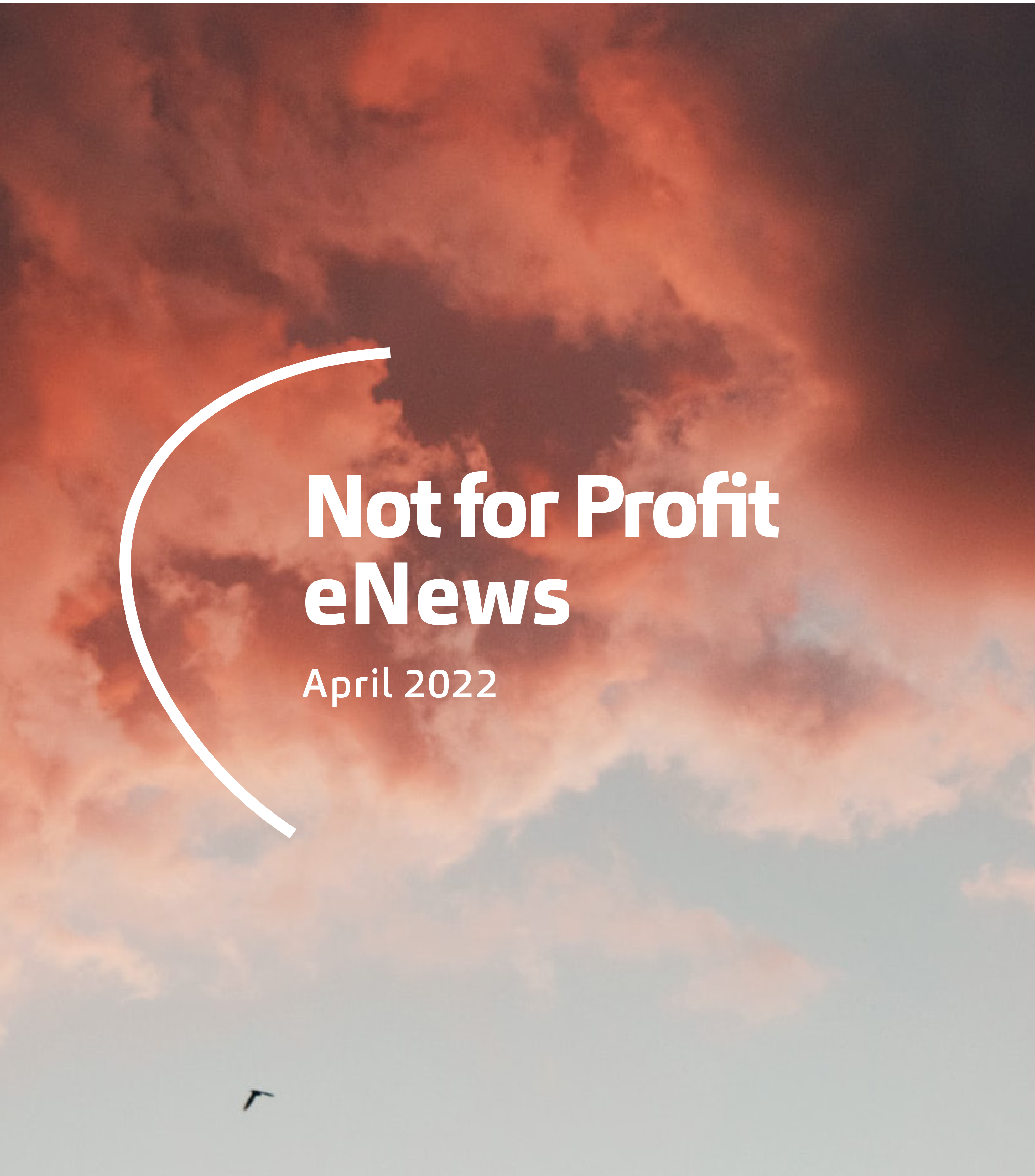

Not for Profit eNews

April 2022

Now, for tomorrow

An independent member of bakertilly INTERNATIONAL

April 2022 eNews

Welcome to Spring and the April edition of eNews

Whilst the sun might be rising in sky unfortunately the Chancellors spring budget offered few rays of hope for the Charity sector. In this edition we provide a roundup of the 2022 budget announcements and the impact on Charities. We also take a look at the Charity Aid Foundation's and Charity Finance Group's view on the economic outlook for 2022/23.

We have a follow up article on the sector's response to the Ukraine crisis resulting from updated Charity Commission guidance as well as a legal update following the Charities Bill receiving Royal Assent.

Finally we give a review of an interesting webinar by New Philanthropy Capital on utilising volunteer time.

