Hawsons Chartered Accountants
Latest News

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Charity Insight

In this issue:

Hawsons

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small firm personal attention

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Latest News

Simon Bladen
Partner

Introduction

As we move into a New Year and the colder winter months are on the horizon the key work of charities becomes ever more important. However, the UK charity sector faces significant challenges whilst delivering key services to the community. Our aim is to provide charities with the latest sector news to ensure they are up to date with the latest regulations.

In the edition of the newsletter we discuss:

- Fundraising Regulator proposes an increase to the Fundraising Levy
- Charity Finance Group announce project to develop investment principles
- £550m raised through JustGiving for UK charities in 2023
- Alternative sources of charity funding that UK Charities might consider
- When is the 2024 Spring Budget?
- Mandatory payrolling of employment benefits from 2026

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

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Fundraising Regulator proposes an increase to the Fundraising Levy

On the 6th December, the Fundraising Regulator announced that it is looking to review a proposed increase to the Fundraising Levy in the charity sector for the first time since 2016.

What is the Fundraising Levy?

The Fundraising Levy raises the majority of the Fundraising Regulators' funding. Those charities that spend over £100,000 a year on their fundraising activities pay a voluntary contribution through the Fundraising Levy to fund the Fundraising Regulator's service. Currently, the Fundraising Levy is 0.1% of the registered charity's overall annual expenditure. For example, those charities that spend £200,000 per year on fundraising activities will pay £200 towards the Fundraising Levy.

Why is the Fundraising Regulator proposing to increase the Fundraising Levy?

This proposal has been put forward due to increasing demand for the Fundraising Regulator to monitor the rise in online fundraising. This is increasing their workload and therefore requires additional funding to adequately cope with the increase in caseloads. Furthermore, the regulator is also experiencing an increase in costs due to inflation and a challenging economic climate over the past few years.

Consultation

Before the Fundraising Regulator implements any of these changes they are seeking the views and feedback of those representing charitable organisations across the sector who pay the Fundraising Levy to the Fundraising Regulator. Once this consultation phase is concluded these will be reviewed and considered by the regulator's board before a summary of responses is published in early 2024.

Implementation

Once the consultation has been fully concluded changes to the Fundraising Levy are expected to take effect from September 2024. An additional increase will also come into effect in September 2025 which will be based on the Consumer Price Index to make sure there is a more steady increase in the Fundraising Levy. Again, charities are expected to be given plenty of notice regarding this increase.

Charity Finance Group announce project to develop investment principles

On 6th December, the Charity Finance Group announced their Charity Investment Principles project. These Charity Investment Principles will be created by charity sector experts and will aim to support trustees when it comes to making difficult charity investment choices.

How will these charity investment principles be created?

The principles that will be created will be a reflection of the lessons learned from the Butler-Sloss case from 2022. The ultimate aim is to develop a universal set of investment principles that investment, legal and charity experts are happy with in order to increase the confidence of governance regarding charity investments.

Who will be involved in creating these investment principles?

An independent consultant will be leading this project and will be guided by those that represent the following organisations. The association of Charitable Foundations, Charity Finance Group, National Council for Voluntary Organisations and the Secretariat of the Charities Responsible Investment Network and Wales Council for Voluntary Action.

When are these charity investment principles due to be released?

Initially, the independent consultant will be running a number of focus groups with key stakeholders in the charities sector. Following this, there will be an open consultation in the spring of 2024. Any charity leaders or trustees or anyone with an investment governance interest can register to be involved in this open consultation. Following this open consultation, it is expected that these principles will be published next summer.

£550m raised through JustGiving for UK charities in 2023

The fundraising platform JustGiving has announced that over £550m was raised for nearly 20,000 UK Charities through their platform in 2023. This is based on data provided by JustGiving which was taken from 1 January to 15 December 2023. This data only related to donations made through the platform to UK-based charities only.

When compared to 2022, JustGiving saw two million more donations to UK charities in 2023 and 950,000 JustGiving fundraising pages setup overall which is 9% more than the previous year. Charities that received the most donations through the platform in 2023 were those that were related to cancer, children and mental health. Finally, 3.5 million people donated via JustGiving on multiple occasions.

