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Not for Profit eNews

October and November 2024

Now, for tomorrow

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Welcome to the latest edition of MHA Not for Profit eNews, a bumper edition covering sector developments over October and November 2024, most notably the Autumn Budget and its impact on the Not for Profit sector; we share our reflections on the Budget and highlight those published by other sector bodies, the Charity Finance Group and NCVO.

It's been a busy few months for the sector, in which the TSC London Marathon relaunched its Charity Bond Scheme, a great way for fundraising charities to raise vital funds in a popular and in demand way. Fundraising charities may also be interested in think tank's, Rogare's, recently published research into the ethics of accepting or refusing donations.

We summarise two recent Charity Commission inquiries: the first being Fashion for Relief, three trustees of which have been disqualified for poor governance; the second is the ongoing case concerning Barnabus Aid, who face concerns over its management. These highlight the ongoing scrutiny of charities and the expectations regulators and the public have of them.

We also highlight the key facts and figures from the the Charity Commission's 2023/24 whistleblowing disclosure report and how individuals can make reports to the Commission should they have any concerns.

Finally, we outline the key points from the updated guidance from the Charity Commission on how Trustees can improve the finances of their charity.

As ever, if there are any points you wish to discuss further regarding this issue please do get in touch.

Best Regards,
MHA Not for Profit team

Autumn Budget:

Themes, key announcements, and reflections for the Not for Profit sector

The Chancelor of Exchequer's, Rachel Reeve's, hotly anticipated Autumn Budget was significant, and focused on several key themes: rebuilding Britian, fixing the foundations, raising £40bn in taxes, and making difficult choices.

Detailed below are several of the key takeaways:

- Rates of Income Tax, employee National Insurance and VAT will not change
- The freeze on Income Tax and National Insurance thresholds will continue until 2028
- An increase in Capital Gains Tax from 10% to 18% at the lower rate and 20% to 24% at the higher rate; rates on residential property sales will not change
- The freeze on Inheritance Tax thresholds will remain until 2030
- Pension assets with be brought within the scope of Inheritance Tax from April 2027
- Non-domicile status will be replaced by residence-based tests; new rules will deal with those entering or leaving the UK.
- The Stamp Duty Land Tax surcharge, paid on second home purchases in England and Northern Ireland, will go up from 3% to 5%

Key announcements more likely to impact the Not for Profit sector included:

- **Increased local government funding**
  - A 3.2% rise in core Local Government spending, with at least £600 million in new funding for social care
- **Support for individuals and carers**
  - Reduced Universal Credit debt deductions, from 25% to 15%
  - Increases in the weekly earnings limit on Carer's Allowance
  - The conducting of an independent review of Carer's Allowance overpayments.
- **SEND support:**
  - £1 billion (a 6% real-term rise) to support children with special educational needs and disabilities (SEND)
- **Funding for hardship support**
  - £1 billion next year to extend the Household Support Fund and hardship payments.
- **Education funding**
  - An additional £30 million for free breakfast clubs, £300m for Further Education and £2.3bn for Core Schools Budget.

In the sections below, we reflect on the other announcements which arguably hold the most significance for the Not for Profit sector.

1 National Insurance and National Living Wage

- Employer National Insurance Contribution (ER NIC) rate will increase by 1.2 percentage points from April 2025, from 13.8% to 15%. It is estimated that this could cost the Not for Profit sector £1.4bn.
- The threshold on employee earnings at which ER NIC will apply will drop from £9,100 to £5,000.
- The National Living Wage (NLW) will increase by 6.7%, from £11.44 per hour to £12.21 per hour.

Based on an employee working 37.5 hours per week on a NLW contract, these announcements will increase the associated costs to the employer by 10.36%.

There are, however, several options which Not for Profit entities can consider in seeking to reduce the financial impact of these announcements, such as:

- Salary sacrifice for pensions
- Provision of benefits not attracting a Tax/National Insurance Charge, such as:
  - Use of small gifts exemption - £50
  - Annual staff Events - £150 per head per annum
  - Mobile Phones
  - Small Loans
- Tax efficient benefits, such as:
  - Electric cars
  - Cycle to work scheme

2 VAT on private education

- VAT is to be charged on private school fees for pupils aged from 5 to under 19 from 01 January 2025.
- The National Association of Special Schools ("NASS") received permission from HM Treasury on Friday 25th October to share an update with its members.
- However, there could be some positive news for education institutions in receipt of special needs funding, including those which receive funding from Local Authorities towards their Education and Health Care Plans (EHCPs). It might be the case that VAT would be chargeable on these fees, potentially allowing education institutions to increase their taxable turnover and thus the amount of VAT they can reclaim.

