

# Not for Profit eNews

February 2023

Now, for tomorrow





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## Welcome to the latest edition of MHA Not for Profit eNews.

In this edition of eNews, we focus on the recently-released Charity Commission guidance regarding how charities can manage financial difficulties arising from cost of living pressures. Linked to this is news on the revamped Government scheme regarding discounted energy prices for charities; the Energy Bill Discount Scheme (EBDS) which will be replacing the Energy Bills Relief Scheme (EBRS) from April 2023. We also highlight free cyber security support being offered by GCHQ, as well as welcome news that the backlog of legacy cases is due to be cleared by the end of March.

Finally we highlight the changes made to the Charity Commission Annual Return, having recently been reviewed and updated.

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

Best Regards,  
**MHA Not for Profit team**

# Charity Commission guidance on managing financial difficulties arising from cost of living pressures



**In recognition of the difficult circumstances in which many charities are finding themselves, namely as a result of rapidly increasing costs, the Charity Commission has recently released new [guidance](#) on how to manage financial difficulties.**

The guidance, which is aimed at all Trustees and especially those of smaller charities, first reminds Trustees of their duties to provide effective financial stewardship and to ensure that decisions are made in the best interest of the charity and are legally sound.

Acting in a charity's best interest during challenging economic environments requires finding a balance between reducing costs now in order to be able to preserve funds to support beneficiaries in the future, and meeting the immediate needs of the charity's present beneficiaries with the possibility that in the future the charity will have to reduce its services or close entirely.

The guidance recommends having open communication with beneficiaries, supporters, staff and volunteers to help find this balance.

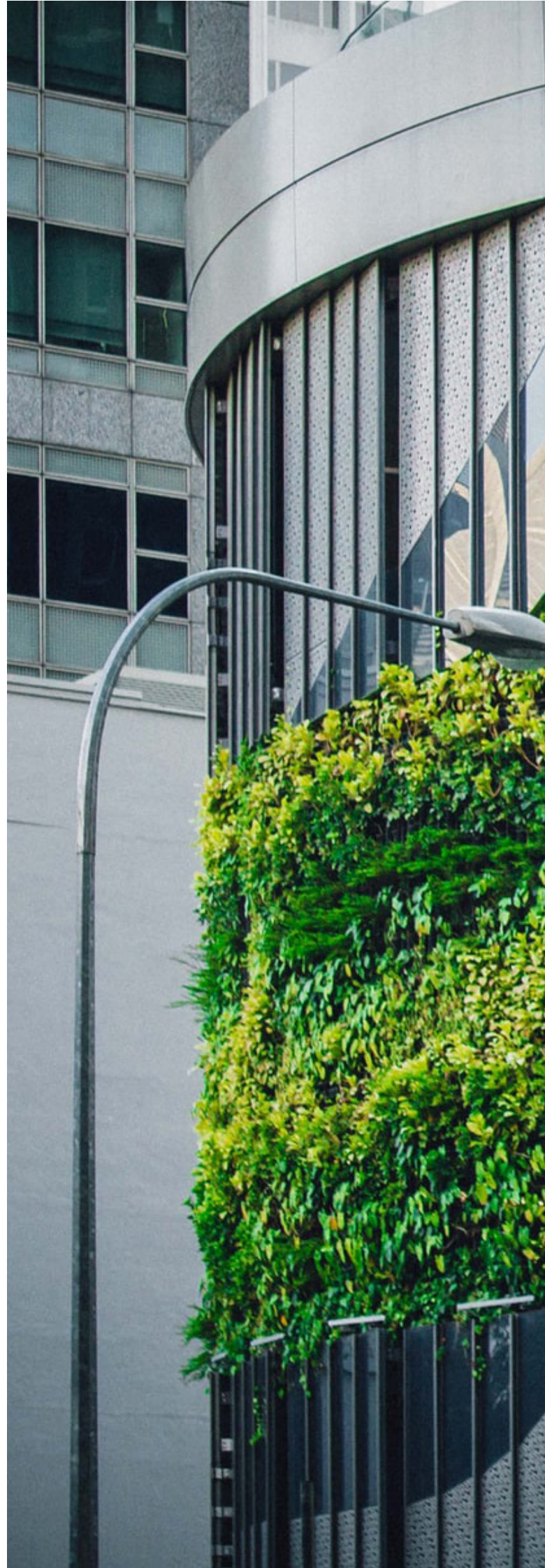
Assessing the risks that arise from making often difficult decisions is also considered vital during periods of financial distress. In doing so Trustees should consider:

- whether the charity will continue to be able to safeguard beneficiaries and protect them from harm as it goes through potentially significant change
- whether it is prudent to sell investments and other assets in order to release funds for current expenditure. Sales may raise less money than might be secured in better economic circumstances. However, it may be in your charity's best interests, for example, if it is the best option available for meeting urgent needs. You should record clear reasons to support the decision. You may also be able to borrow against your charity's assets provided you follow the legal requirements.

