. Some of your people may be starting to struggle with the rising cost of living and communication is key in maintaining morale and employee motivation. Some cutbacks may be necessary and, if you are going to struggle to increase wages in line with inflation, make sure you enter wage negotiations early.

Review investment strategies

If you have substantial cash reserves, you should review your investment strategies to make these reserves work harder as inflation rises.

Review leases and loans

Try to reduce your fixed costs by renegotiating fixed outflows such as lease and loan terms, for example, your agreement with your landlord.

Consider outsourcing

What do you do that others could do better and/or cheaper for you? Payroll, accounting, IT support or perhaps HR? Outsourcing can provide a number of long-term benefits including cost cutting, increased efficiency and reduced staff costs.

Take early advice to manage financial difficulties

As a trustee, you have a legal duty to look after your charity's money and other assets. You need to understand and keep track of your charity's income and spending to spot any issues as early as possible.

If your charity is a company or charitable incorporated organisation, it could become insolvent and face administration or closure if it can't pay its debts. If your charity is an unincorporated association or trust, you and the other trustees could be liable for its debts.

You therefore need to be able to take a quick and realistic view of current options so you can rapidly turn things around, if necessary.

This means identifying and acting on opportunities for strategic, operational and financial change. If you discover you are in financial difficulty, you must take professional advice as early as possible as this will help you work out what action to take.

We have a strong Turnaround and Recovery team in our London office who can advise on the various options available and four of our specialists are also appointed to the Charity Commission Interim Manager panel, approved to take interim manager appointments for charities identified by the Commission as either being the subject of an inquiry, or where misconduct or mismanagement has occurred.

In summary:

- Have a good understanding of your charity's financial position and a strong reserves policy.
- Factor higher than anticipated costs into any planning assumptions.
- Determine if the demand for your services is likely to change and plan for it.
- Revise income targets and plan how to deliver your services in the context of higher costs and lower income.
- If, in your review of the financial health of the organisation, any major risks or problems are identified, take urgent action.

The charity sector has already proved its resilience in the way it has adapted and changed over the course of the past two years, and we have no doubt that the sector will overcome this next challenge. If you would like to speak to any of our experts about your situation, please get in touch with your usual UHY adviser or contact one of our experts listed on page 27.

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Trustees, do you know what you need to know?

If you are a trustee, are you fully aware of the strategic direction of your charity and able to show your fellow trustees and managers the way to go? If not, do you know where you can go to get shown the way?

A recent Charity Landscape Report by Charities Aid Foundation (CAF) sets out a number of concerns for charities as we move into the post pandemic period. Many of these are in expected areas, such as becoming more sustainable, creating efficiencies to make more effective use of funding and ensuring that charities can continue to meet demand, which in the case of many will increase tremendously. There are also some more difficult challenges, such as dealing with change management, ensuring diversity and inclusion, effective bid writing and securing new grants. However, two of the more surprising areas of concern were regarding the lack of centralised trustee training and the need for strategic support.

Centralised training

Central training could, and should, cover many things. The pandemic created a big lift in social awareness and there is an increase in people wishing to give something back and volunteer with local charities. This is great news for charities that have struggled to attract new trustees or those that need to fill newly identified skills gaps. But once you have recruited a new trustee and they are legally named, what happens next? In a lot of cases, they will attend their first meeting without knowing how or what to contribute. You may be lucky enough to have recruited a golden egg who is familiar with the role of trustee and has a specialist skill. But, more often than not, your new trustee will be someone wanting to help your cause with a specific background, but with no knowledge of running a charity.

How do you train this person? Easy, you give them a link to the Charity Commission's The Essential Trustee and you tell them to read it and 40 pages later you have a fully functioning trustee.

Or do you?

The guidance is incredibly helpful and all new trustees should take the time to read this publication. In fact, if you have not read it for a while, it is worth refreshing yourself with the guidance. But, essentially, it is a guide and not a masterclass. So how do you get training that covers all areas of the guidance? The CAF research sets out that charities would like a central point for training, but is this a realistic prospect when the duties of a trustee cover all areas of running a charity, from financial and legal aspects to human resources?

What are your training options?

There are training companies that offer learning routes to cover specific areas of trustee duties. These are a good starting point for the background information needed. However, with Boards and finance teams under increasing pressure to ensure skills remain relevant, you should review training needs on a regular basis and identify any specific areas that need to be addressed.

If the review shows a need for further training on finance matters, it would seem obvious to consult your charity's accountant, but what if there are non-finance matters that require training? It may not seem obvious, but your accountant could again be a sensible first port of call. A larger firm may have in-house services and be able to provide non-finance training, for example in areas such as IT services or HR. They will almost certainly also have contacts who will be able to help, with links to professional firms specialising in law, HR and other operational areas. At UHY, we are often asked by our clients to provide various training courses, from sessions on trustee roles and responsibilities and financial reporting requirements to advanced training in key problem areas. If your accountant specialises in the charity sector, they should be able to draw on their knowledge of acting for other charities, identify the need for legislative training and provide insightful courses to assist.

What about strategic support?

The area of strategic support should almost certainly involve your accountant. There is, of course, a need to ensure that ethical requirements are adhered to, especially in cases where a statutory audit of the charity is required. However, it is often possible to mitigate this by involving other teams in the firm to assist with strategic advice.

