



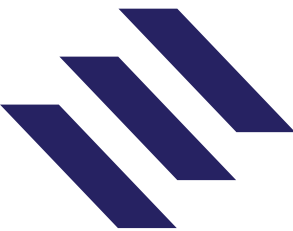
Charity Newsletter

July 2024





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As I write this editorial, we have today woken up to a new Labour Government and the landslide majority certainly indicates that there is a general need and desire for change. While this result was not unexpected it does create uncertainty and it may bring new challenges for some. However, I feel as optimistic about the ability of the charity sector to adapt positively to change as I do about the sun finally starting to shine for us this summer!

As a sector, we have grappled with so much over the last four or five years that we’ve not quite got to our new normal. The sector’s ability to change and be dynamic is testament to its resilience and ability to do things differently.

The economic environment is, however, very difficult and the pressures on the public purse are felt acutely across the sector. Grant funding cuts, below inflationary contract uplifts and increasing operational costs at a time when demand is higher than ever are all putting huge amounts of pressure on the sector.

This ability to change will therefore become increasingly important. As a sector we need to evolve and do things differently, challenge anything that we believe is the norm and, above all, find the balance between our charitable and commercial decision making to ensure the long-term future of our sector can be secured. No doubt some difficult decisions will have to be made by many.

In keeping with the challenges facing the sector, we are delighted to announce the theme of the 2024 BHP charity conference will be “Doing Things Differently”. The event will be held on 13 November 2024 — so do save the date!

This quarter’s newsletter explores many consistent topics, including how Trustees should be challenging going concern assessment, the use of AI in the sector, recent changes to the Charity Commission Guidance around accepting donations, and changes in the fundraising landscape brought to us by our guest contributor Gerry Morrison of Rollits LLP.

Welcome to the Summer issue of our Charity Newsletter...

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The emergence of Artificial Intelligence in the UK charity sector



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Artificial Intelligence (AI) has rapidly transformed various sectors, and the UK charity sector is no exception. AI, encompassing technologies like machine learning, natural language processing, and data analytics, offers charities new tools to enhance their operations, improve donor engagement, and streamline administrative tasks.

One of the most significant impacts of AI on UK charities is in the area of fundraising. AI-driven tools can analyse vast amounts of data to identify potential donors, predict donation patterns, and personalise outreach efforts. By understanding donor behaviour, charities can tailor their campaigns more effectively, resulting in increased

donations. For example, AI can help segment donor lists based on previous giving patterns, enabling targeted appeals that resonate with specific groups.

AI is also revolutionising how charities engage with their supporters. Chatbots, powered by AI, provide instant responses to inquiries on websites and social media platforms. These virtual assistants can handle a wide range of tasks, from answering frequently asked questions to processing donations, freeing up human staff for more complex interactions. This not only enhances supporter experience but also ensures that charities are available 24/7, increasing accessibility and engagement.

Data management and analysis are other areas where AI is making a significant impact. Charities often deal with large volumes of data, from beneficiary information to financial records. AI can help organise and analyse this data more efficiently, providing valuable insights that inform strategic decisions. For instance, AI can identify trends in service usage, helping charities allocate resources more effectively and anticipate future needs.

Additionally, AI can assist in the development of new programmes and services. By analysing data on social issues and community needs, AI can help charities design interventions that are more likely to succeed. Predictive analytics can forecast the

outcomes of different strategies, enabling charities to choose the most effective approaches.

However, the adoption of AI also presents challenges. Data privacy and security are paramount, especially when handling sensitive information about beneficiaries and donors. Charities must ensure they comply with data protection regulations and implement robust security measures to safeguard their data. Additionally, there is a need for staff training to effectively use AI tools and interpret the insights they provide.

In conclusion, AI is bringing significant advancements to the UK charity sector, enhancing fundraising,

supporter engagement, and data management. While there are challenges to navigate, the potential benefits of AI are substantial, enabling charities to operate more efficiently and achieve greater impact on their charitable objectives. As AI technology continues to evolve, it will undoubtedly play an increasingly pivotal role in the future of charitable work.

