

Covid-19 reliefs AND THINGS TO CONSIDER *for charities*

CORONAVIRUS JOB RETENTION SCHEME

The first thing to confirm is the scheme is open to charities. The details have been covered extensively however the basic position is:

- Employers can “furlough” staff who would otherwise be laid off, for a minimum period of 3 weeks.
- Those staff cannot work for their employer during this time. They are also not able to generate income, or provide services for, their employer and therefore our view is that it is also not possible to be furloughed and then volunteer for the charity that employs you.
- Employers can then claim back 80% of the gross cost of employment, up to a cap of £2,500 a month, **plus** employers NI and minimum amount of employers pension.
- For the majority of cases, employees consent will be needed, and once it is obtained, there is no requirement for employers to cover the additional 20% to make up to full wages.
- The scheme is available to all employees on the payroll on 28 February 2020.
- It is available to zero hours and part time staff.
- Amounts can be claimed through a HMRC portal, with the first claims expected to be able to be put in by the end of April. This does represent a potential cashflow issue, with employers having to be able to fund the wages until this point.

In these circumstances, it is likely that charities may have staff who could be allocated to different work, but who are not directly contributing to the ability of the charity to generate money. Whilst this is a choice of the charity, you need to consider whether you have the funds to be able to pay the salaries of employees who are not directly generating you money during this time. It may be appropriate to furlough these staff.

There has been some concern amongst charities that there is a small piece of the guidance which may prohibit some charities from being eligible for the scheme.

The guidance states that: “Where employers receive public funding for staff costs, and that funding is continuing, we expect employers to use that money to continue to pay staff in the usual fashion – and correspondingly not furlough them. This also applies to non-public sector employers who receive public funding for staff costs.”

This has, understandably, lead to some concerns that this would prohibit charities from accessing the scheme if they receive any form of government funding.

Looking at the guidance in more detail, it is clear that if your charity is either providing essential services and must remain open, or receiving public funding specifically to provide services to respond to Covid-19 then it is obviously not appropriate to access the scheme.

What is not so clear is the position where charities receive some public funding for no defined purpose other than provision of services. It is most likely that such funding would only cover a proportion of operating costs and likely that other funding sources may have dried up. In this case, where charities are not wholly funded by government sources and staff cannot be redeployed to provide services to respond to Covid-19, the scheme could be considered appropriate.

The guidance does state:

“In a small number of cases, for example where organisations are not primarily funded by the government and whose staff cannot be redeployed to assist with the coronavirus response, the scheme may be appropriate for some staff”.

In practice it is hard to see how a charity who either contracts with government to provide specific services, or who are partially (but not primarily) funded by government could be disallowed from the scheme.

Please note, however, that this remains a grey area and clarification on the position has been sought from the government.

VAT DEFERRAL

The VAT deferral scheme is open to charities. Any VAT amounts payable from 20 March to 30 June 2020 are deferred, with the entity having until 5 April 2021 to settle any outstanding amounts.

This is not a grant, it is a deferral, so you will still have to pay the amounts owed.

This option will be applied automatically but you must still complete and file your VAT return as usual. HMRC are advising that you should also cancel your direct debit to avoid amounts being taken.

BUSINESS RATES HOLIDAY

All retail, hospitality and leisure businesses will not have to pay business rates for the tax year 2020/21. This applies to charities and trading subsidiaries of charities including museums, charity shops, heritage houses and gardens, charity sports facilities, theatres and cafés and restaurants. It will be applied automatically by the local council.

RETAIL, HOSPITALITY AND LEISURE GRANT FUND

This is linked to the business rates holiday, and provides one-off cash grant to businesses in the above named sectors. If the rateable value of the property is up to £15,000 a grant of £10,000 will be received, and if the rateable value of the property is between £15,000 and £51,000, a grant of £25,000 will be received. Again, this should be automatically issued by the local council.

There has been some confusion about the cash grants available for charity shops and premises.

This has arisen as there are two slightly different schemes available – only one of which is relevant to charities.

