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PIMBs Briefing

Summer 2022

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From the editor

Welcome to the Summer 2022 edition of our briefing for Professional Institutes and Membership Bodies (PIMBs).

2022 has so far been free of government-imposed restrictions, however individuals and businesses are still continuing to adapt to the post-pandemic circumstances and find their own balance. In the wake of this, with inflation rising to its highest level in decades, organisations are turning towards cost saving measures and reviewing their governance frameworks to ensure they are appropriate for the new world before them.

The case for a robust Equality, Diversity and Inclusion (EDI) strategy has become increasingly important over recent years. Kathryn Burton, Partner and Head of PIMBs, explores the requirements and provides guidance to membership bodies on how and why to report in this area.

After the infamous collapse of Kids Company, the Charity Commission has now been able to conclude its inquiry into the circumstances surrounding this. Vikram Sandhu, Director, explores the key findings and how, nearly seven years later, these findings remain of utmost importance for all Boards to consider.

Nick Bustin, Employment Tax Director, provides his latest thoughts on the Health and Social Care Levy, providing answers to some of the more common questions from membership bodies and an insight into an option to mitigate the impact of the Levy.

A large number of membership bodies are also registered charities, who will be impacted by the new Charities Act 2022. Guest authors Laura Soley and Alice Faure Walker from Bates Wells provide insight into the key changes. Be sure to check out their blog series for more details.

Rakesh Vaitha, Senior Manager, reflects on the importance of IT General Controls, not only because the working practices of the present day are technology driven and often remote, but also due to the requirements of the revised ISA 315 (UK) impacting all audited organisations with reporting year ends commencing on or after 15 December 2021.

There are a multitude of challenges arising from Russia's invasion of Ukraine, and Samantha White, Content Strategist, memcom, looks further into those impacting member organisations and the steps that can be taken.

Elena Ramkalawon, Partner and Head of Outsourcing, looks at why organisations may consider outsourcing, and whether now is the right time to do so.

My thanks to those who contributed articles and insights to this publication. We look forward to seeing you, in person or virtually, at upcoming events in the latter half of 2022. If you have any questions or would like to discuss any of the topics raised in this edition, please feel free to get in touch using my contact details below, or those of the specific author(s) of the relevant article(s).

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Equality, diversity and inclusion reporting – what, how, why?

Equality, diversity and inclusion (EDI) is a hot topic in the sector and is definitely on the agenda for membership organisations. However, there is little guidance for the sector on how to report on EDI, and what data to include. Additionally, there is the question for those charged with governance on why report – what are they trying to achieve, and what are their objectives for reporting?

Unfortunately, there is no one page document to assist, but there are some key regulations and governance guides that can help you determine how you may wish to take this forward. Useful information can be found in the Charity Governance Code, the Companies Act (in particular S172) and the regulations for gender pay reporting.

How can the Charity Governance Code help?
The Charity Governance Code, while not mandatory to adopt, sets out best practices in governance for the charity sector. The focus of Principle 6 of the code is equality, diversity and inclusion and the outcomes of adopting this principle should result in a charity where EDI is embedded, obstacles to participation are reduced leading to a more inclusive organisation, and a more effective Board due to different perspectives, experiences and skills.

Principle 6 of the code sets out how a charity should look at EDI. The four key steps are:

1. The Board should consider their approach to EDI using available data and consider diversity in its own work, and when recruiting. What is the charity's culture?
2. The Board should set a clear organisational approach to EDI with context-specific and realistic plans and targets
3. The Board should ensure appropriate arrangements for monitoring performance to achieve its EDI plans and take appropriate action as required
4. The Board should regularly publish its performance information and learnings, showing its progress towards achieving EDI plans and targets

What does the Companies Act require?
There is no specific EDI guidance within the Companies Act, however section 172 reporting – *the duty to promote the success of the company* – sets out additional mandatory requirements for large companies that meet two of the following criteria:

- Turnover > £36m
- Balance sheet > £18m
- Employees > 250

The disclosures within the Directors' Report must include:

- How the directors promote the success for the company for the benefit of its members
- How the directors meet the interests of the company's employees including disabled employees
- How the directors foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment

In addition, it sets out that the company should maintain high standards of business conduct and act fairly between members of the company.

Many of the requirements suggest the need for inclusivity, diversity and fairness and while many entities are not required to report under S172, the information may be helpful for a user of the accounts regardless.