One of the primary skills of a decent accountant should be in assisting their clients to develop and execute strategy, whether that be helping you to consider your strategic options, acting as a sounding board for issues or challenging current thinking and approach where more suitable alternatives may exist. More often than not, we find our charity clients are facing very similar issues! It is quite possible, therefore, that your accountant will have come across the same issue previously and be in a position to help you, or to introduce a specific contact who can come in and hit the ground running.

Additionally, your accountant will no doubt also work with commercial clients as well as those in the not-for-profit sector. This crossover gives a rounded level of advisory offering, enabling you to tap into more commercial insight. It is notable that many charities post pandemic are needing to develop self-sufficiency and the ability to be more sustainable. This goal will almost certainly need input from experience gained in commercial strategy and who better to ask than your accountant.

Furthermore, many not-for-profit accountants will also undertake trustee roles themselves, meaning charity accountants have often spent time at the coal face and understand first-hand the issues charities face, as well as how to resolve them.

Even a Board made entirely of experts will face challenges and will need to plan and execute a good strategy. We know that there is increasing pressure on charities to enhance and build new skills, as well as take on a more commercial approach. Howver, This does not mean that your charity should look to become more corporate.

Being corporate and being commercial are quite different things and it is essential to ensure that your charity never loses its objective and aims. But if you could do with some guidance with your direction of travel, the first adviser you should speak to is your accountant.

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Good values are not just for plaques

Values tell everyone how to behave. They create a code of conduct – repeatable behaviours expected of everyone within the organisation. As such, they're relatively easy to understand and also to articulate. So why is it that some organisations have achieved real competitive advantage through being clear about their values, while others have struggled? In this article, guest contributor Doug Aitken looks at how values can be a real differentiator and, for some, a massive competitive advantage.

The not-for-profit and charity sector is sometimes seen as the poor relation of business. Often where charities lead the way is being clear about not only their purpose, but also the values they live by. Many conventional businesses are now on a journey to finding and articulating their purpose and values, but some cling on to 20th-century thinking which focused on profit.

21st-century business thinking focuses on people, purpose and planet. Research suggests that not only are such businesses attractive to stakeholders, they're also commercially more successful than those which focus solely on profit.

What has all this got to do with values? Everything!

Any organisation with a focus on people, purpose and planet automatically has a social commitment beyond profit. And that social commitment extends to being really clear about how they go about their business. The behavioural expectations of its people – the standards to which it subscribes.

Its values.

But are they actually lived? Because if values are not lived in an organisation, then they're simply words on a workplace wall.

And it could be worse than that. In today's social media-savvy world, workers are able to call out the poor behaviour (or red-flag behaviours) of employers and businesses. Social media brings a transparency which many organisations never had to deal with in the past. Now, when a business operates in a way which contradicts their values, it won't take long before the misbehaviour is exposed.

Just ask Brewdog.

In June 2021, around 60 former employees got together to write an open letter to the founder, James Watt, accusing him of bullying behaviour and creating a toxic work culture within Brewdog. Not the first business owner to have been accused of such behaviour, and possibly not the last either. But here's where it gets interesting.

Brewdog apparently prides itself on its culture – in fact, one of its stated values was that "people are our most important resource" and it went on to explain that they strived to look after employees well.

The open letter clearly exposed totally contrary behaviour within that organisation, resulting in national media coverage and a direct impact on all aspects of the business, including its bottom line. Ironically, if Brewdog had no published values, there would have been pushback and some negativity, but arguably not the extent of the furore that actually transpired. What exacerbated the issue was the fact that their website proclaimed they treated their people in exactly the opposite way from what the evidence suggested.

Trust in businesses is now far more dependent on what businesses do, as opposed to what their websites say they do. This truth is being seen across all organisations and in society more widely – just look at how the trust in our politicians has diminished over a relatively short period of time. It feels like every time a politician espouses their backing of a particular policy, we see contrary evidence appearing within hours.

So authenticity is a key component of establishing, and living, values. Businesses cannot say one thing and do another. Not only is it disingenuous, it creates a false picture for employees, for customers – in fact, for all stakeholders – and businesses which fail to deliver will see a direct impact on their bottom line when they get it wrong.

How is this relevant to my charity?

Values feature prominently in discussions about the role of the charity and not-for-profit sector; as the defining feature of the sector and also the central driving force for individual organisations, setting out, publicly, what they stand for. But, much like the Brewdog example, many organisations perceive that the hard work is done once a values suite has been created. In reality, it's only the very beginning of a potentially long and challenging route to embedding those same values, to the point where every member of the team lives and breathes them. Only then can you truly claim you have values you live by.

And the way we embed values we live by is that we tell stories.

Stories bring values to life, illustrating through real-life actual examples what the intended behaviour looks like. For that reason values should be a fixed agenda item of your meetings; they should be visible; they should provide clarity to everyone so that, at any given decision-point, anyone working for your charity, whether paid staff or volunteers, can mentally reference the values and make an informed decision about the right course of action. And this couldn't be more important than in the charity and not-for-profit sector where, so often, a charity's reputation is exposed in the actions of its people.

