



# Hewitsons Charities, Education and Social Enterprise

Legal Update

September 2020

Welcome to our latest update which we hope you will find both useful and interesting. As staff return to offices and children return to school this week, we hope that equally things will be returning to normal for many of you and we can all start planning constructively for the future. From our team's perspective, we continue to be very busy working alongside many of you in new projects and new charity registrations – it's exciting to see how resilient and creative the charity sector can be in a crisis. We are looking forward once again to hosting our Trustees' Week event in November, this time as you might expect, we are intending to move online. This is always a really inspiring and informative event and we are confident this time will be just as good even if we cannot be in a room together. More details on that coming soon but we hope very many of you – even more than usual perhaps! – will be able to join us.

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## Charity Commission pays homage to the vital role of charity in society as it sets out its plans for 2020-2021

The reliance on charity to meet the needs of many in society in recent times is a message that takes centre stage in the Charity Commission's annual report for 2019-2020. In a [note](#) from Chief Executive Helen Stephenson CBE, published ahead of the report, she reflects on key events in the last year and looks ahead to the regulator's plans for 2020-21.

Key points raised in her note include:

- The material impact of the work of many individual charities in our society has been highlighted by the increase in demand on charitable organisations during the pandemic. The pandemic has underscored how charities' work saves, sustains and enriches life and has had a profound bearing on many services and service providers' ability to operate effectively during the COVID-19 crisis.
- As many sectors are reliant on charitable institutions, it is clear that charities are also reliant on the contributions people from all backgrounds and across all sectors, continuously make. Charities are able to do the work they do and reach the number of people they reach by standing on the shoulders of thousands of individuals.
- Charitable behaviour is not limited to charitable status. The pandemic has shown that the charitable spirit of our nation expresses itself in a range of ways including informal acts of kindness and generosity. This calls for the Commission and registered charities to go further to uphold the special status of charity, and justify the privileges enjoyed as a result of that status.
- The regulator's plans for 2020-2021 will focus on the steps that it will take to ensure that charity can thrive and inspire trust.

For a summary of the Charity Commission's 2020-21 business plan, please [click here](#).

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## Small Charities Coalition – are membership fees vital to adapt to a changing world?

The Small Charities Coalition (SCC) was set up to support smaller charities with practical support, advice and guidance to help them deliver their services. It has started a consultation on introducing a membership fee.

If implemented, this could see small charities being charged £12 per year while supporters and charities with an annual income of over £1 million would pay an annual fee of £24.

Membership would include access to a members' area of the website, specialist mailings, a discount on training and other special targeted offers.

In just over one year, membership has increased from 9,000 to 14,000. Whilst many of SCC's members are small charities, an increasing number of larger agencies and consultants, some with annual turnovers in excess of £1 million, have taken advantage of its services. In light of this shift, SCC is considering alternative methods of funding to ensure it can operate effectively and is fairly remunerated for the use of its research and resources.

The introduction of a membership fee is one of several options and SCC is conducting a survey to get feedback from members on this proposal.

[Please contact](#) a member of the [Charities team](#) if you have any queries.

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## The consequences of failing to file accounts - the Commission opens a statutory inquiry

The Charity Commission has put a spotlight on the activities of charities that have failed to comply with their statutory duty to file annual accounts for more than one year.

One of the charities that came under fire was the Jalloh Charitable Trust. In addition to its breach of the rules for filing annual accounts, the inquiry uncovered further issues regarding the administration of the trust and unmanaged conflicts of interests. A loan for over £500,000 to one of the trustees and the purchase of an expensive collection of silver from a trustee also raised questions in relation to the handling of the charity's finances. Consequently, the

Commission decided to freeze the charity's bank account and precluded the trustees from selling property belonging to the charity without its consent, pending the conclusion of further investigations.

The Commission used its powers under the Charities Act 2011 to open a statutory inquiry to investigate concerns regarding the administration and running of a charity. Ultimately this may lead to the closure of the charity and the disqualification of trustees. It is a useful reminder of the need for charities always to file reports and accounts within the necessary deadlines.

For information on the Commission's guidance on filing please [click here](#).

For guidance relating to any of the points raised please contact a member of our [Charities team](#) by [clicking here](#).

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## National Lottery Community Fund to launch £1.4m BAME-led Fund for Charities

The National Lottery Community Fund (NLCF) has announced a £1.4m BAME-led fund, known as the Phoenix Fund. It will be used to provide emergency funding for small and micro organisations supporting communities most affected by the coronavirus crisis.

The fund will be delivered in partnership with Global Fund for Children, an international organisation that provides funding and support to communities helping young people.

A core group of black and ethnic minority-led organisations will be involved in co-designing the fund with the objective of promoting a more equitable distribution of grants. This is being launched against a backdrop of reports highlighting that the COVID-19 crisis has disproportionately impacted individuals from the BAME community.

John Hecklinger, president and CEO of Global Fund for Children, said the "Phoenix Fund will help shift power to [BAME] community leaders to build a brighter future for young people through the lens of racial justice."

More information on the application process for the fund will be available at its launch which is expected to take place in the coming weeks.

