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# Charity Newsletter

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## Simon Bladen Partner



### Introduction

As I write this the dark nights are drawing in with the festive period appearing on the horizon. The economy has lurched from one crisis to another in recent months with the threat of a two year recession prompting a further slowdown. Clearly the role of charities is as important as it has ever been as the cost of living sores and economic uncertainty increases. The Chancellor's Autumn Statement is due on the 17th of November which will give an insight into the approach the government is going to take to begin to tackle the ever growing budget deficit.

In this edition we discuss:

- One-off charity donations drop as digital donations rise
- First set of Charities Act 2022 provisions come into force
- Charity Cyber Security
- VAT for Charities
- Energy Bill Relief Scheme for Charities

As always we hope you enjoy the contents of this newsletter and, as ever, please do not hesitate to contact us if you have any questions about the articles in this edition.

### Simon Bladen



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## One off charity donations drop as digital donations rise

Recent data has found that one-off charitable donations have dropped due to the cost-of-living crisis. However, perhaps unsurprisingly since the start of the pandemic charities have reported a significant rise in digital donations.

### One-off charity donations decrease

Research from the Charities Aid Foundation (CAF) survey containing 1,023 respondents found that 9% of people did not give one-off donations in September because of the cost-of-living crisis. Furthermore, 6% said that they have either reduced or stopped regular donations to charities because of the cost-of-living increasing. The average monthly donation also decreased from £67 in August to £51 in September.

### Digital charity donations have increased

In more positive news, charities have seen an increase in digital donations in the last few years according to a survey conducted by Barclays Corporate Banking involving 75 senior managers of large charities. This survey found that 75% of these managers had seen a 'significant increase' in digital donations. Further research found that 33% of adults say that they would be more likely to donate to a charity if they accepted

online transactions.

### Traditional methods of donating are still important

It is important to note that traditional donation methods still remain important with 47% of people preferring to donate in cash compared to 48% using digital channels. However, it is expected that the amount of people preferring to donate via digital channels will continue to increase.

### Charities looking to improve digital donations methods

Over the last 12 months, over 80% of charities had received donations via their website. Over the next 12 months, the majority of charities have said they will be looking to improve their digital payment methods.



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## First set of Charities Act 2022 changes come into force

The first set of provisions from the Charities Act 2022 came into force on 31st October 2022.

These include:

- Under certain circumstances charities will be given extended power to pay trustees for providing goods to the charity.
- Charities are now able to reduce administrative complexities surrounding fundraising appeals that do not reach, or exceed, fundraising targets.
- Royal Charter charities have now been given a new statutory power to change sections of their Royal Charter with approval from the Privy Council.

The Charities Act 2022 gained Royal Assent earlier this year and the Commission has been working together with the Department for Culture, Media and Sport's



## Hawsons complete Master Cutler Challenge

Back in March Hawsons assembled a team of staff to take on the Master Cutler Challenge to raise money for Cavendish Cancer Care. Over the past 6 months, the Hawsons team organised various fundraising events to raise money for this fantastic cause.

Those events included a car boot sale, a daily tuck shop in the Sheffield office, a charity football tournament (well done once again CMS), a raffle as well as participation in the Sheffield 10k.