How would you rate your values performance against this values checklist?

- Are the Board, Trustees and senior management team committed to your values?
- Do you always recruit trustees, staff and volunteers for values fit first, then technical competence?
- Do you talk about values/behaviours daily/weekly?
- Are values/behaviours a fixed agenda item on internal meetings?
- Do you recognise and celebrate, quickly, when someone demonstrates your core values/behaviours?
- Are there consequences if people demonstrate 'red-flag' (opposite) behaviours?

If you answer 'No' to one or more of these questions, embedding values might be more of a priority than you think!

Interestingly, as a post-script to the Brewdog story, the company now has a section on its website telling the world of the action it has taken, and continues to take, as a consequence of the open letter. The list of actions is bold, transparent and material. Only time will tell whether or not Brewdog is actually doing all these things, but their commitment to acknowledging the error of their ways and the corrective actions proposed could be an interesting case study in due course. What's for sure is that they cannot afford to get this wrong again.

Doug Aitken

Doug is a consultant at Remarkable Practice. He helps reconnect people with their passion and supports businesses to develop their identity, focus on what they really want to do and then build it. Doug is currently working with UHY Hacker Young to support us further develop and embed our purpose of 'helping you prosper' and the core values we work to. Read more about Remarkable Practice and the fantastic work they do at https://www.remarkablepractice.com/

Doug Aitken
Remarkable Practice

VAT and social policy

Death and taxes – the two certainties. We frequently hear 'charities do not pay tax, do they?' Anybody working in the sector will appreciate the inaccuracy of this statement. VAT is a cost, and complicated for charities.

In this article, we consider a recent case highlighting the approach of HMRC to charities, the challenges faced when dealing with HMRC, the duration of disputes and a need to challenge HMRC decisions, which are clearly inappropriate. We also note the implementation of a new penalty regime, which expands the likelihood of receiving a penalty.

HMRC lose hostel accommodation case

The facts and decision

HMRC recently lost a case against City YMCA London relating to the VAT treatment of the provision of temporary hostel accommodation to homeless people. The VAT treatment was agreed with HMRC in 2010. In 2017, an inspecting officer took the view the activity was VAT exempt as a supply of welfare services. HMRC reconsidered that ruling and issued a revised decision that the supply was subject to VAT as a supply of facilities with no exclusive right to occupancy.

City YMCA argued there was a supply of accommodation similar to hotels, inns and boarding houses. This is subject to VAT. However, the advantage of this treatment is that a reduced VAT rate applies to hotel stays exceeding 28 days This resulted in an effective VAT rate of 4%, whilst still allowing for full deduction of VAT on costs. City YMCA would also lose the benefit of the 5% reduced rate applied during Covid. HMRC raised an assessment on City YMCA, which led to the appeal.

The courts agreed with City YMCA that the supply was a licence to occupy as the tenants had (among other things) a lockable room. The tribunal also considered that the supply was similar to hotels and comparable providers. HMRC's focus on the selection method, on how marketing differed from the way hotels sell accommodation and on how homeless tenants were selected for accommodation could not be determinative. Essentially, the courts found that City YMCA were providing temporary accommodation.

UHY's view

Step back and you have to agree with the courts. The tenants primary objective was the provision of accommodation. We have had experience of similar issues with HMRC in the past, resulting in significant cost for clients who did not have the resources or time to take the same issue to the courts. On that note, we recommend seeing if your professional adviser offers fee protection insurance, which usually covers HMRC VAT disputes and can often cover the majority of the professional fees incurred throughout the process.

HMRC took the case looking to not only increase the retrospective VAT charge but also remove Covid relief. Given the social importance of the provision of hostel accommodation, this sums up many of the difficulties faced when dealing with HMRC. Despite the fact that HMRC had previously agreed the treatment; the visiting officer took a different view and then the reviewing officer another view.

This case highlights the lack of ability to rely on decisions made by HMRC – something severely restricted in recent years. The options to challenge HMRC's position are normally to request a reconsideration, then possibly move to alternative dispute resolution (involving a mediator), but this can only be done if an appeal is lodged; and then to a tribunal hearing if that process is unsuccessful. It is important to note alternative dispute resolution will not result in a divergence from a decision by HMRC policy, which appears to be the case in respect of City YMCA.

In respect of timescales, if you consider this particular case, the issue arose in 2017 and the decision following litigation released in 2022. That is a number of years with uncertainty for a charity providing a valuable social contribution.

Make a change for the better

It would be refreshing if HMRC could be less obsessed with adherence to narrow policy. Taking a step back to consider what is being provided and the critical social importance of the activity. VAT law has reliefs in the public interest, and these are eroded by narrow interpretation. This is further frustrated by duration and cost to challenge a decision by HMRC and get to the right answer.

The UK has freedom to revise the VAT treatment in pursuit of public and social policy objectives, following the exit from the European Union. However, as there has been no indication of any use of this freedom but the continuation of existing policy, we could be concerned the position may get worse.

The charity and not for profit sector is critical to society and yet there are limited and restrictive reliefs available. With a general election due in 2023, this might be the time to consider lobbying to secure some wider reliefs akin to those allowed by government departments and local authorities who enjoy beneficial VAT recovery mechanisms.