What about gender pay reporting?
The last regulation to consider is gender pay reporting. The regulations **require all private and voluntary-sector employers with 250 or more employees to publish data on their gender pay gap.**

The six key figures on which you will have to report are:

- Average gender pay gap (mean and median average)
- Average bonus gender pay gap (mean and median average)
- Proportion of male and female employees receiving bonus payments
- Proportion of male and female employees by quartiles (ie when divided into four groups ordered from lowest to highest pay)

What else? And how to report?
While the above provides some helpful guidance, there is no standard set for how membership bodies should report on EDI. So, considering the above, what information might you wish to include in your EDI report? In deciding this, a key consideration is the expectation of the membership for reporting – what do your members expect you to report on?

From my review across the sector including annual reports, EDI documents and membership body websites, some common data reported on includes:

- Equality, Diversity & Inclusion statement
- Objectives
- Gender pay gap
- Highest to lowest paid employee ratio
- Ethnicity pay gap
- Employee data – age, % of employees with a disability, ethnicity, gender, sexual orientation, religion
- Member data – age, % of employees with a disability, ethnicity, gender, sexual orientation, religion
- Gender composition of the Board
- Ethnicity composition of the Board
- Equality policy
- Diversity and inclusion policy
- Disabled employees

My general observation is that many membership bodies include detailed narrative and limited statistics. This could be due to challenges with gathering and retaining the data or the resources required to gather and interpret the information available.

The Board need to consider whether they will prepare a separate EDI report, include relevant data in their annual report, or include details on their website.

Why report on EDI?
Finally, before starting to gather data, the Board needs to consider the aim of the report. Some key questions to consider are:

- What is your purpose/objective for the report?
- What are you trying to achieve from the report?
- What are your future goals?
- How are you going to publish the report?
- How are you going to benchmark your data?
- How will the report influence future policy/strategy?
- Who is the report for?

So, take a step back, answer the above questions and decide on your objectives for reporting on EDI. When you then start to gather your data and look at your statistics, consider your benchmarks – the statistics themselves are no use unless you have a direction of travel. Set targets for where you see the organisation in 12 months, five years – what does EDI look like? What are you trying to achieve and what do your members want to see?

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Charity Commission Inquiry into the collapse of Kids Company

The Charity Commission has concluded its inquiry into the circumstances surrounding the August 2015 collapse of Kids Company and its report was published in February 2022. The inquiry was opened in August 2015 but was paused while the charity went through an involuntary insolvency process and to avoid prejudicing the outcome of a High Court trial to determine whether the then trustees should be disqualified from acting as company directors. The High Court issued its judgment on 12 February 2021, with the determination that the trustees should not be disqualified from acting as company directors.

Although not all professional institutes and membership bodies are charities, the following findings highlight the importance of strong governance for all not for profit entities, regardless of status.

The scope of the Charity Commission's inquiry was considerably wider than the matter decided by the High Court and can be read in full here.

The Commission's key findings were that:

1. Kids Company was operating a high-risk, demand-led model

This prioritised growth and delivery of services to beneficiaries in the short term over building reserves and resilience for the longer term. As a result, when there was a shock which had a negative impact on the charity's fundraising, in this case unfounded allegations of abuse of beneficiaries, the charity's reserves were insufficient to allow the charity to avoid an insolvent winding-up. Although the majority of your income is likely to be in the form of membership and associated income, the recent pandemic has highlighted that a high impact, low likelihood risk can have a devastating impact on other areas of your business such as events. Had the charity maintained a higher level of reserves, it may have had sufficient resources to continue after the allegations were determined to be unfounded, or at least to have allowed for a more orderly winding-up and potential transfer of services to another provider, thus avoiding any detriment to its beneficiaries.

2. Lack of documentation relating to funding decisions

This may, in part, have been due to the inappropriate destruction of records which followed the charity's closure but the Commission notes that it is not clear whether certain records were destroyed or never existed in the first place. The maintenance of proper records, through your corporate governance structure, is essential to support accountability and to ensure that the trustees can demonstrate that they have made decisions appropriately. It should be noted that at no point has it been alleged that the trustees were involved in the destruction of records.

3. Late payments to creditors

The charity had repeatedly failed to make payments to creditors on time, in particular amounts due to HM Revenue & Customs (HMRC) and to self-employed workers. The Commission found that this alone represented mismanagement on the part of the trustees.