What were the interesting fundraising trends on JustGiving in 2023?

- Friday was the most popular day of the week to donate to charity.
- Running, walking, cycling and swimming were the most popular fundraising activities.
- Skydiving fundraising challenges increased by 40% compared to 2022
- Norwich was the most generous area for donating to charitable causes through the platform.

Fundraising is a key source of funding for charities
These figures demonstrate that fundraising through online platforms such as JustGiving is a key source of funding for charities. The goodwill of individuals that sacrifice their time and effort to organise fundraising activities provides charities with more funding to continue delivering vital services to our communities.

Alternative sources of charity funding UK Charities might consider

The Importance of Diverse Funding

In the UK, charities play a key role in supporting communities, addressing issues within our society and changing people's lives for the better. But for charities to be able to deliver these vital services they need to be able to create and sustain a robust stream of funding. For a charity to achieve this diversification is of the utmost importance, as being overly reliant on a single source of income can be detrimental if that source becomes unexpectedly compromised. Therefore, creating and sustaining multiple sources of diversified funding is usually a preferred funding strategy where possible.

In this article, we are going to identify some alternative sources of funding that UK charities should consider.

Grant Funding from Charitable Trusts and Foundations

There are many charitable trusts and foundations across the UK that offer a range of grant funding options that support various charitable and voluntary organisations. Charitable trusts and foundations usually focus their grant funding on specific charitable causes such as supporting health, poverty, or the environment to name a few. To identify a potential grant funder charities can visit website directories such as the Directory of Social Change and the Association of Charitable Foundations. However, in most cases, charities will want to build up a relationship with the trust or foundation and have a full understanding of the eligibility criteria before applying for a grant or funding.

Corporate Partnerships

Collaborating with businesses via corporate social responsibility (CSR) can result in future funding. Businesses often allocate funds toward charitable initiatives that are aligned with their values and goals. It is important to remember that in most cases, larger businesses will allocate more funds towards CSR than smaller ones. Not only will this collaboration potentially yield more funds but also increase your charity's visibility. However, it is important to note that these corporate partners may want your charity to engage in their marketing and public relation campaigns as well.

Continued overleaf

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Alternative sources of charity funding UK Charities might consider (Continued)

Lottery Funding

The national and local lottery allocates funds to support eligible charitable causes. These funds cater to very broad initiatives and require you to meet specific guidelines and demonstrate your charity's positive impact on the local community in the application process.

Community and Trust Fundraising

Regularly engaging with your local communities will increase your trust and support in your organisation and the local area. This may lead to your charity being invited to local fundraising events where there will be furtheropportunities for you to raise funds for your charity. Furthermore, this may give charities access to local sponsorship opportunities.

Impactful Partnerships with other charities

Building relationships with other charities with similar or shared goals may open up new fundraising opportunities where you can share resources and develop networks that will benefit both charities and beneficiaries. This could also result in your partnership making a greater collective impact which may appeal to more funders with broader-reaching requirements or initiatives.

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When is the 2024 Spring Budget?

Chancellor Jeremy Hunt will deliver his 2024 Spring Budget on Wednesday 6 March 2024.

What time is the Budget?

The Budget is expected to take place at about 12:30 pm, straight after PMQs.

