UK200Group news
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Charities & Education

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Chartered Accountants & Business Advisers

HMRC warning over charity fraud threat

A letter to the Charity Tax Group from HMRC has warned charities to be on the alert for fraud, following an increase in the number of scam calls, texts and emails.

HMRC has detected 1.5 million scams during the Covid-19 pandemic, and in the past year alone it has received over a million reports of suspicious contacts, the letter revealed. Almost 442,000 of the reports related to scam phone calls, an increase of 117% compared with the previous 12-month period. Many scams mimicked government messages, for example by using HMRC branding and promising tax refunds or by offering Covid-19 financial support. HMRC has identified 460 Covid-19 scams since 2020 and has worked with internet service providers to secure the removal of over 440 Covid-19 scam webpages.

According to HMRC, charities receiving contact from anyone claiming to be from a government organisation should be suspicious if the contact is unexpected, or if a refund, rebate or financial support is offered. They should also be suspicious of any communications that request personal information, adopt a threatening tone or ask for money to be transferred. HMRC has advised charities to report any HMRC branded scams and to avoid replying to unexpected text messages. Charities have also been warned that they are at risk of downloading malware if they click on attachments or links in emails and texts.

As part of Charity Fraud Awareness Week, which took place on 18 – 22 October 2021, a new Fraud Pledge was launched that charities can sign to demonstrate their commitment to taking active fraud prevention measures.

Signatories to the Fraud Pledge should appoint a suitable person in their organisation to tackle fraud. They must also agree to develop a written anti-fraud policy, ensure that all staff members, volunteers and trustees understand it, and assess their anti-fraud measures every year to check that they are working. The Pledge also reminds trustees that they have a legal duty to protect their charity's assets and recommends that checks are carried out on all individuals and organisations the charity has a financial relationship with.

The Fraud Advisory Panel and the Charity Commission for England and Wales have also launched an online one stop shop, Preventing Charity Fraud, which provides practical resources including case studies, on-demand webinars and access to a free cybersecurity training course from the National Cyber Security Centre.

Read the HMRC letter in full at: https://bit.ly/3aWxBpl

Read more about the Fraud Pledge at: https://bit.ly/3EifB5N

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Charity pension costs may rise

Charities' pension costs may increase as a result of new rules that are expected to be introduced in 2022/23 under the requirements of the Pension Schemes Act 2021. The new rules will relate to the funding of defined benefit pension schemes and will require pension scheme trustees to develop a plan to meet a long-term low dependency objective. The plan will ensure that when a scheme is 'significantly mature' (usually within 15 to 20 years) it will have a low level of dependency on the employer and will be invested with a high resilience to risk.

Under the new rules, the funding basis (or 'technical provisions') of defined benefit pension schemes must include an explicit link to this long term low dependency objective, and evidence must be provided of how the objective will be achieved.

The Pensions Regulator will allow pension scheme trustees to choose between two different strategies for meeting the new requirements. One option, known as the fast track route, involves meeting a set of minimum funding standards. Charities that adopt the fast track approach can expect to receive minimal regulatory scrutiny. However, it could cause them significant financial strain, with experts forecasting that this option could increase aggregate pension deficits among the 40 largest charities in England and Wales by between £1 billion and £3.5 billion. Charities that cannot afford the fast track route can choose to develop 'bespoke' alternative arrangements, as long as charities can provide supporting evidence explaining how any additional risk will be managed. Bespoke arrangements will receive more regulatory scrutiny from the Pensions Regulator but will still be compliant with the new regulatory requirements.

Read more about the rules at: https://bit.ly/3vwxeLI

Increased use of tech sees the need for digital skills soar

In August 2021, double the number of charities reported staff working or volunteering remotely compared to before the pandemic. This is according to the Covid-19 Voluntary Sector Impact Barometer, led by the National Council for Voluntary Organisations (NCVO), Nottingham Trent University and Sheffield Hallam University. The Barometer found that 82% of the 350 respondents reported their staff using digital technology to work or volunteer remotely (up from 41% pre-pandemic) and around the same figure (81%) had changed how they used digital technology during the Covid-19 crisis.