4. Board skill gaps

There were some skill gaps on the Board and the Commission particularly noted that the presence of a Trustee who had experience of running a large and complex charitable organisation, as Kids Company had grown to be, would have been invaluable. There are many legal forms for membership organisations each with their own constitution, and so it is important that Board and Committee members are aware of their own specific obligations and responsibilities to avoid challenge in the future. The balance of sector specific expertise and areas such as finance will be important to demonstrate good challenge and decision making to its members.

5. Long standing trustees

Many of the trustees had been in place for a long period of time, and greater rotation of the Trustee body and specific roles within it, would have meant that it would be more likely to constructively challenge management's established working practices and the charity's operating model. This would have been highlighted as part of a corporate governance review for example.

Whilst the circumstances of the Kids Company operating model and eventual collapse were unique, the Commission has identified a number of learning points which are relevant to all charities.

Most notably:

1. Your board should ensure checks and balances, and the right blend of skills and knowledge, are in place to avoid power imbalances. Boards should consider setting formal terms of office for trustees and have a diversity policy to ensure a broad range of experience in the trustees. Both are key recommendations of the Charity Governance Code.
2. You should identify and balance the risks associated with their operating model with the benefits of that model which should be evidenced.
3. You should undertake financial planning and maintain a reserves policy, ensuring that decisions are properly and transparently documented. Many of our organisations are moving at a pace towards a calculated risk-based reserves policy. Brainstorming the 'what-ifs' enables you to put a number on it – a number that represents the loss of money over the period it takes you to realign the business back to equilibrium.
4. You should ensure that your infrastructure, governance and resources keep pace with their growth. Kids Company had grown rapidly in the ten years prior to its collapse but it was not clear that the Trustee board or the charity's governance arrangements had changed to reflect the changing scale and complexity of their activities.

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Health and Social Care Levy – Latest thoughts

The Government has introduced the Health and Social Care Levy (the levy), which will take effect from April 2023. The first step towards introducing the levy has seen a temporary increase in National insurance of 1.25% for both the employer and the employee which came into effect on 6 April 2022.

The increase in the National Insurance rates will also apply to the Class 1/1A and 1B National Insurance rates as applicable to the provision of benefits in kind, or taxable expenses provided by the employer.

The following questions have been asked over recent months:

Q. Are membership bodies, particularly charitable bodies, exempt from the levy?
A. No, there are no exemptions available to charities.

Q. What will the impact be from 6 April 2023?
A. For employers the levy will be a standalone charge of 1.25% and the increases in various categories of National Insurance will revert to their pre-April 2022 rates. Similarly, for employees, who are not in receipt of the state retirement pension, there will be no change in the combined level of National Insurance and levy they are due to pay. However, for employees who are in receipt of their state pension and not due to pay employee's National Insurance, will be liable to the 1.25% levy unless there is a change to the draft legislation.

Q. Is there anything a membership body can do to mitigate the impact of the levy?
A. Yes. For employees who are participating in a defined contribution pension scheme, then the use of a pension salary exchange (also known as pension salary sacrifice) can help to mitigate the impact of the levy.

A pension salary exchange is a legitimate method of reducing not only employer and employee National Insurance liabilities, but also the salary upon which the levy charge will be calculated. The pension salary exchange works by agreeing with the employee to reduce their salary in exchange for the membership body paying the equivalent amount in pension contributions on behalf of the employee.

Both the employer and employee will pay less Class 1 National Insurance and the levy too! This is due to the fact that the liabilities are calculated by reference to the post pension salary exchange earnings.

Benefits of the pension salary exchange
The following provides a summary of the benefits which can be obtained by both the membership organisation and any participating employees:

- As well as the National Insurance savings, the employee receives tax relief immediately at their marginal tax rate
- This is particularly beneficial for a higher rate taxpayer who then does not have to claim the additional tax relief via their Self-Assessment Tax Return
- The membership organisation can share all or part of its National Insurance savings with the employees in the form of additional pension contributions; or
  - Use the employer National Insurance savings to help fund part of the Health and Social Care Levy costs; or
  - Provide additional funds to provide new staff benefits such as additional life cover or other minor benefits
- Can be used as both a recruitment and retention tool
- Enhanced duty of care-helping employees better prepare for their retirement with such income planning and consequently make a real difference to their employee's future

Whilst the use of pension salary exchange should not be used for staff who are members of a defined benefit pension scheme, it should certainly be considered for staff with a defined contribution scheme or where any employer is in the process of closing its use of a defined benefit pension scheme and replacing it with a defined contribution scheme.