New penalty regime announced

HMRC announced a change to the penalties applied for late submission or payment of VAT returns. This will move to a point based system. The system needed revision, as it was draconian and disproportionate. One taxpayer received a penalty of circa £500k for a submission only a couple of days late, with no reciprocal proportionate arrangement available for the taxpayer. Whilst any reconsideration of the current system is welcomed, it appears almost inevitably to have widened the scope of the penalties now applying to nil and repayment returns.

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In summary

Charities perform a critical part of social policy and cover areas where central and local government fail. However, there are only limited reliefs available and HMRC will apply the ‘rules’ without exception to charities.

Given the current economic and social issues, it might be that rather than focus on headline VAT rate cuts, a more nuanced and meaningful tax policy should be developed. There is unlimited scope to do so.

HMRC do not always get it right. If you would like to discuss any of the topics raised in this article or your specific VAT situation more generally, please get in touch with Sean Glancy or one of our charity specialists listed on page 27 of this publication.

VAT can be a far more complex cost for charities and NFPs.

Confused about charity funds and reserves?

For many charities, the difference between funds and reserves can be confusing. On the face of it, you may think it is clear whether a particular income source is restricted or not. But this is not always the case, and we are often asked to guide clients through the confusing minefield of different funds.

In this article, we explain the four different types of funds that charities can use, consider the treatment of donations through appeals, and look at the importance of setting a strong reserves policy, including tackling the tricky question of how much money your charity should hold in reserve.

Let's go back to basics

Charities can have four different types of funds:

1. Unrestricted

These are funds with no particular terms and conditions. Trustees are free to spend unrestricted funds as they see fit in accordance with their charity's objectives.

2. Designated

Designated funds are those unrestricted funds which have been set aside by trustees for an essential spend or future purpose. In a sense, these funds are then 'ring-fenced' and no longer form part of your unrestricted general funds. Common designated funds are redundancy funds, set aside to cover the costs if the charity were forced to close, or perhaps funds to cover the cost of replacing one of the charity's assets.

Trustees are free to transfer into and from designated funds, however, the decision to make transfers should be made prior to your charity's financial year end and should be documented.

3. Restricted

Restricted funds are used to track income and related expenditure where a third party gives your charity money and imposes terms and conditions stipulating the funding must be spent on a particular purpose. Often there is a repayment clause which means the funding has to be repaid if it is not spent for the purposes intended.

Restricted income funds are to be spent or applied within a reasonable period from their receipt to further a specific purpose of the charity. It is important to note that the specific purpose will be to further one or more, but not all, of your charity's charitable purposes. If all of your charity's charitable purposes are furthered, it is likely that the income should be classed as unrestricted.

4. Endowment

Endowment funds are funds which you are legally required to invest or to keep and use for your charity's purposes. Endowment may be expendable or permanent.

The treatment of donations through appeals

Appeals can be a great way to engage donors and raise funds for specific projects and purposes. They can take a variety of forms, some being as simple as requests for donations to programmes of events and activities with the aim of raising funds for a specific purpose. However, raising funds for a specific purpose can create complications.

For example, what happens if funds raised aren't sufficient to fulfil the purpose? Or, what if donations are received over and above the amount required? Before any appeal is launched, you should set out how the funds will be treated in these circumstances and communicate these terms effectively with donors.

You will also need to decide which type of fund the donations will be treated as; specifically, whether they will be unrestricted, designated, restricted or endowed.

The type of fund to be used and communicated to donors can have varying impacts on the appeal. A restricted fund for a specific purpose can be more appealing and engaging for donors, as they know more specifically how their donation will be used which may mean more funds are raised. Whilst unrestricted and designated funds give you more flexibility to utilise funds, but this may be less appealing to donors and, therefore, funds being raised may be less.

Whatever the type of fund used, it is important that you are clear and transparent with any appeal to ensure that donors understand how the funds they donate will be used.

Appeals can be a great way to engage donors and raise funds for specific projects and purposes.

What about reserves?

The term reserves is routinely used. Reserves, sometimes referred to as 'free reserves', are the part of your unrestricted funds that are freely available to spend on any of your charity's purposes. Free reserves therefore exclude:

- tangible fixed assets used to carry out your charity's activities, such as land and buildings
- programme-related investments, those held solely to further your charity's purposes
- designated funds; and
- commitments that have not been provided for as a liability in the accounts.

It is useful for charity accounts to include a designated fund equal to the value of fixed assets (less any related to restricted funds) so that the unrestricted fund balance represents the value of the true balance your charity has readily available. It is also good practice to refer to the level of free reserves clearly in the financial review or reserves section of the trustees' report. Large charities must state their level of free reserves when they complete their Charity Commission annual return.

The importance of a strong reserves policy

It is important to set a strong reserves policy, and for this to be reviewed regularly to ensure that too much or too little is not being set aside. Your reserves policy should be a working document that fits into your charity's needs at that point in time. Once you have decided what is key, you should then work towards maintaining that level of liquid reserves in case of bad weather.

The policy should set out:

- how much your charity needs to hold in reserve and why
- how and when your charity's reserves can be spent; and
- how often the reserves policy will be reviewed.