If you have any questions on any of the articles please do get in touch.

Best Regards,
MHA Not for Profit team

Spring Statement 2022: impact for charities

The Chancellor of the Exchequer, Rishi Sunak, delivered his Spring Statement to Parliament on 23 March. Unfortunately the picture painted by the Chancellor indicated lower growth and rising inflation which will have significant cost implications for Charities as well as giving rise to tougher conversations with staff. Any direct releif to the 3rd sector was missing from the Chancellors statement and therefore there is not a significant amount to report back. The Charity Tax Group (CTG) have however provided a useful round up of the Statement, highlights that will be relevant to our sector, these are listed below:

1. There will be a three-year transition period for Gift Aid when income tax reduces from 20% to 19% in April 2024; Gift Aid only qualifies on donations if the value of the donation is not more than four times what the donor has paid in income and capital gains tax in the corresponding tax year, and the announcement of the reduction in income tax would have risked the sector losing out on approximately £250m of Gift Aid. CTG are working closely with HMRC to clarify whether or not this transition period is applicable to the Gift Aid Small Donation Scheme, and we will seek to provide an update on this in due course.

2. The Government will reverse a European Union Court of Justice ruling that restricted the application of VAT relief on the installation of Energy Saving Materials (ESMs). This will mean wind and water turbines will be added to the list of ESMs and the complex eligibility conditions will be removed.

3. The Employment Allowance will increase from April 2022, meaning eligible employers will be able to reduce their employer NICs bills by up to £5,000 per year – a tax cut worth up to £1,000 per employer.

4. The Government will cut the duty on petrol and diesel by 5p per litre for 12 months, effective from 6pm on 23 March on a UK-wide basis.

5. In the Autumn Budget 2021, the Government announced the introduction of targeted business rate exemptions from 1 April 2023 until 31 March 2035 for eligible plant and machinery used in onsite renewable energy generation and storage, and a 100% relief for eligible low-carbon heat networks with their own rates bill, to support the decarbonisation of non-domestic buildings. The Government is bringing forward the implementation of these measures, which will now be effective from April 2022.

i

The cost and complexity of managing and administering the some 1,000 tax reliefs and allowances in the tax system is significant. As such, the Spring Statement also included the announcement of a Tax Plan which aims to reform some of the available reliefs and allowances ahead of 2024.

2022 and beyond: thoughts on the economic outlook

The Charities Aid Foundation (CAF) have recently produced The Charity Landscape Report 2022 in collaboration with the Institute of Chartered Accountants in England and Wales (ICAEW), a report which assesses 'what's on the horizon for charity trustees'. Having spoken to trustees at local, national and international charities, and across a range of cause areas, the Report focuses on six key areas of opportunity and challenge which it believes trustees – and the not for profit sector more generally - will face in 2022 and beyond:

Financial resilience

Funding is of concern for charities, especially given the social and economic challenges of the past few years. Trustees have the potential to help bridge the divide between charities in need and the people and organisations who might be able to help them, through networking as well as financial and fundraising expertise – but doing so can be challenging, especially for trustees of small charities.

Working together

Each charity will have a unique relationship with its trustees. Understanding the make-up of the board of trustees can help to identify what strengths they bring to the charity and where a board may be lacking. A trustee's motivation will impact their ability to influence and collaborate across different spheres. The most confident trustees have a good network of other trustees and charities and benefit from the inspiration and information that network provides. The majority, however, do not appear to have access to this type of network. A service that facilitates networking, to enable charities to connect with similar charities, and learn from them, would be welcome.

Diversity

More work could be done by charities and boards to train otherwise suitable candidates in becoming trustees, rather than rejecting them for lack of experience. A system that helps to attract new trustees would be a boon for the sector. This could help to ensure a continuation of the skills required, as well as introducing a wider range of people into trusteeship, bringing talent and new ideas. Information sharing and skill-sharing can be a cost-efficient and effective way for charities to access expertise.

Support and training

There is no one clear, credible, centralised, known support or training service for charities. The sector would benefit from an accessible centralised resource platform, potentially organised by a charity umbrella organisation, that offers training and support as well as opportunities for information sharing and networking between charities. Trustees would also benefit from role-specific training – accessible, free, or cost-efficient – to help them perform at the best of their abilities in their roles.

Digital

Digital technologies form an essential part of charities' outreach toolkits and, in many cases, their service delivery. However, not all charities – or their trustees – feel confident using digital tools. Consequently, some charities are missing out on new ways of supporting service delivery and reaching wider audiences. Improved training and educational resources in this space would be valuable especially for charities managed by older generations.