Whilst many membership bodies will be familiar with salary exchange arrangements, it is important to ensure all aspects of the scheme are fully considered. HMRC places considerable emphasis on the employer making its employees fully aware of what it means, which will typically include:

- Providing illustrative models
- Staff communications
- Guidance for employees
- How details of the salary exchange are reported on an employee's payslip

The use of salary exchange can also be used in conjunction with cycle to work schemes and electric vehicles too!

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The Charities Act 2022 for charitable PIMBs; what you need to know

The journey to the Charities Act 2022 started back in 2011 when the Law Commission announced it would be looking at selected charity law issues as part of its Eleventh Programme of Law Reform.

One of the Law Commission's main aims was to remove unnecessary regulation or bureaucracy from the charity sector. Lord Hodgson, who carried out a review of charity law in 2012, likened the regulatory burden facing charities to barnacles on a ship which, over time, eventually slow the ship down.

The Charities Act 2022 finally received Royal Assent in February of this year but is not yet in force. It will be phased in over the next 18 months in accordance with an implementation plan published by the Department for Digital, Culture, Media and Sport.

So, was it worth the wait? Much of the Charities Act 2022 is technical and some provisions are only likely to prove exciting to lawyers who have grappled with particular legal grey areas which the Act aims to clarify. But the new legislation does contain some useful new powers for charities and for the Charity Commission that will provide flexibility, reduce red tape, and potentially save both cost and time.

Some of the reforms proposed by the Law Commission did not, in the end, make the final cut, but there is still plenty of good news for charitable professional institutes and membership bodies (PIMBs). Here are some of the highlights.

- Amending governing documents;
  - For PIMBs that are Royal Charter bodies, there is a new statutory power to amend their Charter where there is no express power in the existing Charter to make the particular amendment
  - For PIMBs that are unincorporated charities (unincorporated associations or trusts), there is a new statutory power for the trustees to amend the charity's governing document (with certain changes, such as changes to objects and trustee benefit provisions, requiring the Charity Commission's consent)
  - For PIMBs that are companies or charitable incorporated organisations (CIOs), there is a new statutory test for the Charity Commission to apply when deciding whether to consent to a change of objects. It is aligned to the test which applies to unincorporated charities making use of the new statutory power of amendment outlined above, and it is arguably more stringent than the current non-statutory test applied by the Charity Commission – barnacles are possibly being added here!
  - There are new public notice provisions where the Charity Commission's consent is needed for particular changes, such as changes to objects
- Permanent endowment: For PIMBs with endowments, there are new, more flexible provisions allowing trustees to spend permanent endowment, increasing the current threshold at which Charity Commission consent is required. There are new powers to borrow from the endowment, and it will be easier to invest the endowment in social investments.
- Failed appeals: There are new simplistic rules for charities dealing with a failed fundraising appeal
- Ex gratia payments: These are essentially payments which the charity has no legal power to make but which the trustees regard themselves as being under a moral obligation to make. Under the current rules, trustees cannot delegate decisions to make ex gratia payments, so the board must always be involved. Technically the Charity Commission's consent must be sought to any ex gratia payment, no matter how small. There are welcome changes here which allow trustees to delegate decision-making around ex gratia payments, and a new power for charities to make ex gratia payments below a certain threshold without Charity Commission consent. The threshold is determined by reference to the charity's income in the last financial year.

- Charity land: Part 7 of the Charities Act 2011 imposes restrictions on disposals of charity land. These are intended to act as a safeguard to ensure that charities dispose of their property on the best terms that can reasonably be obtained for the charity. The existing rules provide a clear framework but have been criticised for being too onerous and prescriptive. The Charities Act 2022 relaxes the rules in key areas including:
    - Who can provide advice – at the moment, trustees must obtain advice on the disposal from a qualified surveyor who is a member of the Royal Institute of Chartered Surveyors. Under the new rules, trustees may obtain advice from a wider range of advisors including fellows of the National Association of Estate Agents, as well as from suitably qualified trustees and employees of the charity.
    - The rules on what the advice has to cover are to be simplified
    - The new rules clarify that the Part 7 regime does not apply where land is held by or in trust for more than one charity
- Charity names: The Charity Commission's powers in relation to charity names will be extended. For example, the Charity Commission's power to direct a charity to change its name in certain circumstances will be extended to working names, and will apply to all charities, whether they are registered or not. We recommend that all charities make sure that the name/working name(s) listed in their entry on the Charity Commission's Register of Charities are correct before the new provisions come in.

