




# NEWS

2024 **AUTUMN**



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## **Caroline Armstrong**

Caroline has worked in the charity and audit sector for over 20 years as an FCA and Audit RI. Caroline enjoys being part of the Trustee's delegated function working collaboratively with the management team to deliver the strongest position for her clients. From compliance, to advice and training, Caroline is ready to tailor support to meet her clients needs and bring her wealth of experience and onward network of support.



## **Victoria Gillingwater**

Victoria is our Client Director, managing and directing services to charity clients. Victoria has worked in the charity and audit sector for approaching 10 years supporting people, systems and processes to deliver the charitable objectives.



## **Marie Burton**

Marie is a qualified accountant that manages internal audits and supports on external audits. Marie's specialist areas are management accounts, payroll and VAT.



Our Charity News offers the latest updates on guidance and support for the not-for-profit sector, highlighting new guidance issued by charity regulators. We also explore the effects of recent legislative changes, reporting obligations, tax updates and other key issues, providing insights into the sector's most important topics and current guidance.

The newsletter is applicable to the whole of the United Kingdom and makes reference to the three UK charity regulators:

- the Charity Commission for Northern Ireland (CCNI);
- the Office of the Scottish Charity Regulator (OSCR) and;
- the Charity Commission for England and Wales (CCEW).

All the articles may be of interest; however, to aid you we have included the following key:

### Key



United Kingdom



England



Wales



Scotland



Northern Ireland

## Hot topics



### Whistleblowing disclosures made to the Charity Commission

The Charity Commission has published a report on whistleblowing disclosures made between 1st April 2023 and 31st March 2024, the report outlines the trends and actions taken based on whistleblower complaints. The Commission received 561 disclosures, marking a significant 72% increase compared to the previous year. This rise is attributed to the increasing financial pressures on the charity sector, among other challenges.

The disclosures were primarily made by individuals either working for or formerly employed by charities, with key concerns focusing on governance issues, safeguarding failures, financial mismanagement and charity leadership. Governance concerns, such as trustees not fulfilling their roles properly, accounted for 56% of all disclosures. Financial mismanagement and safeguarding were also prevalent, with each making up 13% and 10% of the total respectively.



The Commission took regulatory action in 84% of cases, which could include opening compliance cases, issuing advice, or working with charities to ensure compliance with charity law. In some instances, further investigations were conducted, or more stringent enforcement measures were adopted.



The report also highlights the importance of these disclosures in identifying issues early on and addressing systemic risks in the charity sector. As part of its strategic objectives, the Charity Commission emphasises the need for effective whistleblowing frameworks within charities themselves, encouraging workers to raise concerns internally before escalating them to the Commission.

The data gathered in the report helps inform the Commission's ongoing efforts to safeguard the public interest, maintain trust in charities and ensure that charities fulfil their legal duties.

**Guidance:** <https://bit.ly/3YIRGPc>



## Research and analysis on Trustee confidence

In September 2024, the Charity Commission published the results of its research into trustee confidence and attitudes towards governance. The results highlight key areas of insight in their role including decision making and conflict management.

Trustees are confident in their responsibilities to protect their charity and beneficiaries from harm. The report revealed that 70% of trustees feel very confident in making decisions. They generally understand how to make important decisions, such as assessing costs and considering different perspectives. However, they are less certain about what actions to avoid, such as evading difficult questions or allowing personal opinions to influence decisions.

This confidence and understanding are more pronounced among experienced trustees and those with greater interaction with the Commission. Overall, trustees hold a positive view of the Commission's capabilities and fairness, which is further enhanced by increased engagement. While perceptions among trustees who do not interact with the Commission are not negative, they do reflect a lack of awareness about its functions.

Discussions in focus groups revealed that some trustees desire a more collaborative relationship with the Commission and better guidance on current issues, such as banking. The primary challenge is to raise awareness and change perceptions among trustees who do not recognise the value of directly engaging with the Commission. Suggestions from focus groups aim to encourage greater interaction in this regard.

**Guidance:** <https://bit.ly/4e5bbAq>



## Scottish Charity Regulator - Sector overview report

The latest Sector Overview Report from the Scottish Charity Regulator (OSCR) offers a comprehensive snapshot of the charity sector in Scotland.