The majority of the guidance is focused on the considerations and practical steps which can be taken if a charity finds itself in serious financial difficulty. It stresses the importance of cash flow and whether costs can be minimised and income maximised:

- 1 Minimising costs**  
including stopping non-essential outgoings, reallocating staff or even pausing some of the charity's activities.
- 2 Reviewing the charity's funds to see whether any can be released**  
such as seeking Charity Commission authority to change how restricted funds can be expended.
- 3 Conserving or improving sources of income**  
drawing upon regular funders and donors or running emergency appeals could secure much-needed additional income
- 4 Addressing financial difficulties in trading subsidiaries**  
charities with a non-charitable trading subsidiary in financial difficulty may need to decide if the charity can justify temporarily supporting the subsidiary
- 5 Managing fuel costs: reliefs for charities**  
as well as utilising Government Schemes, charities should ensure they are paying the **correct rate of VAT on its fuel purchases**
- 6 Considering the option of mergers or collaborative working**  
a more creative way of dealing with financial difficulties, mergers and collaborative working has its own Charity Commission **guidance**
- 7 Seeking external financial support and guidance**  
From the likes of NCVO, Institute of Fundraising and the Charity Finance Group

The guidance also recognises that, in a minority of cases, financial difficulties may result in a charity's Trustees deciding that closure of the charity is necessary. The guidance sets out the steps to follow to prepare and execute an orderly closure of a charity.



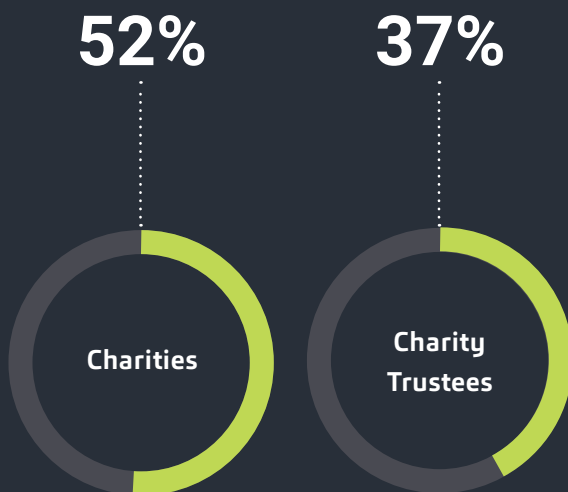
# Charity Commission Annual Return

Following a recent consultation period, the Charity Commission have proceeded with planned changes to their Annual Return.

The consultation, which closed on 01 September 2022, set out the addition of new questions to the Return, and amendment and removal of existing questions. It received 456 responses, 52% of which were on behalf of charities and a further 37% from charity Trustees. Overall, the responses were supportive of the Commission's intentions to amend the Return, though perhaps understandably there were objections from smaller charities on the grounds of proportionality.

Effective for charities whose financial years end on or after 01 January 2023, the **revised Annual Return** will:

- 1 amend the wording of 13 questions to improve their clarity, and in some cases reduce the data-gathering or input required
- 2 create income thresholds for four of the new questions being introduced, to ensure that the regulatory burden on the smallest charities is proportionate
- 3 remove six questions from the 2024 Annual Return having identified alternative means of collecting similar data in the longer term.
- 4 not introduce five of the questions proposed in the consultation



Furthermore, the Commission have reviewed all explanatory notes and the glossary for both the existing and new questions to promote consistency and clarity, and have vowed to continue to assess the opportunity to remove further questions where other developments allow.

The revised digital service which charities will use to submit their Annual Return will be released later in 2023.