Other provisions include:

- A new power for the Charity Commission to confirm trustee appointments which can be used to remedy defective appointments
- A welcome clarification of the law in relation to the Register of Mergers maintained by the Charity Commission which should help charities which receive legacy income when they restructure
- An extension of the current statutory power to pay trustees for services to payment for goods and/or services
- Removing some of the red tape around trust corporation status for corporate charities that act as trustee of charitable trusts.

There's more information on the 2022 Act and its implications for charities in our blog series The Charities Act 2022, Explained.

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IT General Controls

The importance of information technology (IT) controls is on everyone's radar.

This article refers to ISA 315 (revised) and focuses on the impact on organisations that require an annual audit of their financial statements. A revised ISA 315 becomes effective for audits of financial statements for periods commencing on or after 15 December 2021 and, unless a shortened reporting period, will be effective from 31 December 2022 year ends.

What are IT general controls?
These are controls that are applied to IT systems in an organisation which includes operating systems, membership databases, applications, core IT network and infrastructure. They govern how IT systems are designed, implemented and used within your organisation. The main objective for IT general controls is to ensure integrity of the data that the IT systems support.

What do IT general controls help with?
The main accounting system links to several feeder systems and the link between various systems is either automated or manual. The IT general control governs the technology that various departments use and information that links to the financial systems or between systems.

Below are some examples of IT general controls which would be expected in a PIMBs organisation:

- IT security policy, procedures and communication with staff, contractors or volunteers
- Limited number of administrator accounts that are able to create other user accounts within IT applications
- Management of third party users on organisation's network or specific applications
- Management of change within existing IT systems by considering how changes are managed from development, testing and implementation. Similarly, software lifecycle management when thinking of new systems in the organisation.
- Data processing and systems interfaces between one of more applications in the organisation and exception reporting
- User access management ensuring that only authorised users have access to systems and data, and where possible restricting access based on user's roles and responsibilities
- Password management and other forms of authentication to ensure that each system and application has appropriate access
- Systems patching is rolled out promptly to all systems and applications that need an upgrade
- Devices have adequate virus protection software to constantly monitor and report on incidents
- Ongoing logs of changes to the IT systems are recorded and monitored which should be made available during an audit

The ISA 315 (revised) now requires external auditors to place a greater emphasis on IT general controls as part of their audits over financial reporting, and their impact on the risk of financial misstatement.

Deficiencies of IT general controls and impact
The impact of deficiencies in the IT general controls can be significant to organisations as this will impact security, compliance, and operational matters, particularly where there is significant reliance on the IT systems and applications.

Below is a summary of potential impact to the organisation over deficiencies in IT general controls:

- Data loss and manipulation
- Fraud
- Inaccurate financial information or reporting to management
- Presenting a greater risk of resulting in a misstatement
- Increased audit or compliance costs from additional transactional testing
- Reputational damage

What IT general controls preparations should PIMBs organisations make?
The reliance on technology is high for PIMBs organisations due to the level of data and often multiple systems required for its operations. To ensure there is a good understanding of the IT infrastructure and IT general controls, management should consider the following points to better understand their control framework.

Some controls preparations include:

- Are there documented IT infrastructure documents that provide details on system applications and data flows between various feeder systems?
- Is there an up to date IT security policy and procedure which is communicated to all staff?
- How are users managed across the organisation ensuring they only have access to applications necessary for their role?
- Who has access to and the level of access to various systems and databases across the organisation?
- Are password arrangements in line with best practice, including multi-factor authentication when accessing IT systems?
- Is there a patch management strategy in place and is this monitored by the IT team?
- Is the application and system data regularly backed up and tested for recovery?

Conclusion
IT general controls has had greater emphasis due to security and integrity of data when management are making key decisions. External accreditation, such as Cyber Essentials, provides assurance to management over its IT general controls and we have seen a number of organisations achieve the accreditation from external assessors.