The latest Sector Overview Report from OSCR, covering April to June 2024, provides key insights into Scotland's charity sector:

- 212 new charities were registered, while 215 were removed from the Register during the same period.
- 7,129 charities have an annual income of less than £5,000, making up almost one-third of all Scottish charities.
- Charities with an income of £500,000 or more represent just 7% of the total number of charities, but they account for around 92% of the sector's overall income.
- The most common charitable purpose is "the advancement of education," with 51% of charities identifying it as one of their goals.

These figures highlight the financial disparities within the sector, with a small percentage of charities managing most of the income.

**Guidance:** <https://bit.ly/48l1SLr>



## Review of the Code of Fundraising Practice

In early 2024, the Fundraising Regulator updated the Code of Fundraising Practice based on feedback. A final eight-week stakeholder engagement phase began in September 2024, allowing comments on the new draft code until 1 November 2024. The final version of the code will be published in early 2025, along with an implementation timeline. This is the last step before the Code's official launch.

The Code of Fundraising Practice sets the standards for fundraising by all charitable organisations and third-party fundraisers across the UK. The review is being carried out to ensure the code continues to provide an effective regulatory framework, both now and in the future.

**Guidance:** <https://bit.ly/3Yzu61U>

**Guidance:** <https://bit.ly/3NEcwU5>



## The King's Speech 2024

The King's Speech for the new Labour government outlined the draft laws the government plans to introduce, reflecting their priorities, particularly those outlined during the general election campaign.



Here's a summary of the key points relevant to charities and voluntary organisations:

### Included in the Speech

- **Devolution:** An English devolution bill will transfer more powers to local communities, affecting skills, energy, planning and transport.

This will be crucial for local voluntary organisations to foster strong relationships.

- **Mental Health Act Reforms:** Aimed at giving individuals more choice and reducing racial disparities in mental health detention, which will be of interest to mental health charities.
- **Ban on Conversion Therapy:** A new bill will completely ban conversion therapies for LGBTQ+ individuals, a significant win for LGBTQ+ and human rights charities.
- **Violence Against Women and Girls:** A crime and policing bill will address violence against women and girls with measures such as specialist rape courts and increased police powers. Charities supporting women and girls should stay informed.
- **Net Zero Goals:** A Great British Energy Bill will establish a public company for renewable energy investments and the end of the onshore wind ban will support climate goals.
- **Tax Relief for Private Schools:** The government plans to remove tax reliefs for private schools, which could impact charitable educational institutions.
- **Employment Rights:** An employment rights bill will include measures like immediate parental leave and sick pay, potentially increasing staff costs for voluntary organisations. It will also protect equal pay rights for marginalised groups.
- **Democratic Change:** A House of Lords reform bill will address hereditary peers' rights and might include measures to strengthen election integrity and participation.

**Guidance:** <https://bit.ly/40i8ZlO>



## Refreshed guidance on decision-making for charity trustees (CC27)

The Charity Commission's updated guidance on decision-making for trustees (CC27) seeks to improve clarity and accessibility while preserving the core principles that trustees must follow when making decisions. The revised guidance is shorter, written in plain English, and focuses on practical steps to ensure trustees make sound, lawful decisions that serve the best interests of their charity.

The update retains the original seven key principles, now presented in a more concise and user-friendly format:

1. **Act within your powers:** Trustees must ensure that any decision they make is within the limits of the

charity's governing documents and aligns with its charitable purposes. Understanding and following the charity's constitution and relevant laws are fundamental to this principle.

**2. Act in good faith:** Trustees should prioritise the charity's interests over personal or outside interests. Decisions must always be made in the best interests of the charity, without personal bias or influence.

**3. Being sufficiently informed:** To make informed decisions, trustees must gather relevant information, research and seek advice where necessary. This can include consulting stakeholders and obtaining professional input. Trustees must understand the implications of their decisions, including financial, legal and reputational risks.

**4. Take account of all relevant factors:** Trustees must consider all factors that could impact the charity, such as its objectives, available resources and the potential effects on stakeholders and beneficiaries. This includes weighing the risks and benefits of different options.

**5. Identify and disregard any irrelevant factors:** It is critical for trustees to identify and exclude factors that should not influence their decision, such as personal relationships or unrelated issues. Trustees should ensure that decisions are free from bias or external pressures and are grounded in the charity's best interests.

**6. Manage conflicts of interest:** Trustees must actively manage conflicts of interest. When conflicts arise, trustees should declare them and take appropriate steps, such as recusing themselves from decision-making where necessary. Properly handling conflicts helps maintain trust and objectivity.