3 Clamp down on Tax abuse

From April 2026, new Tax rules will be introduced which:

- Prevent donors from obtaining a financial benefit from their contributions
- Prevent misuse of charitable investment rules
- Address gaps in non-charitable expenditure rules
- Introduce sanctions for charities and Community Amateur Sports Clubs (CASCs) that do not meet their filing and payment obligations

4 Housing, and Work and Welfare

- Housing
  - Consultation has begun on a new long-term social housing rent settlement of 1% above the Consumer Price Index for the next five years.
- Work and welfare
  - In the 2025/26 tax year, the Government will invest £115 million in 'Connect to Work,' a new supported employment programme.
  - This will match individuals with disabilities or health conditions to suitable job vacancies and provide the necessary support.
  - Also, funding for preventing homelessness will increase by £233 million in 2025/26 to reach £1 billion in total.

Many Not for Profit sector bodies have published their reactions, including the **Charity Finance Group**, who have also published a **Policy Briefing** for charities, and the **NCVO,** who have also published an **open letter** to the Chancellor.

London marathon relaunches the Charity Bond Scheme

The TSC London Marathon is one of the biggest annual one-day fundraising events in the world with over 40,000 people running it each year. With more people taking up running in the past year, over 840,000 people have entered the draw to participate in this year's London Marathon. This was the first time in history that more than three quarters of a million people entered.

To respond to the demand, London Marathon has relaunched its Charity Bond Scheme which will enable 800 new charities to become part of the event from 2026. Charities that are not currently partners will be able to apply for golden and silver bonds. Golden bonds offer four entries per year for a four-year term while silver bonds offer two over the same time period.

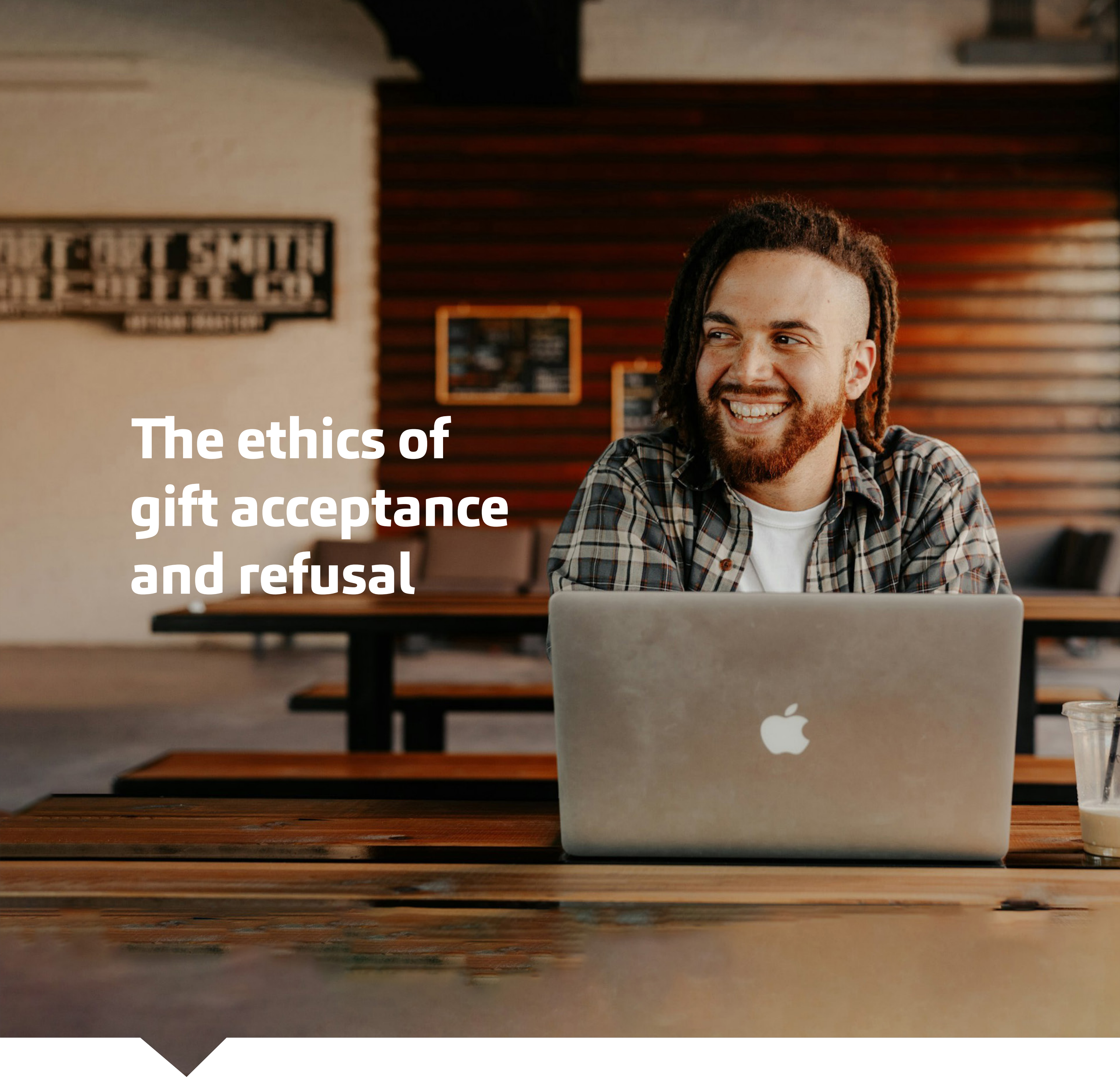
This is a great opportunity for charities to join the event and raise money for their cause, with the average amount raised through a charity place being over £2,600. The cost of the charity entry in 2026 marathon will be £400 plus VAT which is a £30 increase from 2025 London Marathon, with any unused entries permitted to be rolled over for one year.