All charities preparing accruals accounts (all charitable companies plus any unincorporated charities with income over £250,000) must, by law, set out their reserves policy – or reasons for not holding reserves – in the trustees' annual report.

How much should your charity hold in reserve?

The reserves policy should be equivalent to three months' expenditure, right? Wrong! This urban myth could be the undoing of your charity if you think it is just something you have to write in your trustees' report to satisfy your auditors. In fact, Charity Commission guidance stresses there is "no single level, or even a range of, reserves that is right for all charities".

So how do you decide what level of reserves is right? This question is a difficult one to answer as reserves that are 'too high' can make it look like your charity is not focused on the front line but having reserves that are 'too low' can make your charity look vulnerable or indicate poor planning.

Perhaps you decide that, as a minimum, your charity must hold the sum you would need to fund redundancies if you had to close the charity, or perhaps the key figure for your charity is the sum to have in reserve should major sources of funding be delayed. Once decided, you should know what the current level of your charity's reserves is. Not that as stated in your last set of annual accounts signed off by your auditor, but today. If you don't know the answer, you need to get up to speed on this quickly as regularly reviewing reserve levels and policies is crucial.

It is also important to lead the public to understand that, although charities do not make profits for shareholders, they nevertheless need to make surpluses out of which to accumulate reserves to fund future activities and build resilience against risks. It is essential to be transparent about your reserves policy as if you are widely believed to have large reserves, further appeals for funds may provoke resentment against the charity apparently seeking funds you do not need, but too low and there may well be concerns about sustainability.

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The Charity Commission suggests fully explaining reserves, rather than using a standard reserves policy wording.

Essentially with reserves, it is important to remember that size matters, but it is the quality of the reserves policy, set out specifically for your charity, that is as important as the quantity of reserves alone.

Funds and reserves can be a confusing area. If you have any questions or require guidance interpreting the funds in your accounts, or setting a reserves policy, please contact one of our Charity and Not-for-Profit Sector team.

Charity Commission guidance stresses there is "no single level, or even a range of, reserves that is right for all charities".

Statutory round-up

Our summary of the latest key policy and regulatory developments for charities.

Charities Act 2022

The Charities Act 2022 received Royal Assent on 24 February 2022.

A report by the Law Commission on 'Technical issues in Charities Law', published in 2017, highlighted that charities struggle with technical issues in charity law. The government accepted most of the recommendations made in the report, resulting in the Charities Act 2022. The intention of the Act is to save charities both time and money.

We have outlined the main provisions of the Act below, along with some of the key points to be aware of:

1. Amending Charitable purposes and governing documents

Currently different rules apply on amending a charity's governing document depending on whether your charity is an unincorporated charitable trust, a charitable company or a charitable incorporated organisation (CIO). The intention of the Act is to simplify and, in some cases, unify the process.

Prior to amending your Memorandum or Articles of Association registered with Companies House, under the 2011 Act, Charitable Companies are required to gain Charity Commission approval. Under the 2022 Act, changes that do not alter the substance of the charitable purposes will no longer be a 'regulated provision' that require Charity Commission approval. However, there is a note of caution as where charities do intend to make substantial changes to their charitable purposes that would require Charity Commission approval, the Commission will now consider "the purposes of the charity when it was established" as a relevant factor, as opposed to the rationale behind the reason for the change.

2. Cy-prés schemes and proceeds of fundraising appeals

If a charity launches a charity appeal, the donations received in conjunction with that appeal are treated as restricted funds. This means that if the reason for the appeal could not be carried out, you would have three options. Firstly, to contact the donor and offer to return the monies; secondly, to contact the donor and request permission to use the funds for a different purpose; and thirdly, to leave the restricted fund monies as they are until the purpose can be undertaken in the future.

The provision of the new Act is that where there is initial failure (ie. the reason for the appeal cannot be carried out), then the funds can be transferred to another charitable purpose which is as close as possible to the original purposes to which the monies were donated (called a cy-prés scheme under charity law). This can be enacted in the following circumstances:

- The donation is £120 or less.
- Donors cannot be identified or found.
- It would be unreasonable to incur the expense to return the donation or it would be unreasonable for donors to expect the donation to be returned.

Under the Charities Act 2011, charities currently need to apply to the Charity Commission for a cy-prés scheme for these purposes, but this need is being removed under the 2022 Act. This power is also available where there are surplus monies after the charity has achieved the purposes of the appeal.

It is recommended that you make it clear that "any funds raised which cannot be applied to the aim's highlighted by this appeal will be used in connection with the charity's general purposes" in any literature published in connection with fundraising appeals as this will make it more straightforward to deal with unused funds.

3. Permanent endowment

The 2022 Act enables charities with a permanent endowment who adopt a total-return approach on investments to be able to invest in social investments for the first time.

4. Ex-gratia payments

Charities are currently required to gain Charity Commission approval for any ex-gratia payments made, where there could be a moral obligation, but not a legal obligation.

A new statutory power allows charities to make small ex-gratia payments without receiving prior consent from the Charity Commission. There are limits on the value of the payments that can be made without approval, linked to the charity's gross income.

Such ex-gratia payments are still required to be reported in your statutory accounts in accordance with the Charities SORP (FRS 102).