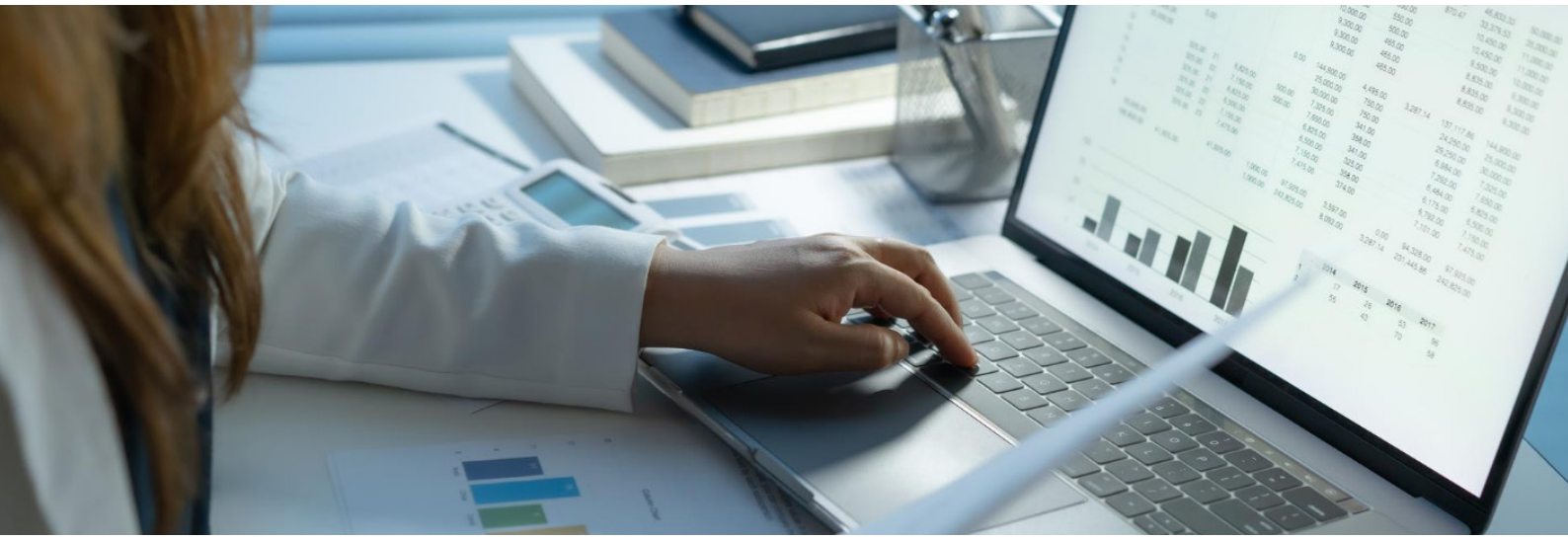
The first part of the statement typically begins with a review of the nation's finances and economic situation. The statement then moves on to proposals for taxation.

The Chancellor's Budget speech usually lasts about an hour.

Expert commentary

Our tax specialists will be watching the Budget on 6 March and will provide relevant announcements on our website and social media shortly after the Budget is announced, to make sure you are fully up to date. To pick up on our commentary, follow us on Twitter (@Hawsons) or LinkedIn.

If you would like to receive an update via email please sign up for our mailing list and select tax.



Mandatory payrolling of employment benefits from 2026

HMRC have announced that from April 2026, the reporting and payment of income tax and Class 1A National Insurance Contributions (NIC) on benefits in kind will be required to be made through payroll software. This is a significant development and will affect all employers currently using the traditional method of providing benefits in kind separately via the traditional P11D forms.

Why has HMRC decided to make this a requirement?

HMRC is planning to become a digital-first tax authority. However, a deadline of just over two years away is very tight to complete the required software development, testing and implementation – and will also have to deal with concerns over variable benefits in kind such as director loan account balances, etc. which are not fixed for the tax year.

Reducing administrative burden

HMRC has stated that by enforcing the use of payroll software when it comes to the reporting and payment of income tax and Class 1A NIC on benefits in kind will simplify administrative procedures for employers. This is because digitising this process will remove the need for companies to submit separate end-of-year returns.

Challenges to consider

Enforced payrolling of benefits in kind will create some challenges that need to be considered. Firstly, a deadline of just over two years does not leave HMRC or software providers long for software development and testing before implementation. During this period they also need to draft legislation and guidance, which will need to be available in advance of April 2026, for companies to review and ensure of compliance.

Secondly, some companies will need to time to evaluate their current payroll software to ensure that it has the capability to report the payment of income tax and Class 1A NIC on benefits in kind. If not, it may become a challenge for them to implement payroll software that can before the April 2026 deadline.

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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