



Report identifies challenges for charity trustees

Two years of tumultuous change have transformed the operating environment for charities and created new challenges for trustees, according to a report published by the Charities Aid Foundation and the ICAEW. Key challenges identified in the report include achieving financial resilience in the wake of the pandemic, improving collaboration and diversity, and accessing high quality support and training, particularly in relation to digital transformation and sustainability.

The 'What's on the Horizon for Charity Trustees?' report, which was based on interviews with trustees of local, national and internationally focused charities, found that financial stability was a key concern. Trustees reported that their charities were facing increasing costs and that the grant application process was stressful. Many trustees also said that diversifying funding streams by connecting with wealthy donors and building stronger support networks was a priority.

Collaboration within and between charities was another challenge. The most effective trustees had a good network of contacts within the charity sector, enabling them to support collaboration. However, most did not have access to this type of network and would benefit from a service aimed at facilitating connections between charities.

Almost all of the trustees interviewed agreed that their boards were less diverse than they would like. However, there was a mistrust of demographic quotas and a lack of consensus about how to increase diversity. The report recommended sector wide initiatives such as the ICAEW Volunteer website to help charities attract new trustees and provide them with the required support. Although training resources for trustees are widely available, the report found that the charity sector lacked an accessible centralised resource platform to help trustees locate suitable high quality training with a clear progression route. It also lacked training resources for

certain topics, including bid writing, strategic planning and the legal technicalities of fundraising.

Two further areas of challenge for trustees were digital transformation and issues related to climate change. Not all trustees felt confident using digital tools, and, as a result, some charities are missing opportunities to collaborate remotely and communicate with younger audiences. They are also failing to make adequate use of digital payment and fundraising tools.

Although there is increasing recognition among trustees that their charities need to address climate change, only a minority of charities have an official sustainability policy. According to the report, volunteers with relevant professional skills have the potential to play a leading role in helping smaller charities develop and implement policies relating to climate change.

Read more about the report at:
<https://bit.ly/3r1pJLQ> and
<https://bit.ly/37hOYTf>



Dioceses face criticism over academy conversions

Regional schools commissioners have been criticised for backing academy conversion plans for a diocese without school governors' consent. The Catholic Diocese of Hallam, which has 47 schools in South Yorkshire, Derbyshire and Nottinghamshire, has been trying to consolidate its schools into two new Multi Academy Trusts (MATs) for over a year. It has now secured academy orders, set conversion dates and begun talks over staff and land transfers, but faces a backlash from unions, governors and heads. The diocese is one of several receiving extra funding as part of a Department for Education (DfE) pilot aimed at accelerating the academisation of Christian schools.

The new St Francis and St Clare Catholic MATs were signed off at a recent advisory board meeting by co-regional schools commissioners (RSCs) for the East Midlands and the Humber. The converter applications and transfer of 19 voluntary aided schools, 23 single academy trusts and five schools in a small Catholic MAT were also approved.

A letter sent from the commissioners to council chiefs alongside the academy order said that the governors, rather than the diocese, had applied to convert, which was not the case. Both the RSCs office and diocese said that this was due to using 'standard

wording' in the letter. Both government and Hallam officials acknowledged that governor approval was needed.

The National Association of Headteachers has cited widespread concern over the actions and called for an investigation. The legal basis on which the orders had been issued, given the schools' governing bodies had not applied for them, has also been questioned. However, the DfE has confirmed it remains committed to all schools joining MATs.

Read more about the case at: <https://bit.ly/3NX6nBw>

Charities face rising costs and falling incomes as a result of inflation

Inflation will remain at higher than usual levels until 2024, and its impact on the charity sector will include rising costs, depreciating income and increased demand for the services that charities provide. This is according to analysis carried out by Pro Bono Economics (PBE), which forecasts that by 2024 the charity sector will face an additional annual wage bill of £2 billion if charity workers' pay rises in line with inflation. Since many charities will not be able to afford this increase, they will struggle to recruit staff as charity income is unlikely to keep up with the level of inflation.

Charitable donations are likely to fall as a result of a cost of living

squeeze, and even where regular fixed donations (such as those made by direct debit) continue to be made, they will be worth less in real terms. The real value of recently awarded grants will also be eroded.

For example, a grant of £100,000 per year will only be worth £94,000 by 2023. In addition, money held in reserve by charities may lose its value, since interest rates for savers remain low. PBE recommends that charities should take advice about minimising this loss of value. Charities that support people facing poverty will see a spike in demand for their services as a result of inflation. The real value of state benefits will fall and an estimated

100,000 people will face worsening poverty. For foodbanks, this could mean an increase in demand for food parcels equivalent to 16 parcels per 1000 residents in a given locality.

To respond to the challenges created by continuing high rates of inflation, PBE recommends that charities determine whether demand for their services will change, enter wage negotiations with their staff as early as possible, revise their income targets and plan how to deliver them.