5. Acquisitions and disposals of charity land

Various amendments and clarifications have been made in connection with disposing of charity land, whether it be a total or part disposal. The intention of this section of the Act remains to protect the charity's assets.

6. Charity names

The Act gives the Charity Commission the power to direct unregistered and exempt charities to change their names. This can be in relation to your working name and not just your 'official' name. New discretionary powers have also been granted to the Commission to delay a charity's registration where, if it didn't, the charity's name would end up being the same or too similar to another charity.

7. Charity Trustees

There are some clarification and extensions to the provisions about where and when it is permissible to remunerate trustees for goods and services.

8. Incorporations and mergers

The 2022 Act will make it easier for charities who merge to transfer property by way of a vesting declaration which will mean that keeping 'shell-charities' retained solely for the purposes of catching old legacies and donations are a thing of the past, reducing the administrative burden.

The new Act should also mean it is easier for unincorporated charities to become incorporated.

9. Charity tribunals and the Courts

Part of the 2022 Act allows the Charity Tribunal to provide charity trustees with an Advanced Cost Order (ACO) to provide assurance that costs incurred in relation to the tribunal are a proper use of the charity's funds, subject to them complying with certain principles and procedures.

The Charities Act 2022 is a supplementary Act, and not a consolidating Act. This means that charity accounts will still reference, and are prepared in accordance with, the Charities Act 2011. None of the changes of the Charities Act are yet in force. They will be implemented in a phased timeline between now and autumn 2023.

Disclaimer - When considering whether any of the above provisions can be applied to your Charity, care should be taken to consider the full provisions of the Charities Act 2022 and not to solely rely on the extracts above.

> **"The intention of the Charities Act is to save charities both time and money."**


Keeping up to date on statutory changes benefits you, your trustees and your charity.

Changes to Auditing Standards

The following International Standards on Auditing, applicable for audits in the United Kingdom (ISAs (UK)), have been revised. These will have an impact on the (increased) amount of work your auditor will carry out. The ISAs which have been updated are:

ISA (UK) 315 (Revised July 2020) Identifying and Assessing the Risk of Material Misstatements

The revisions to the standard are designed to drive a more robust and consistent risk identification and assessment, enhancing the basis upon which auditors design and perform audit procedures that are responsive to the risks of material misstatement and, thereby, obtain sufficient appropriate audit evidence to provide a basis for the audit opinion.

ISA (UK) 240 (Revised May 2021) The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

The objectives of the auditor have been revised to reflect the requirement to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud.

There is greater focus on professional scepticism. In particular, the auditor must design and perform further audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. The auditor must also investigate further if there is cause to believe that a record or document may not be authentic (examples of conditions that indicate a record or document may not be authentic have also been added to the application material).

Both of these ISAs are effective for audits of financial statements for periods beginning on or after 15 December 2021, so will impact those charities from 31 December 2022 year ends.

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Financial reporting update

FRS 102 – periodic review

UK and Ireland accounting standards are subject to periodic reviews, at least every five years. The last review took place in 2017 and another is currently underway.

Areas expected to be subject to reform include Revenue Recognition and Leases as elements of changes implemented in International Financial Reporting Standards that are likely to be incorporated into their UK equivalents.

Any proposed changes will be subject to public consultation prior to being brought into effect.

The effective date for any amendments is currently expected to be from 1 January 2024.

New Charities SORP

The new Charities SORP development process commenced in July 2020 and is fully underway. There were three initial stages to the SORP development process being:

- Exploration
- Reflection
- Problem solving

At the time of publication, the above three stages have been completed and minutes of the meetings of the SORP Making Committee appear to suggest that limited changes are required to the SORP. This will be good news to charities who remember the wholesale changes made to statutory reports and accounts back in 2016 when Charities SORP (FRS102) was first released.

The SORP is currently in the drafting phase which, when finalised, will be issued for public consultation. It is hoped that the next Charities SORP will be published no later than October 2023, with the intention of reporting for years beginning from 1 January 2024.

Keeping you informed

We will continue to keep you informed of all important updates about any changes in legislation before they come into play, all in plain English. If you have any queries of concerns about how the above statutory changes may impact your charity, please contact one of our experts listed on page 27.


Nottingham Playhouse

In the spotlight: Stephanie Sirr, Chief Executive at Nottingham Playhouse

Stephanie Sirr has been Chief Executive of Nottingham Playhouse, one of the UK's most important producing houses, since 2001. She has nearly 30 years' experience of running theatres and a further four years' experience programming theatres, having worked with small-scale arts centres to a 1500 seat venue. Stephanie is also President of UK Theatre, ex-Vice Chair of Parents and Carers in Performing Arts, sits on the ONE Nottingham Board and is an Ambassador for Inspiring Future Theatre.

During the Covid pandemic Stephanie has been a vocal advocate for the importance of regional theatre in the UK and a champion of the work of Nottingham Playhouse. In recognition of her services to the arts, Stephanie was awarded the honour of MBE in Her Majesty's Birthday Honours 2022.

Earlier this year, we caught up with Stephanie to hear about her amazing career journey and to gather her thoughts about some of the current issues facing the charity not-for-profit sector, and Nottingham Playhouse in particular.