**7. Make decisions that are within the range of decisions a reasonable trustee body could make:** Trustees must exercise reasonable care and skill when making decisions, ensuring they are acting in line with their duties. This includes considering risks, seeking professional advice when needed and ensuring their decision falls within what a reasonable body of trustees would consider acceptable.

The updated CC27 guidance also focuses on improving collective decision-making among trustees and emphasises the importance of maintaining good governance. The goal is to provide trustees with practical advice to make effective decisions, ultimately strengthening the governance and operational success of charities.

**Guidance:** <https://bit.ly/4dZCUCG>

**Guidance:** <https://bit.ly/3YBnpgC>



## Regulatory Alert – local authorities as charity trustees

David Holdsworth, the new Chief Executive of the Charity Commission, has recently written to local authorities regarding their responsibilities as charity trustees. His letter highlights a concerning rise in cases where local authorities have mishandled or improperly disposed of charitable assets, such as land and buildings. This mismanagement can lead to significant legal and administrative complications.



Key points from the letter include:

**Asset Review:** Local authorities are urged to review their asset registers to clearly identify charitable assets, ensuring clarity about which assets are governed by charity law.

**New Formal Guidance:** The letter also emphasised the importance of adhering to new formal guidance designed for local authorities. This guidance covers:

- Trustee responsibilities
- Handling conflicts of interest
- Filing requirements
- Rules for disposing of charitable land



**Councillor Guidance:** A shortened version of this guidance has been produced for councillors and should be distributed to elected representatives.

**Additional Resources:** A recommendation to review the new guidance on recreation ground charities, which addresses common issues faced by trustees and offers practical advice on recruitment and fundraising.

**Guidance:** <https://bit.ly/4fiTILn>

**Guidance:** <https://bit.ly/48nq9kj>



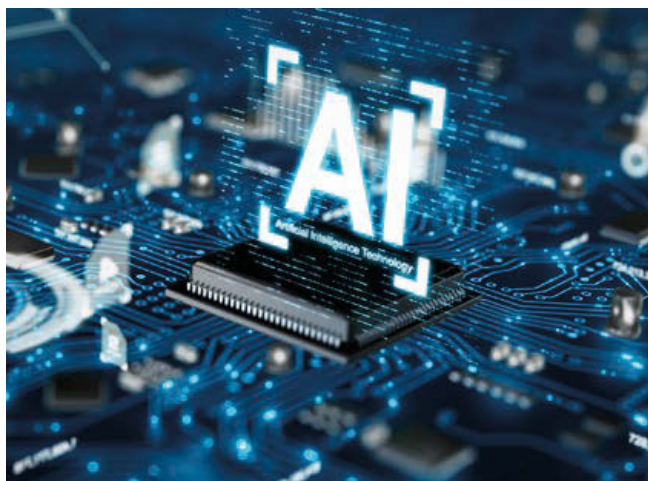
## Exploring the world of Artificial Intelligence (AI)

In our last edition, we discussed how there are mixed views of AI in general and in the Charity sector, and also pointed out how charities can seek help and guidance from the Charity Excellence Framework on how to prepare for AI.

In the Summer, the NCVO and Microsoft UK shared findings from their recent AI event, specifically drawing on the shared challenges charities face in respect to AI but also how AI can unlock potential to boost the impact charities can make.

Specifically focusing on how AI can be utilised by smaller charities, insights from a keynote speech at the event included:

- Writing funding bids;
- Writing meeting minutes;
- Generating digital content.



A point which highlighted how to move forward with AI was to build knowledge. It was reported at the event that, in a survey, 35% of respondents indicated

a need for training to upskill with AI, while 60% reported poor skills and capacity to engage with emerging tech trends.

**Guidance:** <https://bit.ly/3Alc0Hu>



## Misinformation spreading across social media

Charities face a significant challenge when it comes to tackling misinformation on social media. As digital platforms become the primary source of information for many, false narratives can easily distort public perception of charity initiatives and damage the trust these organisations rely on to fund their work. Based on insights from the National Council for Voluntary Organisations (NCVO) and the Charity Commission, here are key strategies that charities can adopt to combat misinformation:

### Proactive Communication

Charities need to take a proactive approach to communication. By frequently posting accurate, transparent updates about their activities, charities can stay ahead of potential misinformation. NCVO suggests that charities should clearly communicate their values, mission and impact to ensure supporters have easy access to accurate information. This helps build trust and makes it harder for falsehoods to take root.