It is essential for organisations to understand the IT framework and assess unmitigated control gaps that could collectively lead to security, compliance or operational risks. An assessment and evaluation, with the help of specialists or external audit, will aid understanding of vulnerabilities that could potentially result in financial misstatement or frauds.

Finally, it is recommended that early discussions are held with external auditors on what information is required in preparation for the ISA 315 (revised) to ensure audit risk assessments on the IT controls are fully considered at the planning stages.

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The Ukraine War: How to plan for the unthinkable

This article is based on a discussion at the Memcom Conference 2022, held in London on 29 June, which provided a forum for the leaders of membership bodies, trade associations and not for profit organisations to discuss the challenges arising from Russia's invasion of Ukraine.

In recent years, the membership sector has had to adapt to a continuous stream of challenges, from austerity to Brexit and COVID-19. Russia's invasion of Ukraine in late February brought a new set of challenges. Those bodies with members and colleagues who were directly affected by the humanitarian crisis worked to support them however they could. Others turned their attention to the consequences summarised below:

Initial response

Organisations had to respond to rapidly changing member needs and demands for training on areas such as sanctions and risk. In light of the sanctions, those with operations in Russia had to shut them down, with an associated loss of income. Many faced a dilemma as to whether it was appropriate for them to make a public statement condemning the Russian government's actions, and how that would sit with any bylaws on remaining apolitical.

Supply chain

Both Russia and Ukraine are export-based economies and the devastation wrought by the invasion, together with international sanctions on Russia, has disrupted the supply of key commodities to markets around the world. The scarcity of food-related exports (cereals, seed oils, fertiliser) and energy (fossil fuels), among others, has created inflationary pressures. Increasing prices puts pressure on wage settlements and salaries.

Cost volatility

In the UK, upward pressure on materials and labour costs was already affecting business post-Brexit. Membership bodies representing engineering and construction companies are acutely aware of hyper-inflation in their supply chain, and are concerned about potential insolvencies as these additional costs were not built into contracts. According to the Office for National Statistics (ONS), the material price index for building materials increased by 25.2% in April 2022 compared to the same month in the previous year.

As the cost-of-living rises, consumers' discretionary spend (on items such as membership of a professional body) falls.

Mental health and wellbeing

The accumulation of crises and continued uncertainty is affecting mental health across the population. Membership bodies saw take-up of their employee support schemes increase during the pandemic, and a further increase in usage with the onset of the war. Team morale is down, and people feel disconcerted and exhausted.

For CEOs, there is a danger of burn out, as even more energy is required from them to maintain the level of intensity of the last couple of years and provide leadership in such challenging and uncertain circumstances.

Declining investment in the future

Companies are reporting that capacity for investment in innovation is being squeezed as return on investment has decreased to such an extent and margins have shrunk. The drive to achieve Net Zero appears to have been put to one side because of the immediacy of the hyperinflation problem. Plans to develop the next generation of leaders have also been affected, with lower investment in graduates and apprentices, as well as reduced emphasis on equality, diversity, and inclusion.

How can membership organisations mitigate some of these effects?

Here are some of the steps leaders are taking:

- Conduct scenario planning for the longer-term impacts of the Ukraine War, particularly the economic and geopolitical uncertainties. Profiling and modelling can help you understand how your organisation might manage certain eventualities, should they arise.
- Think through your supply chain and trace it as far as you can to identify where the risks lie.
- Revisit your strategy and ask: *Is it still relevant? Are the aims still appropriate in this new set of circumstances?*

Organisational values (such as delivering public benefit) can act as a compass to aid decision making and help navigate these challenges.

- Adapt your **business model** to the new circumstances. This includes revenue budgets, financial planning and the investments that underpin that. Do you need to re-evaluate your organisation's risk appetite?
- A dilemma shared across membership organisations is whether to raise subscription fees in line with inflation or prioritise maintaining member numbers. Articulate your **value proposition** in a way that is relevant to the circumstances your members are operating in. Demonstrate value for money so members see the benefit of investing their discretionary spend in renewal.
- This is not business as usual. Analyse your **staff structure** and the capability, competence, and knowledge available within the organisation. Have you got the right mix to enable you to be agile and resilient? This is particularly important when the volunteers on whom many professional bodies rely, are under greater pressure and may not be able to devote as much time and energy to the organisation as they did before.
- A **strong purpose** or ethical connection can align and engage both members and employees. Certainty about the organisation's direction, what it is trying to achieve and the impact those activities have can boost staff engagement and retention.
- Membership organisations amply demonstrated their flexibility and adaptability during the pandemic. When organisations are **agile**, uncertainty is less threatening, and easier to cope with.
- Our organisations need to continue evolving and consider the world that we operate in. There are new ways of working and members have new priorities, so we will need to respond to and serve those new requirements. **Member engagement** is paramount. Listen to what they want and how you can deliver value for them.