We know you as the Chief Executive of Nottingham Playhouse. Can you tell us a bit about your background and how you ended up in this position?

I initially started a career as a fashion allocator and explored routes like shop merchandising in mens fashion. I also applied for management schemes in banks. However, the feedback was always that my passion was obviously in the arts! So, following my A level results (which were far better than predicted), I went on to study drama at university.

On graduation, I set up my own company under the Enterprise Allowance Scheme and spent five years working as an actor and stage manager, as well as writing and doing community theatre. I found myself becoming increasingly interested in the management and financial side, so my next move was to train as a journalist. For my intake exam, I interviewed Roland Muldoon of the acclaimed Hackney Empire and was told that rather than being a journalist, I should work for the Hackney Empire!

And so that is what I did. Six months later, I got a job at Sadler's Wells theatre in programming. I was very much thrown in at the deep end and I loved it. I was with Sadler's Wells for about three and a half years but then the realisation hit that I wanted to be in charge.

So next I went to run the Merlin Theatre, an arts centre in Somerset, where I learnt more skills about management. My next move saw me run the Blackpool Grand Theatre for five years. As a large theatre with a big commercial programme supporting a varied audience with a real mixture of interests, it was quite a challenge to provide a balanced season.

Towards the end of my time in Blackpool, I felt a need to be more invested in the work I was putting on stage, triggering my decision to move into the producing sector. I had the knowledge from my time as a stage manager 15 years earlier, so I jumped at the Nottingham Playhouse opportunity when it came up. I've been there over 20 years and love the freedom of deciding what we are going to make, of what our product is. Sometimes it is a tiny microcosm made just for Nottingham schools and sometimes it is a huge national tour that ends up on Broadway.

So that's how I became Chief Executive in Nottingham Playhouse. The job title hasn't changed in those 20 years but the role has changed beyond recognition.

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

The genuine reason I want to work in the not-for-profit sector is because I want to do work that matters. Sometimes what matters is giving people a great night out with their family but often there is a bigger reason. At Nottingham Playhouse we are doing fantastic work with a range of people with differing needs, including people who are homeless and people with learning disabilities. We also do a lot of work on diversity, as well as 'pay what you can' events to make the theatre accessible to all and so on. Post-pandemic, I believe the importance of what we do is even greater as the arts builds people's empathy and helps to create an understanding of another person's perspective when things are very fragmented.

However, not-for-profit is an interesting term. Legally Nottingham Playhouse is not-for-profit but, if we don't make a considerable surplus on activities, we will be forced to shut because the subsidy available does not cover our needs. When I began my role as Chief Executive 20 years ago, the percentage of subsidy available was around 60% of turnover with revenue funders including the Arts Council, City Council and County Council as well as various local authorities. Over the years, any revenue commitment from local authorities has been replaced by limited project funding, and the overall percentage of subsidy is now between 23 – 25% of turnover. This essentially means that we must earn a lot more money as a company to cover our costs.

So, the difference between the commercial and not-for-profit sector in theatre isn't that great. The relationship our subsidy has directly to our outputs is reminiscent of when we used to do ERDF applications. I want us to be accountable but, with creative projects, you sometimes start with one intention and it turns into something else; that's part of creativity. It doesn't mean that what you end up with is not of value, it just makes it difficult to articulate at the beginning of the project exactly who you will reach and what the outcome will be.

In addition to the charity, we also have Nottingham Playhouse Productions which is a wholly owned subsidiary and therefore able to benefit from Theatre Tax relief. This tax relief has been a game changer for theatres because it really incentivises you to be creative.

Covid-19 has had a massive impact and forced you to close your doors for a long period of time. What do you see as the key risks for Nottingham Playhouse and the industry as a whole as we move along the road to recovery?

We are in a world where everything costs so much more. Wood, paint, screws, steel prices etc – all these things have increased massively in cost. On top of that, risks ranging from Covid-19 to 'Me Too' mean that actors understandably want a self-contained space to stay in, which further increases production costs.

The other big challenge for us post-Covid is customer confidence and the rising cost of living. Whilst there are some people for whom attending the theatre is their lifeblood, for most it is ancillary spend. Our aspiration is to play as large a role in the lives of the people in our community as possible. Generating sufficient income and obtaining appropriate funding, at a time when underlying public sector funding continues to fall and the cost of living increases, is a key challenge.

The role of Chief Executive has a significant amount of responsibility. How do you ensure you are happy that you maintain the right balance of oversight over the organisation?

The pandemic has made it very difficult to get the balance right. You have people who do what they do extremely well under normal circumstances, and you have people who are absolutely fine in a crisis; but they are not necessarily the same person.

The problem management teams are facing across all sectors at the moment is executive burnout. The last couple of years have been so pressured. And because personal domestic situations have been massively uprooted by the pandemic, you can't reasonably say to someone "why haven't you done this?" when they have been home educating their child at the same time as trying to do their job. Therefore, the level of scrutiny and hands-on support required by executives is much higher at present than any of us would like it to be.

Theatre was already a high risk, low return sector. When you add a pandemic to the equation, you have got to be very hands-on because a couple of wrong decisions in the wrong time period could quite literally be putting your company at risk. I would love to get back to a position where executives do not have to be quite so hands-on, but we are not there yet.