The entry to the Bond scheme is currently opened and closes on 26th November 2024.

Charities can also enter the TSC London Marathon through a Charty ballot which offers running spots to 500 charities. This is held annually and is only open to charities that do not hold entries through the existing or new Bond schemes.

Applications for the ballot for the 2026 London Marathon will open on 2nd December and close on 13th December 2024, with charities notified by 20th December.

The ethics of gift acceptance and refusal



Fundraising think tank, Rogare, have recently published their 'Take it or leave it: the ethics of gift acceptance and refusal' research, developed in partnership with the Chartered Institute of Fundraising (CIoF), which explores the often challenging and complex decision making process when accepting of refusing donations.

The research argues that charities should not only refuse donations whose values conflict with their own, but also that prioritising 'values alignment' may not be the most consistent or ethical way for fundraisers to make donation decisions. It suggests that focusing on the potential harm to the charity caused by accepting a donation may offer a more reliable ethical framework than evaluating the donor's values.

It also tackles broader issues such as the ethics of returning donations, the role of fundraisers' personal moral convictions, and how global issues should shape donation policies.

Even though it probably feels totally counter-intuitive not to make the decision based on alignment with the charity's values, we contend they could make the same decision based on harm. If a donor/donation is so out of line with a charity's values, then it is almost certain to result in some kind of harm, such as other donors stopping their giving, or beneficiaries being deterred from seeking help."

Ian MacQullin
Director at Rogare

There is no single solution to the challenges around deciding to refuse a donation, and every organisation needs to develop their own approach that will enable them to fulfil their charitable objectives."

Claire Stanley
director of policy and communications at CIoF

We have often encouraged charities to ensure they have a 'donor acceptance' policy, or similar, and that this policy be periodically reviewed and updated.

Fashion for Relief:

Three disqualified from being Trustees

The charity Fashion for Relief has been in the news lately for being 'poorly governed.' There was a plan put in place for the Trustees to manage the charity after a compliance visit in 2020, however after reviewing the response of the Trustees there was a statutory inquiry in November 2024, the findings from which have recently been published.

Fashion for Relief was registered in January 2015 – one of their charitable objectives was 'the prevention or relief of poverty, sickness and distress of persons affected by natural or other kinds of disasters in any part of the world.' They would provide grants and financial assistance to charities and other organisations.