### Engaging with Audiences

Engaging directly with followers and the broader public on social media is essential. This means responding to questions, correcting inaccuracies and showing a willingness to listen. Open dialogues with followers can help dispel false information before it spreads. In the context of the recent riots in England, both the NCVO and the Charity Commission emphasised how vital it is for charities to engage their communities during times of crisis, offering support and factual clarity.

### Building Partnerships

Working collaboratively with other organisations can strengthen a charity's response to misinformation. The government and civil society leaders often encourage partnerships, as demonstrated in responses to public disorder situations like the England riots. Charities can form alliances with trusted bodies to amplify the reach of accurate information and ensure that their messaging has more credibility.

### Monitoring Social Media

Constantly monitoring social media platforms is crucial. Charities should actively track mentions of their organisation or causes, keeping an eye out for misinformation. Tools like social listening software can help identify false narratives early, enabling charities to correct them before they spread further.

### Rapid Response Mechanism

When misinformation surfaces, a quick response is critical. Charities should have a crisis communication plan in place that outlines how to respond to false claims, including designated spokespeople, key messages and a strategy for communicating across multiple platforms. NCVO highlights that an effective crisis response is a key part of maintaining public trust, especially when misinformation could lead to reputational harm.

### Educational Campaigns

Charities should invest in educational campaigns to raise awareness about misinformation itself. Educating the public on how to identify false information and where to find reliable sources can have a long-term positive impact. Providing followers with tools to verify facts empowers them to make informed decisions and reduces the chances of them being misled.

By implementing these strategies, charities can mitigate the impact of misinformation and continue to focus on their vital work without distractions from falsehoods. Accurate, transparent and proactive engagement with the public, along with a robust crisis management plan, will help protect the credibility of charity organisations in the digital age.

**Guidance:** <https://bit.ly/3YFKNrt>

**Guidance:** <https://bit.ly/3ApbGYe>



### Charity law reform - England and Wales

In previous editions, we have reported on the reforms set out in the Charities Act 2022 that have come into effect. In accordance with the implementation plan for the Charities Act 2022, we have been expecting to see sections 15 and 16: ex gratia payments to come into force.

The key recommendations made in the 2017 Law Commission's report in respect of ex gratia payments included:

- To allow charity trustees to delegate the decision to apply to the Charity Commission to authorise an ex gratia payment.
- To enable charities to have power to make smaller payments without Charity Commission approval.

Note: The above changes apply equally to statutory charities as they do to other charities.

The reason for the delay in the implementation of these sections is due to the final recommendation which had created some controversy in respect to national museums and galleries.

At the beginning of the year, the Minister of Arts and Heritage wrote to the Charity Commission to reaffirm that national museums and galleries will continue to follow their governing legislation, specifically excluding them from sections 15 and 16 of the Charities Act 2022.



This means that these institutions cannot independently authorise ex gratia payments or repatriate artefacts without oversight. For other charities, the ability to make ex gratia payments will only apply if the recipient is based in the UK, preventing international repatriations without Charity Commission involvement.

**Guidance:** <https://bit.ly/3YCyptg>

**Guidance:** <https://bit.ly/40kiUHQ>



### Upcoming changes to The Disclosure (Scotland) Act 2020

The Disclosure (Scotland) Act 2020 introduces changes to improve the system for protecting vulnerable groups (PVG). The changes are planned to be introduced in three phases.



Phase 1 of the Disclosure (Scotland) Act 2020 changes will take effect in September 2024, introducing new powers for local authorities and organisations to refer individuals suspected of causing harm to vulnerable groups for review by Disclosure Scotland. This phase enhances the safeguarding framework, ensuring that organisations can act quickly to protect children and vulnerable adults by managing risks associated with individuals under review.

Later phases (starting April 2025) will further simplify the system and mandate PVG membership for those working with vulnerable groups, with time-limited memberships by 2026.

If your organisation employs individuals who perform regulated work, such as working with vulnerable children or adults, you have a legal obligation to report any harmful behaviour exhibited by these individuals to Disclosure Scotland.

**Guidance:** <https://bit.ly/3BVL1Tr>



## Accessing adequate banking services

In our previous newsletter, we included a summary of an open letter written by Charity regulators to UK banks which aimed to address several banking challenges that charities face.