AI can identify trends in service usage, helping charities allocate resources more effectively and anticipate future needs.

Going concern considerations for charity trustees



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It is the responsibility of trustees, to carry out an assessment of their charity's ability to continue as a going concern.

The approach to performing an assessment depends on the complexity of a charity as well as wider economic and political factors, such as the potential impact of the impending general election. It also needs to consider the trustees' intentions regarding the future services and activities of their charity. The assessment must cover at least 12 months from the date when the financial statements are authorised for issue.

The future is uncertain and therefore producing a range of forecasts depending on different scenarios from the most optimistic to the most pessimistic should be performed. Forecasting needs to be based on assumptions. Auditors and independent examiners will want to review the assumptions as evidence to

support the conclusions from the trustees' going concern assessment. The requirements placed on auditors mean that their work on going concern is more onerous and specified more precisely than that of independent examiners.

The cost of living crisis, inflation, increases in the national minimum wage and, for some charities, interest rate rises have all had an impact on expenditure for charities. Auditors will review assumptions and may request further stress-testing of key assumptions, although ideally this should already be done by the charity via the scenario planning.

For example, if the forecasts for unpredictable income streams, such as fundraising, retail and hospitality look ambitious compared to historical trends and the challenging economic environment. Equally, auditors may request further sensitivities to costs.

Cash is king but, for charities, monies for restricted purposes are often received in advance of the activities to be performed and this can distort the view of cash available to spend freely. It is important that a charity identifies the proportions of unrestricted and restricted cash balances and that a cash flow forecast supporting the budgeted income and expenditure and balance sheets is produced. Forecasts and budgets should be performed month on month.

The cash flow forecast will identify available headroom and whether financial facilities are adequate. A cash flow forecast will help identify any possible shortfalls in headroom and mitigating actions will need to be taken.

Charities with trading subsidiaries need to consider the level of support they are willing to provide to those subsidiaries and should refer to the Charity Commission guidance: Trustees trading and tax: how charities may lawfully trade.

A U D I T

The auditor is required to make specific statements in their auditor's report on going concern. Where material uncertainty regarding going concern does exist, this will result in the inclusion of a material uncertainty paragraph in the audit report.

As such, disclosure becomes increasingly common, due to changes in the Audit Standards and the general economic environment, it's important that

charities with such paragraphs in the audit report manage the process with their stakeholders and supporters to ensure that the messaging is as they wish it to be — and in some cases can even serve to support fundraising efforts. It is important to work with your auditor to ensure that the wording included in your financial statements meets both statutory requirements but also deals with the stakeholder and supporter piece appropriately.

Platform fees and Gift Aid



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More and more donations are being made by individuals through digital platforms such as JustGiving and GoFundMe. Typically, these platforms deduct a processing fee from the amount paid on to the charity.

HMRC has updated its detailed guidance to confirm that the charity can claim Gift Aid on the

gross amount of the donation, as opposed to the net cash received. The detailed guidance states;

3.4.4. Donations made using digital platforms, credit card or debit card may incur an administration fee, which reduces the actual amount received by the charity. Subject to the normal qualifying conditions, the gross donation paid is eligible

for Gift Aid, regardless of any processing fees incurred by the charity. The charity may treat these administrative fees as charitable expenditure.

If a charity has been submitting claims based on the net donations, they could look to correct the position.

Fundraising Regulator levy

The Fundraising Regulator is funded through a voluntary levy on charities spending £100,000 or more on fundraising. This levy is a voluntary contribution that enables the regulator to run its core services.

Recently, the regulator has announced it will be increasing the voluntary levy it asks charities to pay by up to 50% over two years. These increases will be the first in eight years.

Charities that spend over £50m on fundraising will be asked to pay a new annual fee from September 2025 of £22,500, compared to

the current rate of £15,000.

Charities that spend over £7.5m will face a 50% increase. Charities that spend £850,000 - £7.5m will face a 30% increase and those who pay £100,000 - £850,000 will pay 20% more.