For further information on the application process and points raised you can contact a member of our [Charities team](#) by [clicking here](#).

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## Sector figures Join engagement strands to advise on accounting rules

The UK's charity regulators have named several sector experts who will help advise on the next set of accounting rules for the sector.

They will help gather and share views from the charity sector on the Statement of Recommended Practice (SORP), to inform the work of the SORP-making body and the SORP advisory committee.

The six engagement strands are trustees; smaller charities and independent examiners; professional and technical advice; larger charities; major funders and donors; and academics and regulators.

For further information please contact a member of our [Charities team](#) by [clicking here](#).

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## Department of Health and Social Care begins process of recruiting Charities Alliance

The Department of Health and Social Care has invited charities to apply to join the Voluntary, Community and Social Enterprise (VCSE) Health and Wellbeing Alliance. Members of the Alliance will receive grant funding of up to £80,000 each year for their core work.

The Health and Wellbeing Alliance is an element of the Health and Wellbeing Programme which aims to promote health equalities and reduce health inequalities across the UK.

The Alliance, set up in 2017, is a partnership between the Department of Health and Social Care, NHS England, NHS Improvement, Public Health England and 20 voluntary sector partners and groups, including Carers UK, Age UK, LGBT foundation, and the Race Equality Foundation.

Existing members will have to re-apply for membership as the Alliance aims to ensure that membership reflects the current needs of society and that a range of voices are represented in government policy.

The deadline for applications is 6 November at 12.00. Application support webinars will be held in September.

Further information on the application process can be [found on the department's website](#).

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## British Heart Foundation warns of having to make up to 300 redundancies

The British Heart Foundation (BHF) announces plans to begin consultations with staff on reducing costs, with the prospect of making up to 300 redundancies.

BHF expects its net income to fall by 50% this year. This comes as its accounts for the year ending 31 March 2019 put its income for the year at £338m. The main contributory factors leading to this decline are the cancellation of most of its fundraising events and the closure of 750 shops for four months as a result of the pandemic.

This fall in income also means that its support for new research will be cut by around £50m this year, and it could take many years for its funding to return to pre-pandemic levels. BHF fears this will threaten progress and prevent discoveries that could save and improve lives.

Unfortunately, BHF is not alone in having to consider making redundancies due to the impact of COVID-19. Breast Cancer, the Scout Association and RSPCA are among many in the sector facing this difficult decision. Many charities are calling for the government to provide more funding for a sector filled with organisations and individuals that are often the first to provide support yet the last to receive it.

If your charity is facing similar difficult decisions, please ensure that you take professional advice at an early stage. Please contact a member of the [Charities team](#) if you would like to discuss this by [clicking here](#).

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## Is the decline in charitable legacies just another immediate casualty of the pandemic or a signal of a long-term problem?

As we consider the impact on our country of what is projected to be one of the worst recessions since the Second World War, it is hard to ignore the decline in charitable estates for the first time in a decade.

According to Legacy Foresight's five-year projection for legacies, the decrease in legacy income caused by the pandemic could be between 1% and 15% this year. This estimate considers a number of factors including the overall economic outlook, the fall in house prices reducing the average value of residual bequests and demographic factors such as changes in the number of deaths.

One question on many of our minds is whether this marks the beginning of a downward trend in the number of charitable legacies. However, with the resilience of cash income, the efficiency of legacy administration teams and the impact of a higher number of deaths due to COVID-19, forecasts indicate that legacy income is likely to increase in the long term. UK charities could receive between 5,000 and 11,000 more bequests over the next five years with a rise in legacy income from £3.4bn in 2019 to £3.5bn-£3.9bn in 2024.

Alongside the benefit of supporting charities to promote the causes they serve, leaving a charitable legacy in your Will can lead to a significant reduction in the Inheritance Tax payable on your estate.

If you would like to discuss leaving a legacy to charity in your Will, please contact a member of our team below.

Alexandra Svennevik on 07769 217791 or [click here](#) to email.

Alexandra Francis on 01223 447422 or [click here](#) to email.

Virginia Henley on 07584 015592 or [click here](#) to email.

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## Charity Commission launches new online register

The Charity Commission has launched its new online register of charities, which includes more details with the aim of increasing transparency, and can be found here [new "check charity" search page](#).

Each charity's register entry will now display more clearly whether the charity has been subject to regulatory action or is of 'ongoing concern'. And following changes to the annual return, after an [in-depth consultation](#), charities' entries will now show how many staff members receive pay packages of £60k and above. It also notes where trustees are remunerated for their work, and lists the policies a charity has in place, from safeguarding to conflicts of interest and investments. The Commission said that it will continue to improve the search tool, and would like feedback on the new register from members of the public, funders and charities themselves.

Helen Stephenson, chief executive of the Charity Commission, said: "Decisions about charitable donations are often very personal, influenced by our own life experiences, and those of our friends and family, "But we know that most people share an expectation of openness and transparency from all charities. That's why our new online register increases the range of information available at the click of a button."

For more information please contact a member of our [Charities team](#) by [clicking here](#).

Meanwhile, all of us at Hewitsons wish our clients well as they face the many challenges presented during the recovery of our economy from the pandemic.

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