On 26th September 2024, the Charity Commission announced that they disqualified three people from acting as Trustees – Naomi Campbell for 5 years, Bianka Hellmich for 9 years, and Veronica Chou for 4 years.

The Charity Commission found that between April 2016 and July 2022, only 8.5% of the charity's overall expenditure was on charitable grants. They also made unauthorised payments of £290K to Bianka Hellmich and there was money also spent which did not seem 'reasonable, appropriate and in the charity's best interests.'

Following this, it has also come out that UNICEF had filed a serious incident report in 2022 after disputing the alleged claim that it was the fundraising partner for an event held by the charity. There were two other charities, the Mayor's Fund for London and Save the Children who were also owed proceeds by the Charity.

Tim Hopkins, the Deputy Director for Specialist Investigations and Standards from The Charity Commission said:

"Trustees are legally required to make decisions that are in their charity's best interests and to comply with their legal duties and responsibilities. Our inquiry has found that the trustees of this charity failed to do so, which has resulted in our action to disqualify them."

Statutory inquiry into Christian Charity

On 17th September, the Charity Commission opened a statutory inquiry into Barnabus Aid after concerns of misconduct in the charity. There were also reports of a possible "£15m hole" in the charity's finances.

On October 3rd, The Charity Commission announced its statutory inquiry into Barnabus Aid after identifying issues with the use of charitable funds. These issues are to do with unauthorised payments made to some of the trustees and related parties, and unmanaged conflicts of interest.

Because of these concerns, the Regulator has temporarily restricted transactions made by the Charity to £4,000. Their accounts for the year ended 31st August 2022, which are their latest on Companies House, show total income of £21m and net assets of £2.3m.

The Commission will also look at whether the charity has been operating within its objects and whether there has been any misconduct or mismanagement in the administrative matters of the charity. A detailed report of the findings from the Commission will be published once the inquiry has been concluded.

Whistleblowing Disclosures report 2023/24

The whistleblowing disclosures report for 23/24 was published on 27 September – this is a report that shares details on the whistleblowing disclosures made to The Charity Commission and their response.

The report can be found here

We have also summarised the report below:

The Commission treats charity workers and volunteers who raise concerns to them about their charity as whistle-blowers. Once receiving a disclosure, they will then review the severity of the matter and decide what action to take based on the risk.

In 2023/24, there were 561 whistleblowing disclosures made (2022/23: 327) which shows a 72% increase. The findings show that the main issues were to do with governance, financial management and safeguarding.

54% of the disclosures were also from employees and ex-employees. 258 disclosures came from charities in the education/training sector.

In terms of the action taken by the Charity Commission, 264 cases had no further action following inquiries. However, for 115 of the cases, there was guidance provided.

Whistleblowing is clearly important as it helps the Commission to deal with the Charities that are not following charity law. It also allows the Commission to show that they have a platform that can help individuals make a report and can hopefully encourage more people to come out with disclosures

There is an email address **whistleblowing@charitycommission.gov.uk** should individuals wish to make a disclosure. Once a disclosure has been made, there will be a follow up phone call so that the Commission can understand the matter better.

Charity Commission guidance:

Improving your charity's finances (CC12)

The Charity Commission has updated its guidance on how Trustees can improve the finances of their charity. There is also further advice for what can be done when the Charity does find themselves in financial hardship.

Trustees should consider the impact the issue can have on the charity. One example of an issue that a charity can face is the lack of funds. They will then also need to consider whether the charity has or will become insolvent.

For charities that follow the Statement of Recommended Practice, there will need to be further consideration given to the going concern disclosures in the accounts.

There is a useful **guide** that Trustees can use to plan for the future of their charity which can help them to manage the finances better.

The Trustees can then check if the charity is facing financial difficulties by taking account of:

- The cash position of the charity
- Cash flow forecast – cash coming in and out over the coming weeks and months
- The assets and liabilities

This **checklist** can help Trustees determine if there is a risk of insolvency.

Once this has been determined, advice can be taken from the independent examiner/auditor or an insolvency practitioner. It is also recommended that the beneficiaries are contacted for their opinion.

If it is evident that the charity is not at risk of insolvency, then it should continue operating. Otherwise, the charity can be merged with another, or it can be closed. There is guidance for both situations which can be found on the Charity Commissions website as there is a process that must be followed.

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