

Charity Insight

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Simon Bladen Partner



Introduction

Welcome to our latest charity newsletter. The 2024 Autumn Budget is still making waves despite the time that has elapsed since it was delivered. The increase to both the rate and threshold for Employer's National Insurance remains at the forefront of the agenda for many charities already feeling the impact of the ongoing cost of living crisis. Coupled with the increase to the National Minimum Wage there is understandable financial uncertainty present in the sector. Hopefully increases to local government funding will see greater support to the sector to help ease the economic turbulence. In this edition of the newsletter we discuss:

- Charities Struggling with Incomplete Trustee Boards
- Participation in Mass Fundraising Events Exceeds Pre-pandemic Figures
- New Charities SORP on the Horizon
- Fraud Reimbursement Scheme
- Autumn Budget 2024 – Key Tax Announcements

As always, we hope you enjoy the contents of this newsletter, 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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Charities Struggling with Incomplete Trustee Boards

Recent research from the eighth quarterly VCSE Sector Barometer from Pro Bono Economics has found that only 37% of charities have what they consider to be a complete board of trustees. This means that 63% of charities have an incomplete board of trustees at the time of writing.

In this article, we are going to highlight some of the issues that incomplete trustee boards can cause such as:

- Risk of burnout
- Lack of representation
- Insufficient blend of skills at trustee level

Risk of burnout among trustees

Charities are now becoming more reliant on smaller teams which increases the risk of burnout for trustees due to excessive and / or burdensome time expectations. This is becoming a concern for charities as almost 10% of smaller charities fear that their board of trustees may become depleted due to burnout and increased workloads. Trustees should be wary of becoming too involved or 'close' to every day operational matters. This may present a real and long-term threat to the future of many small charities.

Charity board of trustees are underrepresented

Not only are many charity board of trustees incomplete but they are lacking representation of young people, ethnic minorities, and disabilities among their trustees. The lack of individual representation does not only create a skills gap but can also limit charities' ability to understand and meet the needs of those that they support.

Continued overleaf



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Charities Struggling with Incomplete Trustee Boards (continued)

Charities concerned they don't have the right blend of skills

Less than 60% of smaller charities believe that they have the right blend of skills among their board of trustees. Whilst smaller charities are confident that their board have the skills to carry out traditional tasks such as financial management and budgeting, many believe that they do not have the right blend of skills in other areas such as HR, IT and Marketing.

How can small charities find trustees?

If you are struggling to find the appropriate trustees to fill your vacancies you may want to consider the following if you have not already:

- Recruit a trustee from within your charity: If you have a volunteer within your charity who possesses the correct attributes and skills you may want to consider them as a potential trustee.
- Use a trustee brokerage service such as Trustees Unlimited
- Consider recruiting from users or beneficiaries: When recruiting from a user or beneficiary there are legal requirements to consider and they will be known as user trustees. However, user trustees can help improve the management and service delivery of the charity.



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Participation in mass fundraising events exceeds pre-pandemic figures

The Mass Participation Pulse 2025 report has found that participation in mass fundraising events has not only recovered from pre-pandemic levels but exceeded them for the first time.

This report was based on a survey of over 11,000 UK adults which was conducted in October and November 2024. The report found that the recovery was 'driven by a diverse and growing demographic of particularly younger and female participants, who are engaging more frequently and spending more on events and related activities'.

Here are some of the key findings from the report:

- Running was still by far the most popular fundraising activity
- 25% of respondents said they were new to their chosen sport in which to fundraise which increased from 9% in 2023.
- The average number of events people participated in during 2024 was five.
- A large proportion of new participants were women (women made up almost two-thirds of participants aged under 35 years of age).
- Perhaps unsurprisingly, running remained the most common fundraising activity by far (79% of respondents were runners)
- The average age of participants was 44 compared to 49 in 2023.

This report highlights that the increased participation in fundraising events post pandemic has been driven by an increased engagement in younger and female audiences. Despite this, there are still a couple of factors that are causing some individuals to either stop participating in fundraising events all together or cut back on the number they are currently doing. The first being affordability and the second being a lack of fitness. Although lack of fitness was a less relevant concern in 2024 with 24% of respondents citing this as an issue compared to 43% in 2023.

Overall, these statistics are still encouraging for the charity sector.



New Charities SORP on the Horizon

Charity accounting in the UK is based upon Financial Reporting Standard (FRS) 102 which is subject to periodic review every five years. The latest revision to FRS 102 was published in March 2024. The Charities Statement of Recommended Practice (SORP) provides recommendations and requirements setting out how to prepare true and fair accounts in line with FRS 102.

The latest iteration of the Charities Statement of Recommended Practice (SORP) is due to have a twelve-week consultation period when it is issued in March 2025.

