

CharityFinance

YEARBOOK

2023

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## Editor's introduction



So, where to even begin with 2022. Three prime ministers. A new monarch. War in Ukraine. Inflation and the cost-of-living crisis. Record temperatures. I know none of this is news to anyone, unless you have been living under a massive rock, to escape what was already an extremely challenging period (and I get the temptation, I really do). But the reality is that the charity sector faces a critical period.

Again.

A long-time sector colleague and friend remarked to me last week that for the first time in their over 30 years working in and around charities, they genuinely fear for the survival of many organisations. The old double whammy of having to do more, as beneficiaries face mounting hardship, with less, as income is further squeezed, has been exacerbated by organisations facing their own crippling energy bills, the effects of inflation generally, and trying to pay their own staff a fair wage.

(By the way, I am conscious that parts of what I am writing here will sound a bit “broken record”. But I am only spinning the quality of vinyl I have been given.)

Perhaps it really could be too much for many organisations, even with the resilience and innovation that the sector has displayed at other crucial crossroads points, but we need to stay positive. Although it would probably be overly optimistic to look to government.

I could go on for pages about the chaos surrounding Downing Street over the year but for now I will just say that we do at least have a period of relative stability, in that we are more familiar with the policies being implemented to supposedly clear up the financial mess created by whatever the hell it was that Liz Truss and Kwasi Kwarteng attempted.

And we have, at the time of writing, a charities minister Stuart Andrew who has been in post for nearly two months, already outstripping the time his predecessor Lord Kamall managed (through no fault of his own, just a victim of the ministerial merry-go-round).

We have yet to hear anything meaningful from Andrew on his plans for the sector, be they genuine constructive engagement or the usual rehashed lip-service rhetoric, but he does at least have a CV that includes working for charities. Mind you, he will probably find it hard to spare time to do anything meaningful as his list of ministerial responsibilities is lengthy, to say the least.

The frustration is that we can moan on about the understanding of, and priority given, to civil society by the government, but that lack of consideration in itself means they aren't listening to those whinges in the first place.

Quiz time. Can anyone tell me who Martin Thomas is? This time last year I had to rewrite my equivalent piece for the 2022 yearbook as his elevation in December to the role of Charity Commission chair, after a seemingly interminable appointment process, lasted about seven days before a number of past skeletons emerged from various cupboards. And it didn't seem that the media had had to spend much time looking for them. Which made it even more remarkable that the panel vetting the recruitment had been so lax.

Anyway, we didn't have to wait long until another new candidate emerged. Orlando Fraser KC, who on paper, and in person, looked the part. Polished legal type, who had sat on the Commission board before so could hit the ground running. Although there will still concerns about how his appointment was handled (and I have never been clear about why he wasn't considered during the process that picked Thomas), he took over in April, and said and did all of the right things at his inaugural outing and generally kept things calm – until triggering minor controversy towards the end of the year with ill-received comments about campaigning, and then philanthropy. But perhaps these were as much a case of the press stirring things up (you know what they are like) as a sign that we could expect a return to the early-William Shawcross era of maverick pronouncements.

The thing that many contributors to, and readers of, this yearbook will look out for from the regulator in 2023 is the long-awaited revision to its CC14 guidance on investments, especially in light of the Butler-Sloss ruling in April 2022. This was about the trustees of two charities (Aurora Trust and Mark Leonard Trust) seeking the blessing of the High Court for their proposal to adopt an investment policy that would exclude, as far as practically possible, investments that are not aligned with the goals of the 2016 Paris Agreement on climate change. The trustees were concerned that adopting such an investment policy might not be lawful and consistent with their duties, as it would exclude many potential investments that conflicted with their charities' purposes and, at least in the short term, diminish their financial return.

While perhaps slightly hyperbolically described as a "landmark" ruling by some commentators, the Commission has been clear that it does not fundamentally alter the existing legal position in CC14 (see page 161).

The year ended with tabloid frenzy as the evergreen political and class-warfare football over the charitable status of independent schools got a renewed kicking just as the World Cup started. We have seen the arguments for and against this many times before, but can expect a prolonged focus on it if the likelihood of a Labour government actually being in a position to at least attempt to change charity law and/or VAT regulations remains high.

Other than that, I fully expect the usual suspect themes will remain prevalent throughout the year. Should there be more mergers, especially during extremely demanding times? Yes. Will there be? Probably not.

Review your reserves policy. Align your financial planning to your overall strategy. Continue to prioritise robust governance. While the temptation may be to focus less on diversity issues, for example, having more representative and effective boards will be critical to the decision-making required to maximise sustainability and survival.

As ever, the contributors on the following pages know more about these things than I do, and my thanks go to the many who have taken the time to give their expertise. I hope the selection of topics covered will help charity finance directors, and trustees, to continue undertaking their vital roles, as the sector enters yet another critical year. ■

Ian Allsop

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