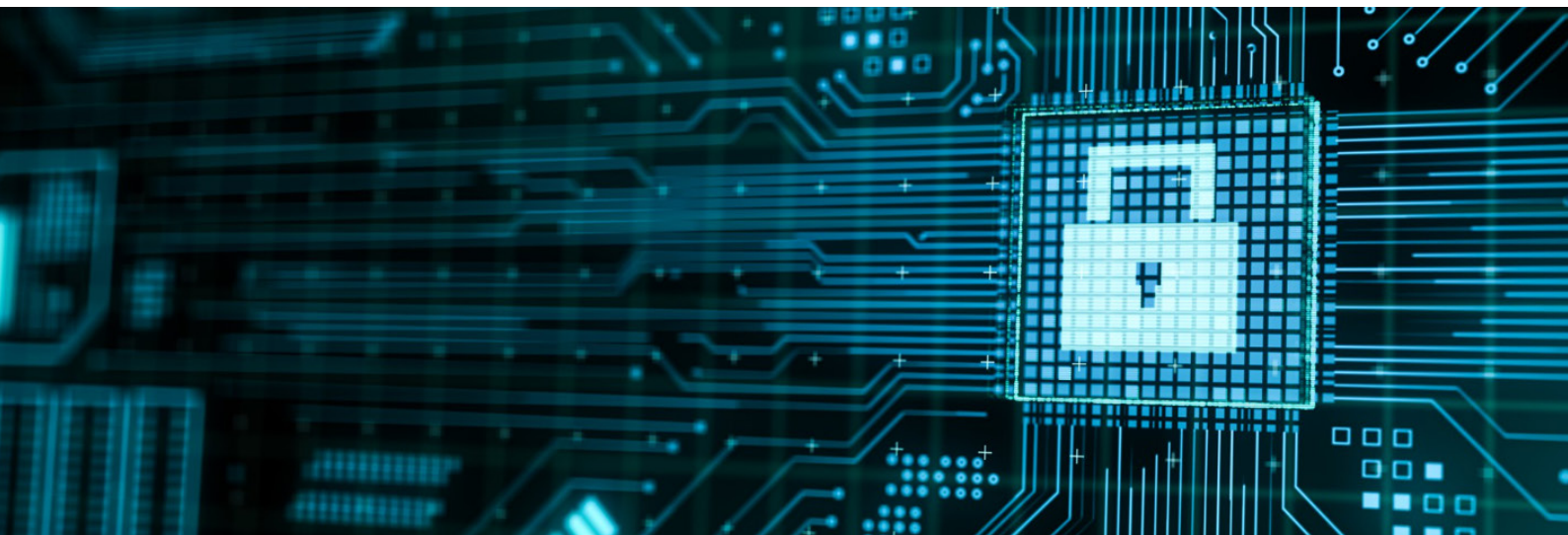
Overall, we managed to raise £2,700 over the past six months for Cavendish Cancer Care. We would like to thank Emma Stuart, Chloe Hodgetts, Sadjida Carter, and Robert Carr for being part of the Hawsons team and dedicating their time and effort in raising such an incredible amount for Cavendish Cancer Care.

If you would like to find out more about this incredible charity please visit: <https://cavcare.org.uk/>



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## Charity Cyber Security

In 2021, one in eight charities (12.5%) were victims of a cyber-attack according to a survey of 2,330 charities across England and Wales conducted by IFF Research.

The pandemic meant that charities were forced to gravitate towards online fundraising methods to enable them to continue operating during this time. In turn, this has increased charities' exposure to cybercrime.

### **Less than a quarter of charities have a cyber security policy in place**

Despite the fact that charities are more exposed to cyber threats as a result of the pandemic, the survey found that only 24% of charities had a cyber security policy in place to help prevent a cyber-attack. The Charity Commission has said that charities' digital footprints will only continue to grow as the world becomes more digital which will increase their vulnerability to cyber-attacks. Just over half of the charities, (55%) said that cyber security is a fairly or very high priority. Importantly 51% hold electronic data records on customers.

The most common types of cyber-attacks that charities experienced were phishing and impersonation attacks. This is where the cybercriminal will impersonate an individual at an organisation via email in order to gain personal information.

### **Cyber security policies are a must-have**

Implementing a cyber security policy should be a priority for charities and should not be near the

bottom of the 'to do' list. Being exposed to a cyber security breach can be damaging to your organisation's finances and reputation. During the pandemic, charities needed to adapt to remote working to keep up with the accelerated transition from cash to online fundraising. Operating online gave charities the opportunity to continue working during the pandemic and in some cases, it enabled them to operate more efficiently. However, charities moving into the online world does present increasing cyber threats and many charities do not realise how much data they have and how valuable it can be. Unfortunately, many cybercriminals understand how valuable this data is which makes charities more vulnerable to cyber-attacks. It is a common misconception that stealing data from a charity is unconscionable. This could explain why some charities may underestimate the importance of cybersecurity. However, most cybercriminals are only after monetary gain which is why it is more important than ever for charities to implement good cyber security practices to help reduce any exposure to potential cyber-attacks.