How to prepare for the new Charities SORP

Although the new charities SORP is not yet out, you can begin to prepare given known forthcoming changes to FRS102. Of particular importance are two key changes being brought in with FRS102. The first is in terms of revenue recognition and the second is the treatment of leases. It should be noted that the effective date of implementation is for accounting periods beginning on or after 1 January 2026, with early adoption permitted.

Terms of revenue recognition

A new model for revenue recognition will be implemented as part of FRS102. This will be aligned with IFRS 15: Revenue from Contracts with Customers but

with some simplifications. It follows a comprehensive five-step model for revenue recognition for all contracts with customers.

Treatment of leases

Treatment of leases will be aligned to IFRS 16: Leases, but with certain practical exemptions for low value leases. Broadly, the distinction between operating and finance leases has been removed and all leases will need to be recognised on the balance sheet as right to use assets. It is important for charities to get to grips with the leases they have so that they can better understand the impact of this change.

With these changes we recommend you do the following:

- Contact your auditor to discuss how these changes might affect what you are currently doing and how you report.
- Consider the resources available from the FRC, in particular factsheet 10 and 11 which give further consideration to the two key changes highlighted above.

Fraud Reimbursement Scheme

On 7th October 2024, the Authorised Push Payment (APP) fraud reimbursement scheme came into force. The scheme was introduced by the Payment Systems Regulator (PSR) which mandates bank and payment service providers must reimburse charities that are victims of APP fraud or Clearing House Automated Payment System Fraud up to £85,000 unless they can prove that the charity was 'grossly negligent'.

This scheme is only available to small charities (income of less than £1m per year) and match the definition of a charity under the Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005 or the Charities Act (Northern Ireland) 2008.

Very few charities are aware of the scheme

This reimbursement scheme covers over 95% of charities across the UK but very few are aware of this. It is important that knowledge of the scheme is shared as many small charities that become victims of fraud are put into financial difficulty as a result with some even being forced to close.

If you would like to find out more about the APP fraud reimbursement scheme please visit: <https://www.psr.org.uk/media/th4jea5a/ps24-5-app-scams-chaps-reimbursement-sept-2024.pdf>



Autumn Budget 2024 – Key Tax Announcements

Today, Chancellor Rachel Reeves announced her 2024 Spring Budget where she summarised the UK economic performance and announced her proposals for tax.

In this budget, the chancellor announced that she will raise taxes by £40bn to increase government funding.

In this article, we have highlighted some of the key tax changes.

Employee National Insurance Contributions

From April 2025, Employer National Insurance Contributions will be increased by 1.2% to 15%. Furthermore, the threshold at which businesses will start paying National Insurance Contributions on a workers' earnings will be lowered from £9,100 to £5,000. This will result in Employers National Insurance Contributions increasing significantly from April 2025.

Employment Allowance

From April 2025, the Employment Allowance will increase from £5,000 to £10,500. The Employment Allowance is a government initiative aimed at small businesses to reduce their National Insurance liability.

Capital Gains Tax

With immediate effect, the lower rate of Capital Gains Tax on most assets is increased from 10% to 18% and

the higher rate of Capital Gains Tax is increased from 20% to 24%.

However the Capital Gains Tax rates on residential property will remain at 18% and 24% respectively.

There are also changes for Business Asset Disposal Relief. The lifetime allowance remains at £1 million but the tax rate will increase from 10% for this tax year to 14% from 6 April 2025 and then 18% from 6 April 2026.

Inheritance Tax (pensions)

From April 2027, pensions will be brought into inheritance tax and pension scheme administrators will be responsible for reporting and paying inheritance tax to HMRC.

Inheritance tax

The inheritance tax threshold will be extended by a further two years to 2030. Furthermore there will be a reform to Agricultural Property Relief and Business Property Relief. From April 2026, there will be no inheritance tax on the first £1m of combined business and agricultural assets. But for assets over £1million, inheritance tax will apply with a 50% relief and a tax rate of 20%.

Continued overleaf



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Autumn Budget 2024 – Key Tax Announcements

Stamp Duty Land Tax surcharge

From 31st October 2024 (tomorrow) there will be an increase in the Stamp Duty Land Tax surcharge for second homes from 2% to 5%.

Fuel Duty

Fuel Duty rates will remain frozen for the 2025/26 tax year.

Income Tax and National Insurance threshold

The chancellor announced that she will increase Income Tax and National Insurance threshold in line with inflation in 2028/29.

Abolishing non-domicile tax regime

From April 2025, the current non-domicile tax regime will be abolished. This will affect individuals whose permanent home or domicile is outside the UK for tax purposes (ie have lived in the UK for more than 4 years). The chancellor said that a new residence based scheme will be introduced.

Windfall tax

From November, windfall tax will increase on oil and gas profits to from 35% to 38%.

VAT on private school fees

From January 2025, VAT on private school fees will be introduced.



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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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