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

Nottingham Playhouse is all about relevance and inclusion. We want people to feel a sense of ownership of us and see their own stories on our stage. We make theatre that is as diverse as our community in Nottingham with the aim of making sure the arts are for everyone.

We encourage schools to get involved and provide 11 free youth theatres across the county in areas of deprivation. We provide free tickets, we do a lot of work with homeless people and those at risk of homelessness, support recovering drug addicts and much more. There are so many touch points in terms of creative activities and it is so helpful and healthy for people. And, of course, we put on fantastic huge shows on stage. It is all equally important.

The not-for-profit sector is constantly evolving with many mergers continuing to take place between smaller (and larger) charities. Can you tell us a bit about your change management experience and any useful lessons you have learnt?

Change has been constant throughout my career. I did an MBA in 2002 and the amount of change management in the arts, even then, was off the scale. Our audience's needs of us are constantly evolving, so we must both react to and lead that change.

The important thing is to take people with you. We try and consult widely and make sure we are utilising the best brains in the company. It is important that change doesn't all come from the top down. You can get a brilliant idea from someone incredibly junior as sometimes they have a clarity of vision which management can lack.

To encourage input from all, we hold full company meetings every two weeks and offer regular surveys. We hold season reviews a couple of times a year where we talk about all the work we have produced, what it delivered well and what it delivered less well, as well as full departmental reviews every 18 months.

We have quite a flat structure and encourage people to talk openly with their line managers as well as regular 360 appraisal processes which flush out ideas. We also have a whistle blower process so if things are not going well, people have a means to express their displeasure without going through a formal grievance process. So there are quite a few different approaches to make sure we are hearing ideas from across the company.

On the merger side, I see the economies of scale benefit in charity mergers; however, in our case, we are already working at full capacity and this is not something on our radar.

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

We do a lot of long-term budgeting. When we know the outcome of funding applications, we know what we are getting for the coming year and in theory can plan around that. However, as a producing house, it takes about 18 months to make a show so you're constantly committing to work without knowing what your funding will be and whether it can go ahead or not. I have to make various assumptions!

The next Arts Council funding will be for three years so we will know what we are getting for three years which will help. We are currently going through the application which is a massive exercise. There are 80 pages of guidance and another 354 pages of guidance to unlock the money! The application involves all different parts of the organisation; including audiences and participation, environmental sustainability and artistic impact, emerging artists etc. You must approach it with each individual party in the company, and you also must get Board sign off on every single output too.

Knowing what our funding is for three years should represent an element of stability. However, with inflation running so high, it is not quite the panacea it might appear.

> **"Our aspiration is to play as large a role in the lives of the people in our community as possible."**

Trustees also need to care about what we do as a charity. When recruiting, we advertise for Board positions and try and get the role out to as many communities as possible.

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

For me, the most important thing is for our trustees to act as a critical friend, to ask provocative questions and examine ideas through another lens. We are an experienced executive team so don't need close supervision, but I appreciate it when the Board questions or pushes back on things. If we cannot convince our Board, then we are unlikely to convince the public.

Trustees also need to care about what we do as a charity. When recruiting, we advertise for Board positions and try and get the role out to as many communities as possible. A recruitment campaign to diversify the Board was carried out in Spring 2018, resulting in five new trustees that year and a further three new trustees in 2019.

I suspect the trustee role is going to change over the next few years. If the Arts Council requires that trustees sign off on specific outputs, it feels less like a non-executive trustee role and more like an executive board of management as you have a very specific legal responsibility to meet very specific outputs.

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

We are quite qualified as a management team and have a number of MBAs amongst us. However, I am fully aware that things change and knowledge dates, so we use professional advisers a lot to ensure we are getting things right. For example, we recently used a catering consultant to advise on the future of our restaurant and we also use advisers in areas such as diversity and equality. You must bring in people who represent the communities you're talking about to ensure you fully understand.

What would be your top three tips to anyone moving into a Chief Executive role within a not-for-profit?

You have to really love it. If you are the kind of person that wants a job with very clear demarcation between your personal life and your work life, it might not be the right choice for you.

I'd also recommend developing a strong overview of all areas of your organisation, because you are going to need it when making decisions. I did a drama degree and thought I'd never need it again but have needed it every day of my working life.

You are also going to be told at regular points that something is impossible or it is a bad idea. You need to know for yourself whether it is or it isn't. That doesn't mean that you shouldn't believe what you are told or dismiss people's views, but you do need to have enough knowledge to fully understand and make confident decisions.

Established in 1948, Nottingham Playhouse have been creating world-class theatre for more than 70 years. The charity strives to create lasting and life-changing experiences for all members of its community, whether that's through our world-class productions, nurturing artist development or our wide-ranging participation programmes. To plan your visit to Nottingham Playhouse or find out about how you can support them, please visit https://nottinghamplayhouse.co.uk

Our sector expertise

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

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

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

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

In the latest Charity Finance Audit Survey, 100% of our charity clients participating awarded UHY the top score for not only the level of our expertise in the charity sector, but also for our overall service levels as well as for being contactable. If you would like to discuss how we can help support your charity, please get in touch with one of the experts listed on the following page.

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