### **Training and awareness**

A key element of cyber risk reduction is regular cyber security training and awareness courses. There are many of these online, including free options. Another widely used training method is the use of simulated phishing emails which are realistic but non malicious emails sent to staff to help create awareness, and reinforce training through regular reminders of the email phishing risks and how to assess them. When used as part of training rather than an attempt to "catch people out", this can be very effective in reducing cyber risk and creating a good security awareness culture.

## VAT for Charities

Charity employees and trustees often assume that they receive an automatic VAT exemption on all goods and services that they buy/receive. This is not the case and charities should understand the few concessions in the VAT legislation that can reduce their VAT bills.

**Renting a building** – If a landlord has opted to tax a commercial building a charity can override this option so that VAT is not charged on the rent. This only arises when a charity uses the building for a relevant charitable purpose (not used as an administrative office).

**Advertising expenses** – Advertising that encourages donations to the charitable aims of a charity, from the general public can be zero-rated – VATA 1994, Sch.8, Group 15, Item 8. However, this zero-rating does not apply to business activities of a charity's trading company. Zero-rating applies to the design of the advert but not websites.

**Fuel and power** – Supplies of gas and electricity to a charity are subject to 5% for non-business purposes when charged by a fuel supplier. In some instances this can be apportioned according to the amount of fuel used by the charity for differing purposes. If the qualifying part of the building is over 60% then the entire supply of fuel is 5%.

**VAT exemption on fundraising income** – this exemption also applies to trading subsidiaries of charities (wholly owned). The charity can host up to 15 events of the same type/location in a financial year. This VAT exemption covers all income generated.

This is just a general outline of some VAT "wins" for charities, but please do contact Hawsons with your specific circumstances.



## Energy Bill Relief Scheme for charities

The government has published further details about its energy bill relief scheme to reduce energy costs for charities, businesses and public sector organisations.

The details state that a discount will be automatically applied to charities' energy bills from 1 October to 31 March. This means that voluntary organisations will not need to apply for the support, it will automatically be provided to bills.

### What is the support?

The government has announced that the supported wholesale price for electricity is expected to be £211 per MWh and £75 for gas. This is less than half the wholesale prices previously expected this winter.

### How does the scheme work?

The government has said that they expect energy costs this winter to be up to £600 per MWh for electricity and £180 per MWh for gas. Therefore, when based on those costs the government-supported discount will be worth £389 per MWh for electricity and £105 per MWh for gas.

### What happens when the scheme ends in April 2023?

The government is expected to review the scheme in three months' time. This review is going to be focussed on whether the scheme is supporting the most vulnerable by considering if the support should be more targeted.

If you would like to find out more detailed information about the Energy Bill Relief Scheme, including examples of how the scheme works or reductions please visit: <https://www.gov.uk/guidance/energy-bill-relief-scheme-help-for-businesses-and-other-non-domestic-customers>

### What does the charity sector think about the discount?

Leaders in the charity sector have said that the discount implemented by the government will be an important relief to thousands of charities across the UK. However, they have advised the government to consider further long-term support.



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## Our charity experts

At Hawsons we recognise that not-for-profit organisations have very different requirements from other businesses and are currently exposed to a challenging economic climate.

Our dedicated team fully understands the complex, ever-changing regulatory requirements of the charity and not-for-profit sector. Irrespective of your size we wish to support you to maximise the benefits you could achieve through our specialist professional advice.

Charities & not-for-profit organisations are currently facing extensive changes in their regulatory and legal framework. Given the additional pressures on fundraising, complex tax regimes, internal risk exposure, and stakeholder demands, it has never been more important to obtain specialist professional advice.



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