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Is now the right time to consider outsourcing your finance function?

Over the past two years, the COVID-19 pandemic has forced companies and individuals across almost all sectors to drastically change the way they work. This has manifested itself mostly in increased uptake of flexible working patterns, which seem to be here to stay for most businesses.

Coupled with this significant shift in working patterns, membership organisations, like many other businesses are grappling with pressure of the cost-of-living crisis. As costs rise, some organisations may face increasing difficulties in retaining members, and will be under pressure to avoid raising membership fees. This issue is coupled with staff and recruitment challenges, resulting in organisations having to balance the budget to retain both staff and members alike.

The recent introduction of the Health and Social Care Levy has seen an increase in the rate of National Insurance paid by employers, employees and self-employed individuals by 1.25%, with a further cost pressure being placed on membership bodies. It is now, therefore, more important than ever for organisations to have their houses in order, to consider outsourcing their finance function and shifting to cloud-based solutions to ensure all financial systems are in sync and nothing is slipping through the net.

Why might organisations want to outsource?
With more employees currently working from home at least part of the week, there is now a greater emphasis on cloud-based solutions in keeping records. This can enable greater accessibility of records, beyond desktops in the office, and ensure they can be accessed any time and from anywhere.

A shift to cloud-based record keeping can also streamline processes across the board, from viewing suppliers and debtors, to completing payments over one platform. This includes repetitive tasks which can then be automated through the platform, unburdening organisations' finance teams from the small administrative tasks that can often take up large chunks of time.

Many membership organisations might only have a finance team comprising of one or two employees, meaning holidays and illness might take the whole function out of action at certain parts of the year. This creates a natural opportunity for outsourcing for smaller firms, who, without needing to hire a larger team can ensure the job still gets done.

While there is some cost to outsourcing, it is a worthwhile investment for many organisations, in that it reduces the overall burden on firms for people management. Training costs for finance management can therefore be reduced, freeing up time to focus on other areas of the business that may be more key for growth. For membership bodies, this will mean more time freed up to focus on retaining existing members and attracting new joiners.

Key considerations
Whether organisations decide to outsource will naturally vary on a case-by-case basis and there are some considerations that they may want to evaluate before making their decision.

Considerations include:

- Transitioning to digital systems might take longer to put in place, particularly if the organisation has been operating with a certain system for a long time. Staff training, for small teams with limited capacity might be problematic, so timing is key.
- Training costs, especially where employees are hybrid, might be considered, as firms will need to upskill their workforce to deal with new systems. However, with any decision, it is of course up to the business to weigh up the short-term costs with longer term gains.
- Adapting to a new process takes time and with any change, communication is key. Outsourcing can't fix everything within a business, but it is a good place to start and a worthwhile investment when looking to streamline your finance department.

Summary
Recent events have prompted membership bodies to reconsider their way of working and reassess priorities as they continue to navigate a post-pandemic environment. Future proofing your finance function and securing a solution can allow your team to be nimble, more efficient and free up capacity to leverage key insights into the numbers.

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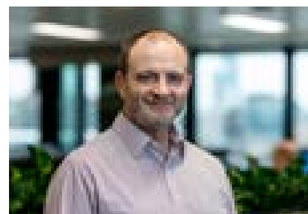

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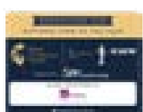
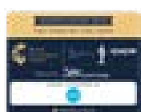
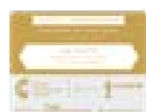

Shortlisted 2019 National Firm of the Year


Shortlisted 2019 Tax Team of the Year


Highly Commended Partner of the Year

Winner: Audit Team of the Year

Winner of the Bronze Award for 2018 and 2017

Top adviser to the top 5,000 charities, Charity Financials' league table 2021

Top ten by audit fees in the 2020 Charity Finance Audit Survey