These changes have meant that the need for tech skills has soared, with nearly three quarters of charities (73%) indicating that the level of digital skills required by staff and volunteers has increased. New skills required include teleconferencing through Microsoft Teams, Skype or Zoom (17%), email communication (9%), online security (9%), and handling online transactions (7%).

When identifying barriers to increase or improve the use of digital technology, the skills of current staff and volunteers scored highest at 20%, followed by the cost of equipment or software (17%). The skills of service users and their access to the necessary equipment were also factors (15% and 14% respectively). Accessibility also remains an issue with just under half of the respondents (45%) indicating that their service accessibility had improved as a result of their online operations, while 17% reported a reduction.

Industry commentators have said the report illustrates how well the sector has responded to the challenges of the Covid-19 pandemic, but that more investment is required to build on the learning of the last 18 months. In its assessment of other factors, the report's figures for July showed a similar picture to June, with responses around financial performance, volunteer and employee numbers and demand for services remaining roughly the same or seeing only small changes.

Read more about the findings here: https://bit.ly/3B4vQ4j

In brief...

Increase in charity income and recruitment

The latest State of the Sector Report compiled by Wood for Trees has revealed that charity income and donor recruitment levels increased significantly in the first six months of 2021 compared with the same period in 2020. Charity income and recruitment increased by 7% and 58% respectively in the first half of 2021 due to a rise in one-off donations since the start of the Covid-19 pandemic. The report has also indicated that while regular giving remained resilient during the pandemic, other forms of giving, such as community fundraising, were down slightly. Recruitment through digital activities increased by 40% year on year in the first half of 2021, while recruitment from direct mail was up 300%.

Read more about the report at:
https://bit.ly/3jIiPYr

Charity shops record average losses of £33,150

Charity shops each lost an average of £33,150 in income from in-store sales between January and March 2021 due to Covid-19 lockdown restrictions that required non-essential retailers to close. This is according to analysis of data from around 4,500 charity shops by the Charity Retail Association (CRA). The CRA has also warned that this figure is likely to be an under-estimation of total losses as most Covid-19 restrictions weren't relaxed until June 2021. However, in store losses were partly offset by a significant rise in online sales.

Read more about the research at:
https://bit.ly/3nizhzg

Small trusts must use reserves to fund urgent repairs

(UCS) funding, which is allocated to urgent health and safety issues that would force schools to close if not repaired immediately. The guidance clarifies that standalone academies, multi-academy trusts with fewer than five schools or 3,000 pupils, and sixth form colleges will be refused UCS funding if they can use their own reserves to pay for urgent repairs. Small academies and trusts are now also required to provide up to date financial information when applying for UCS funding.

Read more about the guidance at:
https://bit.ly/3b0c27C

Academy transfers at four year low

Official figures from the Department for Education have revealed a significant fall in academies moving between trusts due to the impact of Covid-19. Overall, 2% of academies transferred trust in 2020/21, which is a four year low and down 2.7% compared with 2019/20. Over the same period, the number of academies forced to transfer trust by regional school commissioners fell by more than a third to 42, while the number of transfers initiated by trusts fell from 170 in 2019/20 to 118 in 2020/21. Disruption to Ofsted inspections due to Covid-19 is a key factor behind the fall in transfers. As a result, the Department for Education has strengthened measures to ensure all schools join a multi-academy trust.