The Retail, Hospitality and Leisure Grant applies to all retail, hospitality and leisure businesses (including charities). If the rateable value of the property used in these sectors is under £51,000, the business or charity can claim a grant of up to £25,000. Relevant businesses and charities will be contacted by the local council if they're eligible.

Separately from this, there is a Small Business Grant, which pays a grant to all businesses with a rateable value under £15,000, regardless of sector. This is only available for those businesses who don't normally pay rates by virtue of claiming Small Business Rate Relief. This is NOT available for charities as they do not claim Small Business Rates Relief.

CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME

This scheme is only available for entities who generate more than 50% of their income from trading. Whilst trading has not yet been defined, it is believed that the large majority of charities would be ineligible for this scheme.

HMRC TIME TO PAY

This is available to charities as any other business – arrangements are made on a case by case basis and are tailored to individual circumstances. The helpline is 0800 024 1222.

USE OF RESTRICTED FUNDS

Many charities are asking if they are able to use restricted reserves as cashflow for the charity, particularly considering the need to pay staff before claiming on the Coronavirus Job Retention Scheme.

This is not encouraged, but is possible with the right permissions. It is a common misconception that you can ask the donor for permission to amend a restriction and this is enough. It isn't – you also need to gain the approval of the charity's board and the approval of the Charity Commission. The Charity Commission have said that they will consider approaches to do so, particularly where there is not a significant change. An example of this may be that you had a fund set up to assist with the welfare of older people through provision of heating grants. Whilst to use this for corona-related activity would clearly be a change of use, requiring Charity Commission approval, there is an argument that you continue to achieve the aims of the funds, but by different methods and therefore this may be considered appropriate.

FILING DEADLINES

Both the Charity Commission and Companies House have announced that they will provide charities with extensions to file their accounts and annual return.

For the Charity Commission, you need to phone their contact centre on 0300 066 91979 (open Monday - Friday 9am - 4pm), and for Companies House it is a simple online form: <https://beta.companieshouse.gov.uk/extensions>

In both cases, you must request an extension before the accounts/ annual return fall due. Companies House have said that their extension is automatically for 3 months, whilst the Charity Commission haven't specified.

HOLDING MEETINGS

It is clearly not possible at the moment to continue to hold trustee meetings in person.

If you wish to hold meetings electronically, this is broadly possible but please check your governing document. Most will either permit such a move or be silent on the issue, however it may be possible that it is prohibited. Where it is permitted or silent, this is fine as long as all participants can see and hear each other, and all decisions (including the reason for holding the meeting electronically) are well documented, along with the discussions taken to arrive at those decisions.

Where you had an AGM scheduled, firstly check if you actually need to hold it. Many governing documents no longer require an AGM. If you are required to hold one, it is possible to do so electronically or use proxy voting, but again it is important that you document the decision why you are choosing to do things that way.

SERIOUS INCIDENT REPORTING

The Charity Commission released some guidance a few weeks ago reminding charities of the importance of potentially disclosing a serious incident in relation to the Covid-19 pandemic.

This was widely slated at the time, and they have since replaced it with some more pragmatic guidance. The underlying approach remains the same as it always has – if you have a serious incident that places a beneficiary (particularly a vulnerable one) at harm, or if there is an event which has a significant impact on the ability of the charity to operate, then it is a reportable item. The key thing that Covid-19 might have changed is where you perhaps have an annual event that you generate a significant amount of money from, that you've had to cancel. If the charity was reliant on this money and cannot generate it in other ways, it may be a reportable event.

USEFUL LINKS:

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

NCVO website: <https://www.ncvo.org.uk/practical-support/information/coronavirus>

Charity Finance Group: https://www.cfg.org.uk/coronavirus_guide

Please contact us if you need anymore help or assistance.

This information is given to the best of our knowledge on 29 March 2020. The situation relating to Covid-19 and the Government's proposals are constantly evolving and may have changed since this document was produced. For individual advice on the situation and how it may affect your business, please contact us before making any decisions.



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