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Charity Insight

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Latest News

Simon Bladen
Partner

Introduction

During times of economic turburence charities play a crucial role in helping the most vunlerable households with the cost of living. The Chancellors latest budget aims to get more people back into work to boost the economy and reduce inflation which remians near record levels.

In the edition of the newsletter we discuss:

- ESG Investing and Economic Uncertainty for Charities
- Charities set to receive £31m from Dormant assets
- HMRC plans points-based penalties for Self-Assessment
- Charity Recruitment Issues

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
Partner

ESG Investing and Economic Uncertainty for Charities

Investec's 2022 charities conference delved into how current economic uncertainty has affected ESG investing. At the conference back in September, experts and charity representatives discussed environmental, social and governance (ESG) investing in an era of economic uncertainty.

Economic change

Over the past 12 months we have seen a huge amount of change in the economy. The invasion of Ukraine has altered the political climate and has changed the conversation around climate change. Many countries are over still reliant on Russian energy and these countries are now looking to reduce thier reliance.

Charity trustees are looking at how they can maximise investments that meet their charitable goals. But with the current economic climate, there is no one solution fits all to the challenges ahead so collaboration and communication across the sector will be key.

Economic concern

Research conducted by the Charities Aid Foundation and the Institute of Chartered Accountants in England and Wales in early 2022 found that charities were concerned about financial resilience, diversity, climate change, sustainability and digital fundraising. Arguably, we are now in more challenging economic times than during Covid-19 so it is more important than ever that charities have the ability to focus on their goals towards responsible investing, sustainability and climate change.

Continued overleaf

ESG Investing and Economic Uncertainty for Charities (Continued)

What should ESG investors focus on during times of uncertainty?

We are currently in times of political and economic uncertainty, is it time for investors to review their ESG investing strategy? Often when investing in ESG, organisations tend to prioritise tackling environmental issues over social or governance issues as this is seen as the most pressing issue to tackle. But is now the time to increase focus on tackling social and governance issues?

Tackling social issues involves ensuring that equality and fairness are at the heart of an organisation and that you are impacting the wider society and workplace culture in a positive manner. This is key to building trust within your organisation and between other organisations.

Investing in governance is reviewing how decisions are made within your organisation when it comes to environmental and social issues. Reviewing your governance on a regular basis could help organisations make better decisions when it comes to environmental and social issues.

Charity leadership in ESG

The charity sector reflects all that is positive in society and are natural leaders when it comes to ESG which carries a huge weight of responsibility. The charity sector is doing great work particularly through these difficult times. The charity sector as a whole should continue to push their ESG agendas as they have the passion and the knowledge of what is happening globally when it comes to ESG. Pushing these agendas and sharing this knowledge will help all organisations within the financial ecosystem act positively towards ESG.

Charities set to receive £31m from Dormant Assets

Hundreds of charities and social enterprises across the UK are set to receive a share of tied up and forgotten accounts worth millions.

There are £800m worth of dormant assets and the government has announced how £76m of these assets will be distributed. The government has confirmed that £31m will go to charities and social enterprises. This money will be used to implement cleaner and greener energy systems on the premises of charities and social enterprises such as lighting, solar panels, heat pumps and boilers.

What are Dormant Assets?

Dormant assets are financial assets which have remained untouched for long periods of time. The Dormant Assets Scheme (backed by the government) aims to reunite people with their lost funds. However, if this cannot be achieved, these dormant assets are then transferred into the Dormant Assets Scheme where they are distributed to social and environmental initiatives.

The scheme is currently only able to unlock money from forgotten bank and building society accounts. However, the scheme will soon have the power to access assets such as:

- Insurance
- Pensions
- Investments
- Wealth management
- Securities sector

Since 2011, £892m has been distributed via the scheme and thanks to the scheme being expanded into more sectors an estimated £738m is expected to made available over time.

This fund will be used the support youth, social enterprises and those in financial difficulty.

HMRC plans points-based penalties for Self-Assessment

HMRC have announced that from April 2026, the existing penalty system for late filing of tax returns under Self-Assessment will be amended to a points-based system for self-employed people and landlords with turnover above £50,000. This coincides with those individuals being required to comply with their tax filing obligations via the 'Making Tax Digital' system.

HMRC say that the new system will focus on penalising individuals who consistently miss the filing deadline and encourage those who miss the occasional deadline to improve their compliance behaviour.

How will the new system work?

The new system will be based on points, which will be issued every time a deadline is missed. For each deadline an individual misses, they will be issued with 1 point. A fine of £200 will be issued once a certain level of points is reached (2 points for annual submissions, 4 points for quarterly submissions and 5 points for monthly submissions) and points will expire 2 years from the month after they were issued. The aim of this approach is to encourage those who occasionally miss deadlines to improve their future compliance and avoid the increased fines.

Full details of the regime are yet to be confirmed by HMRC.

What impact will this have?

We believe that this new system will have a positive impact as those that only miss deadlines occasionally will not be punished as harshly as persistent offenders. At Hawsons, we would always recommend using a specialist tax adviser to submit your tax return. This to ensure that you meet all deadlines, ensure your return is accurate and claim all available tax reliefs. If you would like assistance with your return, please contact us to speak to one of our specialist tax advisors.

Charity Recruitment Issues

According to a recent study by Pro Bono Economics over half of charities (54%) have vacancies they are looking to fill. Furthermore, 83% of charities are finding it challenging to recruit as they attempt to meet increasing demand.

Recruitment issues

These recruitment issues mean that 46% of charities do not expect to meet demand over the next three months and nearly a third have not met contractual or project objectives. Another key concern for charities is that the staff shortage is causing burnout with 24% of charities saying that burnout is the main cause of their retention issues. In order to mitigate this the majority of charities (53%) have decided to increase salaries and 22% have decided to increase spending on recruitment. However, those struggling with recruitment have found that there seems to be a lack of applicants with the required skills and a general reduction in interest in charity roles.

Increase in demand

Due to inflation seriously affecting the most vulnerable households almost 80% of charities surveyed said they had experienced increased demand for their services during the past three months (the survey was undertaken between 6 & 20 February 2023). This combined with the current recruitment issues and huge concerns regarding income is making life extremely challenging for charities.

The future looks bright for the minority

With the economy showing small signs of improvement so far during 2023, the future for the charity sector also starts to look more promising for some. The report cited that the number of charities reporting high levels of uncertainty has slightly decreased and an increasing minority of charities are more optimistic about their short-term future in a number of areas including recruitment and finances.

Get in touch

Our charity experts

At Hawsons our accountants 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 of charity accountants 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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