These increases are staggered over a two-year period to mitigate the impact of the increase.

After September 2025, the Fundraising Regulator has announced that increases will be in accordance with the Consumer Price Index (CPI) to ensure charities are given more advance

notice of the increased cost, and rises are more gradual.

Lord Harris, Chair of the Fundraising Regulator, said: “We are committed to supporting charities in this rapidly evolving sector, and tackling the emerging issues that affect public trust in fundraising.

“Simply put, it is the levy that enables us to do this, and to continue doing it effectively in the shared interests of charities and the generous public so that there is a continuing positive environment for fundraising to prosper.”

Cultural tax reliefs



Frankie Coombe
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Cultural tax reliefs are UK government incentives aimed at supporting and promoting the production of cultural content, mainly aimed at theatrical productions, orchestral performances, and exhibits within museum and gallery settings.

Eligible organisations that put on qualifying exhibits and performances can receive an additional 80% deduction for a majority of their UK production costs (or EEA spend if incurred pre 1 April 2024) when calculating their profit, or loss, for each qualifying exhibit or production.

The loss can then be traded in for a tax credit, which is on the lower of:

- The total tax adjusted loss after the 80% additional deduction has been given; or

- The 80% additional deduction.
- In the recent Spring Statement, the Chancellor announced the tax credits for cultural reliefs will now be permanently set to:
- 45% for touring productions and all orchestra productions (currently 50%); and
 - 40% for non-touring productions (currently 45%).

This is, of course, subject to the impending general election. At the moment, no party has made any statements or pledges that could affect the availability of cultural tax reliefs in the future.

Eligible charities tend to benefit from one of the named reliefs:

1. Theatre Tax Relief (“TTR”)
This is targeted at theatrical productions, including plays, musicals, and operas and

ballet performances. To be eligible for Theatre Tax Relief, a production must be intended for live performance to a paying audience or provided for educational purposes.

The performance itself must not meet one of the exclusions (for example, used as an advertising tool, include wild animals, mainly used to create a ‘relevant recording’, etc).

Other criteria and exclusions apply, one important point of which is that there can only be one theatrical production company making a claim. This is usually the company that is responsible for making the artistic and creative decisions about the production.

2. Orchestra Tax Relief (“OTR”)
This is aimed at orchestras and other musical ensembles that provide live performances to the

paying public or for educational purposes.

Generally, for orchestras to be eligible for the relief, there must be a minimum of 12 instrumentalists in a live production where all, or the majority of instruments, can’t be electronically amplified. Other criteria must also be met.

3. Museum and Galleries
Exhibition Tax Relief (“MGETR”) MGETR aims to encourage the development of exhibitions that promote public access to art, history, and culture by charities or wholly owned trading subsidiaries that maintain a museum, gallery or archive.

Generally, eligible exhibitions must intend to be open to the public and must contain a curated display of a collection of objects, or works (which can include a single object) that is

of scientific, historic, cultural or artistic interest.

Other criteria and exclusions apply.

An example of how cultural reliefs work
A museum organises a touring exhibition. The total UK core qualifying expenditure on this exhibition is £100,000, and the green light for the production is given on 1 May 2024.

Since this is a touring exhibition, the current rate of relief is 50%.

Assuming the exhibit is running at a loss before the additional 80% deduction is given, the tax credit available would be 50% of the 80% total UK qualifying core expenditure given as an additional deduction when calculating the exhibit’s tax adjusted profits (i.e. (£100,000 * 80%) * 50% = £40,000).

The museum would receive £40,000 as a tax credit, which is either repaid to the museum or offset against their corporation tax liability, should they have taxable profits during the period in which the claim is made.

These reliefs, especially for the charity sector, are very valuable, but with limited guidance available, it can be difficult to understand what productions / exhibits may qualify and what costs can or cannot be claimed.

Our cultural tax relief specialists Frankie Coombe or James Clark will be able to provide their assistance and expertise where needed.