**The new questions which will be included in the 2023 return are as follows:**

### **Income**

- You will be asked to enter your charity's gross income and spending in the financial period of this return
- Income from Government Contracts & Grants - you will be asked to give the total value of the grants received from central government or a local authority. Note this can differ from the disclosure in the accounts which only covers grants not contracts.
- You will be required to give a greater level of detail when providing your income received this will be broken down into; a. donations and legacies, b. charitable activities, c. other trading activities and d. investments

### **Charity Address**

- If your public address is different from administrative headquarters, you will be required to give the address of your charity's administrative headquarters

### **Employees**

- If you employ more than 2 employees you will be required to state how many: a. people were permanently employed by your charity, b. people were on fixed-term contracts with your charity, c. self-employed people were working for your charity and how many of the people above work on behalf of your charity outside of the United Kingdom
- Finally you will be asked to state the total amount spent on employee payroll in the financial period of this return



# Energy bill support for charities

**In recent months many charities and voluntary organisations have been benefiting from Government's current Energy Bills Relief Scheme (EBRS); the Scheme was initially set up in recognition of unprecedented increases in energy prices, the result of the war in Ukraine and other geopolitical factors. Whilst the EBRS had been publicised as running until the end of March 2023, there had been uncertainty over what support, if any, would be offered thereafter. Earlier this month, the Treasury announced their planned support from April 2023.**

From the start of April 2023, the EBRS will be replaced by the **Energy Bill Discount Scheme (EBDS)**. Like EBRS, the EBDS will automatically discount charities' energy bill – so no action is required – but the level of support will be lower under the new Scheme. The Government subsidy will be capped at £5.4bn over the year that the EBDS will operate, compared to the estimated £18.4bn of support the previous Scheme provided in just six months.

The announcement of the new EBDS has coincided with the announcement of higher levels of support for **energy and trade intensive industries (ETII)**, which also offers eligible organisations discounts on their gas and electricity unit prices. Whilst details on how to access this ETII support is expected to be released in the coming weeks, charities which run libraries, museums, historical sites, zoos and nature reserves may be eligible for the ETII scheme too.

Though the continued support for charities is a welcome response to the continuing high cost of living and energy price crisis, many organisations do not consider the support to be enough or be lasting for long enough. Though prices are expected to fall in the coming months with spells of warmer weather, there will still be pressures on charities to keep their offices and places of work heated and lit for staff and beneficiaries. Indeed, CEO of ACEVO Jane Ide has already contacted the Treasury to indicate that the support will fall short for some charities on the edge.

These recent announcements serve as a timely reminder for charities concerned over how they will meet their energy bills to utilise all avenues of support available to help them through these challenging times.

# Cyber support offered to small charities by GCHQ

**A branch of GCHQ, the UK's security service, are offering small charities free support on cyber security to better protect themselves against the risk of cyber-attacks and fraud, and increase their cyber resilience, all in order to help such entities continue supporting the most vulnerable in society.**

The **scheme** will offer practical assistance to micro and small charities who deal with large amounts of personal data for their work. Charities which operate in fields such as safeguarding and domestic abuse, and charities which run online chat support options, are all likely to be aided.

This could prove an invaluable resource as incidents of phishing, online scams and attempts to hack personal data are on the rise.

The assistance will come in the form of 20 hours of expert support in an attempt to implement the five technical measures needed to gain Cyber Essentials Plus certification.

This could go a long way to securing the data and financial information for many small charities, allowing them to operate more safely in their fields. Charities who could be eligible are encouraged to register their interests to the scheme and reap the benefits which come with it.

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# Charity Commission seeking input into new social media guidance

**The Charity Commission is asking charities, sector organisations and the public to help develop new guidance for charities when using social media.**

Recent communications from the Commission acknowledge that social media is a powerful communications and campaigning tool for charities, but that it also comes with its own set of risks; an employee's personal posts can be interpreted as reflecting the views of the charity, potentially harming the latter's reputation.

Many Trustees have limited oversight of their charities' use of social media and a limited understanding or confidence in using such digital channels. Whilst the Commission appreciates that it is reasonable for Trustees to delegate the day-to-day operation of social media to its charity's management team, it is aiming to develop guidance which gives Trustees confidence in their charity's use of social media, and an understanding over what to do if problematic content is posted by the charity or by someone connected to the charity. Having a social media policy is already considered to be best practice in the sector.



The **consultation** will run for 8 weeks closing on Tuesday 14th March, with the final guidance due to be published in the Summer.



# Legacy backlog to be addressed

Since the outbreak of the Covid-19 crisis, there has been a backlog of legacy cases at HM Courts & Tribunals Service (HMCTS). However, with HMCTS announcing that they have been bolstering the numbers in the probate service and upskilling existing members of staff, they believe that the backlog will be cleared by March 2023.

At a time when other, more conventional channels of funding is on the decline as a result of the cost of living crisis, inflation and more budgetary pressures on grant funding organisations, this [news](#) comes as a welcome boost for the sector; many charities will benefit from the expedited probate process which will release large amounts of funds.

The notification process will also help to provide charities with some surety over anticipated cash inflows and help to budget and forecast more accurately.

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