In the summer, the Charity Commission published guidance on information for charity banking and the support available to charities trying to access adequate banking services.



The guidance includes information on opening an account, keeping details up to date, charities moving money abroad and how to complain about your bank.

The Charity Commission has provided an update on the banking issues stating that they continue to engage with the Financial Conduct Authority, high-street banks, UK Finance and the wider sector, and will be reviewing the guidance on this matter to charities regularly.

**Guidance:** <https://bit.ly/3YAwN3i>

## Accounting and tax update



### Improving your charity's annual report and accounts

The Office of the Scottish Charity Regulator (OSCR) highlights four key areas where charities can improve their annual reports and accounts, based on a review of 60 randomly selected charities:

**Trustees' Annual Report:** Many reports were either incomplete or missing important information. Charities should ensure the report fully explains their activities and impact, complying with all legal requirements.

**Comparative Information:** Some charities failed to include previous year figures, making it harder to assess their financial performance. Providing this information is important for transparency and accuracy.

**Reserves Policy:** Charities often lacked clarity on their reserves policies. They should explain their approach clearly, ensuring good financial management and governance.

**Governing Documents:** Many charities, especially smaller ones, did not follow the requirements set out in their governing documents, such as ensuring audits or maintaining the correct number of trustees. Compliance with these rules is essential for proper charity management.

These improvements can help charities meet legal standards and ensure better governance.

**Guidance:** <https://bit.ly/4e3L6BZ>



## Autumn Budget 2024

The Autumn 2024 Budget announcement by Chancellor Rachel Reeves introduces a range of impactful measures for UK charities, with a focus on social support, essential services and tighter fiscal regulations. While charities may benefit from specific funding increases, they also face heightened costs and new regulatory changes. Here's a breakdown of the key announcements relevant to the voluntary sector:

### Key accounting and tax Budget highlights for charities

#### Employer National Insurance Contributions increased to 15%

As part of efforts to bolster government funding, employer National Insurance Contributions (NIC) will rise to 15%. For charities - particularly smaller ones or those with high staffing needs - this change will significantly increase payroll costs. Combined with the 6.7% increase in the National Living Wage, these changes highlight the importance of proactive budgeting for charities. Those heavily reliant on part-time or freelance staff may feel this pressure acutely, and some organisations may need to seek additional support to absorb these rising expenses. Additionally, the threshold for employer NIC has fallen from £9,100 to £5,000.

#### Changes to VAT and Business Rates Relief for Private Schools

The Budget also removes VAT and business rates relief for private schools. Although this measure does not directly impact all charities, it represents a shift in funding policy that will affect the independent education sector, potentially leading to increased demand for scholarships and support from education-focused charities.

#### New Legislation to Prevent Charity Tax Rule Abuses

In a move to ensure that charitable tax advantages are not misused, the government is introducing new legislation to prevent abuse of charity tax rules. This legislation aims to close loopholes and ensure that tax reliefs are used strictly for charitable purposes. Charities will need to review their financial practices to ensure compliance with these regulations, which will help maintain public trust in the sector's integrity.

### Other matters relevant to charities

The Budget also introduces several funding increases that may benefit charities working in local communities. Local government funding will rise by 3.2%, with £600 million earmarked for social care, indirectly supporting charities that collaborate with councils to provide essential services for vulnerable groups. An additional £1 billion for SEND services is set to expand educational and healthcare support for young people with complex needs, strengthening resources for charities working in this area. Charities will also benefit from continued energy price support, with an emphasis on energy efficiency measures to help manage rising costs. Lastly, new funding for volunteering initiatives aims to boost community engagement, offering charities new resources to support volunteer-led programmes and strengthen local social networks.

### Navigating the opportunities and challenges

The Autumn 2024 Budget offers both opportunities and challenges for the charity sector. The increase in local government funding, SEND support and volunteering initiatives provides valuable resources. However, rising operational costs, such as the National Insurance increase to 15%, VAT changes for private schools and reduced cultural funding present financial pressures. Additionally, new anti-abuse legislation requires charities to ensure rigorous financial compliance.

In conclusion, the Autumn 2024 Budget reflects a government approach geared toward supporting essential services, workforce stability and fiscal responsibility. Charities are encouraged to stay engaged with local councils, actively manage costs and ensure compliance with new regulations to make the most of the resources available while adapting to the new financial landscape.

**Guidance:** <https://bit.ly/3Cctkza>