Treasury consults on new VAT relief



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The Treasury recently announced that a 12-week consultation will be entered into in relation to the donation of goods to charities by businesses.

Right now, if a business donates goods to a charity for resale, there's no VAT to worry about. But if the charity plans to give those goods away for free, the donating business might have to pay VAT, making it costlier to be generous. This could discourage much-needed donations.

The consultation aims to change this by introducing a VAT relief for a variety of low-value household items. This means businesses could donate hygiene products, second-hand hotel items and cleaning supplies, without getting hit by VAT, even if the charity gives them away for free.

In these tough times, such a move could be just the boost we need. By slashing the red tape and tax costs, it will hopefully inspire businesses to ramp up their donations, enhancing corporate social responsibility while providing essential support to those who need it most.



Returning donations guidance



Gerry Morrision
Partner, Charities
Rollits LLP

The Charity Commission recently published updated guidance relating to the accepting, refusing and returning of charitable donations. This guidance also covers the circumstances in which returning or waiving right to some or all of a donation would be regarded as an ex gratia payment by your charity, which is governed by separate rules. This may seem inappropriate or unlikely, but sometimes charities can find that returning or refusing a donation is required by law or could be in the charity's best interests.

The guidance defines 'donation' widely to include money, land, goods or any other property freely given to your charity. A donation must be freely given with no right for the donor to receive anything in return. However, the donor still retains the right to stipulate how the money is spent. It is important to understand that a grant may be a donation or a contract because different rules apply to returning funds if they are received as a donation or under a contract. It is irrelevant what any formal agreement between the parties

is called and it depends upon the terms and conditions contained in it. Charities must be careful if seeking to return grant-funds as they may have been given under a contract rather than as a donation. In returning said funds, due care will have to be taken as to the specific terms of the contract.

Charities must also return or refuse:

- Funds from an illegal source or with an illegal condition;
- Funds from a donor who lacks capacity; and
- Funds that the donor cannot legally give (i.e. if the donor does not own what they are donating).

Separate rules to ex gratia payments where:

- The charity feels that it is under a legal obligation to return the donation;
- The charity has no legal obligation to return the donation; and
- The charity cannot justify this as being in its best interest.

The Charities Act 2022 will change the rules applying to ex gratia payments, but the implementation of the changes

has been delayed to later this year. We would advise charities in this situation to check The Charity Commission's latest guidance *Ex Gratia Payments by Charities (CC7)* and to seek advice.

Where a charity is considering the refusal or return of a donation, they should also ensure that to do so is within the charity's powers and check the charity's governing document for a specific power to disclaim or refuse donations or gifts. If there is no appropriate power relating to the refusal or return of a donation then charities should consider amending their governing documents in order to allow a wider discretion for the effective running of the charity.

When making the decision of whether or not to return or refuse a donation, trustees must always have in mind their duties to act within their powers and the charity's governing document and ensure any conflicts of interest do not impact their decision making. Trustees' decisions should be clearly minuted as evidence that they took into account all relevant considerations.

CSR review 2023/24



Jade Boam
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This year the team have been very busy, and we're delighted to have raised an amazing £21,000 for more than 30 different charities across the UK!

It's been a fantastic group effort, with individual challenges, various office initiatives and team events contributing to the overall amount. Some of our highlights over the year up to the end of March 2024 included fundraising walks, bake off competitions and charity awareness days. In August, we held a sweepstake for the Women's Football World Cup and raised £300 for three different local charities.

Volunteering

We also enjoyed eight volunteering days over the summer, with teams taking part in activities across Yorkshire and Derbyshire. Some of the places where our volunteers helped out were Woodhouse Washlands in Sheffield, Meanwood Urban Farm in Leeds, Stoney Ridge Plantation in Bradford, and

Centenary Riverside, Rotherham. I also took some time out with my Chesterfield team to volunteer at Cromford Mills in Matlock. We spent a day carrying out a whole range of tasks including sanding, oiling and painting picnic benches for the cafés, sorting through the attic in the mill, painting a bin store and weeding along the canal and in other public areas. It was fantastic to be able to give back to the community and to one of my own clients.