Sustainability

While some trustees are hesitant to pursue climate initiatives because of the view that these can be costly, there is a recognition that it is an increasingly important and necessary issue to address. Guidance on how to build climate or sustainability policies for smaller, local charities would be particularly helpful. Possible solutions could include encouraging small charities to collaborate in meeting climate targets and policies or working with local government and other organisational bodies to help develop incentive models for not-for-profits seeking to become more sustainable.

CAF and the ICAEW are not the only organisations who have been reflecting on 2021/22 and thinking ahead to 2022/23. The Charity Finance Group (CFG) have recently released their own assessment in their Economic Outlook Briefing 2022/23, produced in collaboration with Pro Bono Economics. In light of the Charity Commission's CEO warning charities that 'the most difficult times may lie ahead', CFG have provided the not for profit sector with a briefing of the key economic issues and trends it believes charities and trustees must be aware of to make strategic decisions about their finances in 2022:

Inflation

Inflation rates are expected to increase from 5.5% in 2021 to 7.25% in April 2022, with the causes likely to be exacerbated by the conflict in Ukraine. Impact on charities could include:

- Rising price levels may reduce the volume and value of charity income
- Charities will find goods and services more expensive
- Staff wages will decrease in real terms
- The cost of living crisis is worsening, and the impact on people across society is highly likely to result in rising demand for charity services.

Tax

As well as the 1.25% increase in national insurance contributions from April 2022, a new 1.25% Health and Social Care Levy is planned to come into place in April 2023, increasing costs for all employers, including charities. In more welcome news, the Government has committed to retain the 80%-100% charitable business rates relief for the foreseeable future.

Income from individuals

More than a third of all charities surveyed in the production of the Report expected to generate less revenue from fundraising and donations in 2022. This follows a longstanding trend that prior to Covid-19 the rate of return on money spent on fundraising has been declining since 2010. This means that charities may need to spend more on their fundraising activity to gain the same returns.

Income from Government

In 2021, the Government ended the longstanding commitment to spend 0.7% of GNI on Official Development Assistance (ODA) and reduced its commitment (temporarily) to 0.5% of GNI. With a significant reduction in the size of the overall economy, GNI is also smaller than it would have been previously. The conditions for spending on international development to return to 0.7% are not predicted to be met until 2024/25, and as a result spending on international aid is unlikely to increase any time soon.

The Institute of Fiscal Studies has demonstrated that local authorities have seen sizeable cuts since 2010, even after the recent increase. The increase also does not put local Government finances on a sustainable footing for the long term. So charities, and their beneficiaries, that rely on local Government funding, will likely find things challenging for the foreseeable future.

Ukraine: an update for individuals and charities looking to help

In our previous edition of eNews, we shared the statement issued by the CEO of the Charity Commission, Helen Stephenson, in response to the outbreak of the conflict in Ukraine. It acted as a useful and important reminder to trustees and individuals looking to provide immediate aid and support to those impacted by the conflict, and highlighted the risks risks associated with impulsive responses to international humanitarian crises.

Since then, and with the conflict sadly escalating, there has been a global outpour of support for the victims of the conflict. In response, the Charity Commission and Fundraising Regulator have issued further advice, urging the public to 'give safely' to registered charities to ensure money and resources reach their intended causes, and providing practical advice on what individuals should consider before making a donation. The advice also references the Disasters Emergency Committee (DEC), an umbrella group of 15 leading UK charities which coordinates and launches collective appeals to raise funds to provide emergency aid and rapid relief to people caught up in disasters and humanitarian crises around the world; astonishingly, the DEC has managed to raise more than £200,000,000 in two weeks.

Further Charity Commission guidance, more specifically aimed at registered charities:

- Charity emergency appeals: starting, running and supporting charitable emergency appeals (CC40) guidance explains how a charity can help when responding to an emergency. It includes advice about collaborating with other charities and managing risks when planning an appeal.
- Whilst the Commission is prioritising applications to register charities with objects that relate to the crisis in Ukraine, it is encouraging those applying to first consider whether supporting an established registered charity with relevant experience may be more efficient; existing humanitarian charities know how to get help to those who need it and know how to operate safely on the ground.
- Existing charities which are seeking to provide aid to those impacted by the crisis in Ukraine may not be legally permitted to do so under their governing document. Charities who are looking to amend their governing documents in order to permit the provision of aid are encouraged to first consider: whether there are other charities who are better placed to provide aid, the longer-term impact of amending its objects, and whether doing so is within the best interests of the Charity.
- Keeping staff, volunteers, and funds safe are fundamental to operating a charity, and doing so is in a conflict zone poses complex challenges – following the Commission's safeguarding and risk management when working internationally guidance can help those doing so.
- Travel to Ukraine has been advised against by the Foreign, Commonwealth and Development Office (FCDO) and has stopped providing consular assistance in person. This is particular important to note for charities organising or thinking of participating in a convoy.
- The Office of Financial Sanctions Implementation (OFSI) continues to publish a list of all those subject to financial sanctions in the UK and has produced guidance for charities on how to ensure compliance with financial sanctions.
- Charities considering working with new partners in order to provide aid to those impacted by the conflict should perform proper due diligence and follow the 'know your partner' principle.