Read more about the figures at:
https://bit.ly/3vwVYUj

Ofsted to inspect greater range of multi-academy trusts

Ofsted has published updated guidance confirming that it will carry out more summary evaluations of multi-academy trusts (MATs) in 2021/22. The guidance clarifies that smaller and specialist MATs will also be chosen for evaluations, instead of just larger MATs and those that are a cause for concern. The evaluations will focus on the quality of education provided through the curriculum and will help Ofsted gain better insight into the role of MATs and their contribution to the school system. While evaluations have been on hold during Covid-19, Ofsted has confirmed that 12 MAT summary evaluations will take place in the 2021/22 spring term.

Read more about the guidance at:
https://bit.ly/3nhtfiA

Working group on flexible working in the voluntary sector

The National Council for Voluntary Organisations (NCVO) and the Association of Chief Executives of Voluntary Organisations (ACEVO) have launched a working group to encourage flexible working in the voluntary sector. The group will investigate the barriers, challenges and opportunities relating to flexible working. It will report on its findings later in 2021 and provide a range of resources on flexible working for employers in the voluntary sector. The working group will also encourage collaboration and sharing of flexible working best practice between voluntary organisations.

Read more about the working group:
https://bit.ly/3vwdacB

Small charities in crisis due to lack of long-term support

While emergency funding in 2020 allowed smaller charities to continue to operate, a lack of long-term financial support has left many facing an uncertain future. This is according to the 'Small Charities Responding to Covid-19 Summer 2021 Update' report from Lloyds Bank Foundation for England and Wales. The report found that the focus on emergency funding in 2020 had made it difficult for small charities to address long-term problems, many of which have been made worse by the pandemic. The report, which is based on the views of around 400 charities supported by the foundation, also found that increased competition for grants and contracts made it harder to access funding. The cost of delivering services, which are often in complex and intertwined areas such as mental health, homelessness and domestic abuse, also increased along with demand.

While short-term funding was essential to enable charities survive the pandemic, it is problematic for service development, staff recruitment and retention, and financial sustainability. Many charities increased their workforce to meet the demands of the pandemic, but now face staff contracts coming to an end as their short-term funding runs out. With many of the charities offering frontline, community based services, concerns were also raised over the end of the furlough scheme and the cuts to Universal Credit, with worries over increased evictions and rising unemployment. However, the changes brought by Covid-19 did see some benefits, with the report finding that the 'light-touch' reporting implemented during the pandemic should be kept.

The Foundation has called on funders to provide longer term unrestricted funding to enable smaller charities to continue to serve their communities.

Read more about the findings here: https://bit.ly/3m38PdH

Government responds to criticisms of pandemic support

The Government has responded to a Public Accounts Committee (PAC) report that criticised several aspects of pandemic support for the third sector. In April 2020 the Government announced a £750 million package of financial support for organisations in the voluntary, community and social enterprise sector.

The PAC report focuses on the allocation of £513 million of total funding available through the Department for Digital, Culture, Media and Sport (DCMS). By the end of April 2021, more than 90% of funds had been paid out through seven separate schemes, including the Coronavirus Community Support Fund (CCSF) and 21 sector specific schemes. However, concerns had been raised about the transparency of the funding decisions.

The Government accepted most of the PAC's recommendations, which included working with the Charity Commission to better monitor and understand the financial health and resilience of the third sector.

In addition, the PAC recommended that the Government should explain when it would provide funding for the third sector in the future. However, this was rejected by the Government, which claimed that there is no single data source that can provide a definitive trigger for deciding when to provide sector support. Instead, further support for charities will be based on a range of quantitative and qualitative sources, including intelligence on challenges facing critical sub-sectors. The DCMS will also set out the range of evidence, data and intelligence under which support to the sector, including financial support, will be assessed.

Read more about this story at: https://bit.ly/3lXuq7f

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The UK200Group is a modern and proactive professional membership association of independent chartered accountancy and law firms which provides training and business services to enhance the performance of member firms. As well as being focused on the general small to medium businesses, members have specialist knowledge and experience of the agriculture, healthcare, charities, legal and property and construction sectors to provide effective support and advice in the areas of tax, financial management, business planning and legal issues.

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