Fundraising

Some of the other key events we've supported include Movember (£685 raised), Macmillan Coffee Morning (£773 raised) and Christmas Jumper Day (£223 raised). And we also took part in the Sheffield Master Cutler's Challenge, raising a fantastic £1,287 for Wentworth Woodhouse Preservation Trust by organising a variety of activities. One of which was a super competitive netball match between our Chesterfield and Sheffield offices.

In October 2023, we organised two charity fundraising walks. First, our Financial Planning team took on a hike along the North Yorkshire coast from Scarborough to Whitby, raising £1,365 for the Alzheimer's Society, while 34 members of the BHP team completed a 19-mile trek around Ladybower, Derwent and Howden reservoirs in the Peak District National Park and collectively raised more than £6,000 for the British Red Cross and other charities that they had a personal connection to.

Regional efforts

Our tuck shops have continued to be a hit, with Cleckheaton donating £700 last year to a number of different worthy causes, while Chesterfield donated an additional £300.

Finally, in February this year, we set up temporary book shops in all our offices in aid of International Book Giving Day — a personal favourite of mine! This raised more than £200 for Grimm & Co — a Yorkshire-based charity that supports



under-resourced children and young people with their confidence and skills around creativity and writing. Unsold books were donated to local charities.

Environment

Back in October, as part of our commitment to following sustainable business practices, we introduced a tree planting initiative. For every new BHP client, we now fund the planting of four trees — and in the first six months of the scheme being in place, we're delighted to have planted 702 trees! Through our partnership with Ecologi, we've funded trees in Morocco, Uganda, Ethiopia and Mozambique.

It's been a fantastic year and I'm really proud of what we've achieved. I've loved being part of the CSR team and helping to organise so many events to help charitable organisations across Yorkshire and UK-wide. We have lots more planned this year, which we look forward to sharing with you soon!

Save the date: 16th annual BHP Charity Conference

When?

Wednesday 13
November 2024

Where?

Horizon Leeds
Conference Centre



Trustee Training 2024



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In May, we held our annual Trustee Training sessions. Thank you to everyone who attended; we hope you found it useful. If you were unable to attend the live sessions, you can view the recordings [here](#).

As part of our commitment to the charity sector, we have trained more than 1,000 trustees over the last five years with our free-of-charge webinars. Our training covers the financial and governance responsibilities

of trustees as well as providing a network for trustees to share information with others and develop new insights into the running of charities.

Feedback from previous events:

A very useful seminar, beautifully presented, relevant and easy to digest — and just the right length.

David Foster

Exceeded my expectations and presented everything in an engaging and understandable way. Huge thanks to everyone involved - thoroughly professional and well worth the time investment, thank you!

Jane Colthup

Excellent seminars suitable for all trustees. I always learn something new in a language I can understand.

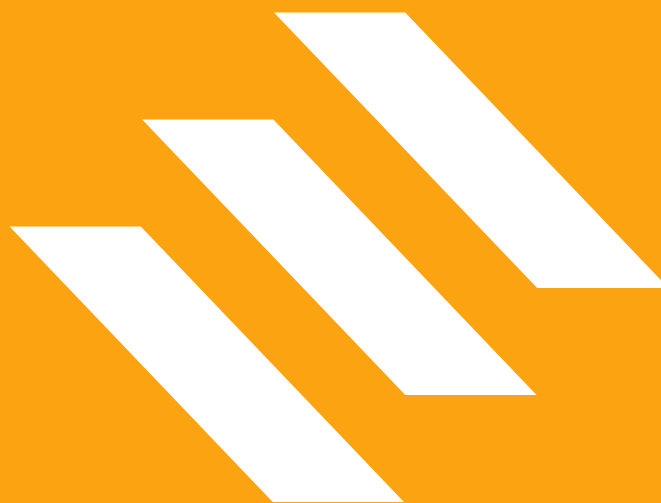
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