The Charities Act 2022

In late February, the Charities Bill received Royal Assent and passed into law as the Charities Act 2022.

The provisions of the legislation originated with recommendations from the Law Commission and aim to make life easier for trustees, helping them maximise the benefits their charity delivers. Whilst the changes are largely technical, they are designed to make a positive, practical difference to charities, and the Charity Commission as the sectors regulator.

i

Whilst having been granted Royal Assent, the Charity Commission are now required to implement many of these legislative changes, a challenge at the top of the Commission's list of priorities for 2022. Implementation will include the updating of a number of pieces of Commission guidance.

Five of the key proposed changes for charities and their trustees are:

1. Charities will be able to amend their governing documents more easily, but still subject to Charity Commission approval.

2. Charities will have access to a much wider pool of professional advisors on land disposal, and to more straightforward rules on what advice they must receive, which could save them time and money when selling land.

3. Charities will have more flexibility to make use of a 'permanent endowment' and will be permitted to borrow a sum of up to 25% of the value of their permanent endowment funds without the Charity Commission's prior approval.

4. In certain circumstances, trustees will be able to be paid for goods provided to a charity even if doing so is not expressly stated in the charity's governing document (at present, trustees can only be paid for supply of services). This will allow charities to access goods from trustees when it is in the best interests of the charity.

5. Charities will be able to take advantage of simpler and more proportionate rules on failed fundraising appeals. For example, if a charity appeal raises too little money, the charity will be able to spend donations below £120 on similar charitable purposes without needing to contact individual donors for permission.

Are you utilising your volunteers' time efficiently?

Many charities rely on volunteers to perform elements of their charitable activities, and sometimes even entire activities.

Volunteers often find the opportunity to perform meaningful work to be incredibly fulfilling. Fulfilment and job satisfaction only increases motivation to volunteer again or elsewhere. As such, charities should consider how best to create meaningful volunteering opportunities.

According to charity think tank NPC, one of the silver linings of the Covid-19 pandemic has been the 'boom' of informal volunteering, and its recent **webinar** unpacks the concern that the sector is at risk of failing to capitalise on it.

The webinar discusses how filling gaps in the operational activities of a charity with volunteers but without much thought may lead to underutilising the volunteers' time and abilities. It also discusses the need for the sector to become more 'volunteer friendly' by providing flexibility in roles, activities, and timings of participation, citing the sense of volunteering feeling 'like a job' as a barrier for many potential volunteers and attracting a non-diverse range of individuals.

For any charity engaging volunteers, the Charity Commission's guidance regarding best practices of managing volunteers is a must read.

MHA Not for Profit Contacts

Sudhir Singh
Head of MHA Not for Profit

E: sudhir.singh@mhllp.co.uk

London, Midlands & South East

Stuart McKay
Partner

E: stuart.mckay@mhllp.co.uk

North West

Nicola Mason
Director

E: nicola.mason@mooreandsmalley.co.uk

MHA Not for Profit Team

A national commitment to charities

A national Not for Profit team with local specialists that understand the sector in your area.

Broad Not for Profit expertise covering charities, social enterprises, education, housing and the public sector, with organisations at all stages of their life cycle.

With over 1,600 Not for Profit clients, we have extensive experience of all sizes and types of organisations.

Strong relationships established with both executives and trustees.

Insights from our long standing experience at a policy setting level and from working with sector bodies and regulators.

A wide range of tailored services: assurance, tax,compliance, advisory, training and more, delivered with practical understanding.

Practical support for strong and effective financial governance at #MHATrusteeHub.

Worldwide specialist sector support through our independent membership of Baker Tilly International.

Disclaimer

MHA Hub offers clients and contacts a diverse programme of professional events, training, and publications that has been created to offer the latest in best practice, good governance, and regulatory updates and insights.

About MHA

MHA is an association of some of the best independent regional UK accountancy firms

£124
Million turnover

19 Offices nationwide

1152 Staff
106 Partners

About Baker Tilly International

Baker Tilly International is a network of independent accountancy and business advisory firms; our firm is an independent member of the network

706
offices

38,600
people

148
territories

To find out more about the services MHA can offer, please contact

T: 0207 429 4147

mha-uk.co.uk

Now, for tomorrow

An independent member of bakertilly INTERNATIONAL