Read more about the analysis at: <https://bit.ly/3J7TfWD>



In brief...

Fewer charity closures since start of pandemic

A study by the Third Sector Research Centre has indicated that although Covid-19 has not caused a spike in charity closures, fewer new charities have been established since the start of the pandemic. While a crisis such as Covid-19 will typically cause a sharp rise in closure levels, the study has revealed that there was a sudden drop in the number of charity dissolutions following the start of the pandemic. However, researchers have warned that the financial support provided to charities during Covid-19 may have helped them continue to operate and there could be more closures in future. In addition, there is often a gap between charities facing a financial crisis and an insolvency being recorded. <https://bit.ly/36RmdwJ>

ESFA remit to be reduced following independent review

The Department for Education (DfE) has confirmed that the Education and Skills Funding Agency (ESFA) will no longer be responsible for post-16 policy and delivery duties. The announcement follows an independent review of the ESFA's effectiveness, which found that it has too much responsibility for policy and delivery within its remit. The review also recommended that the ESFA should only have responsibility for funding going forward. The DfE will take over post-16 policy and delivery duties from April 2022. While some education bodies have welcomed the announcement, others have warned there is a significant risk that leaving policy decisions solely to the DfE will fail to recognise the operational challenges facing providers. <https://bit.ly/3K8uHxX>

Charities missing out on Gift Aid donations

The 'UK Giving Report' from the Charities Aid Foundation (CAF) has revealed that while Gift Aid is worth £1.3 billion per year to the charity sector, it is missing out on more than £500 million in extra income as almost a quarter (23%) of donors do not use Gift Aid. As a result, the CAF is urging taxpayers who complete a Self Assessment tax return to declare any donations so that the charity can claim Gift Aid. The report has also indicated that members of the public donated a total of £11.3 billion to charities in 2020 and that despite a steady rise in the number of donors using Gift Aid, the tax relief scheme remains underutilised. <https://bit.ly/3J8pODN>

Significant fall in donations from top earners

Research by the Law Family Commission on Civil Society has revealed that charitable donations from the top 1% of earners in the UK have fallen significantly. Declared donations from earners with a pre-tax personal income of at least £175,000 declined by 21% between 2011/12 and 2018/19, despite a 10% rise in personal income over the same period. Overall, the typical charitable donation declared on the tax return of top earners fell from £680 per year in 2011/12 to £538 per year in 2018/19. The research has indicated that while the top 1% of earners account for 14% of pre-tax income in the UK, their declared donations account for just 6% of total donations to charity from the public. In response to the findings, the Law Family Commission has urged the Government to appoint a Philanthropy Commissioner to close the 'generosity gap' among the top earners. <https://bit.ly/3K7ANyH>

Calls for Ofsted to inspect MATs

Think tank Onward has called for Ofsted to be given additional powers to inspect multi academy trusts (MATs) to address concerns about governance and poor school ratings. Currently, the regulator does not have the power to inspect an entire MAT even when several schools within the same trust receive 'inadequate' ratings following an Ofsted inspection. According to Onward, inspecting the entire MAT would help spot issues earlier and ensure proper transparency and accountability for the decisions taken at trust level. The Covid-19 pandemic has also delayed plans to carry out more summary evaluations of MATs, with only one or two inspections set to take place in the 2022 spring school term. <https://bit.ly/3uQ8myB>

Charities expected to fill gaps in public services

Around nine in ten charity chief executives believe the voluntary sector will be expected to fill gaps in providing public services over the next five years. The 'Charity Landscape Report 2022' from the Charities Aid Foundation has revealed that three quarters of charity leaders experienced an increase in demand for their organisation's services during the Covid-19 pandemic, and 86% expect demand to further increase. While 80% of charities are confident they can meet rising demand, only 50% are optimistic about the future of the charity sector overall. The report has also indicated that 58% of chief executives believe financial sustainability is the main challenge facing their charity, and 64% are concerned about the level of government support for the sector. <https://bit.ly/3iZ8NBk>



Only half of charity leaders are optimistic about the sector

Over half of charity leaders (58%) say that generating income and achieving financial sustainability is their main challenge in the aftermath of the pandemic. This according to the annual Charities Aid Foundation (CAF) survey, which also found that the next biggest challenge cited by charities was meeting demand for their services (30%). An increasing number of charities plan to use reserve funds to cover income shortfalls rather than for capital expenditure – 21%, compared to 10% in 2019.

The survey revealed that while the majority of charity leaders (81%) were optimistic about the future of their own organisation, only half (50%) were optimistic about the future of the sector in general and 64% were pessimistic about Government support. It also highlighted regional differences, with charity leaders in Scotland and Northern Ireland more likely to feel that the Government values their input. Overall, 69% of respondents believe that over the next five years, the Government will view charities as service providers. Three in four charity leaders (75%) had seen demand for their organisation's services increase over the first year of the pandemic, with 86% anticipating that demand would continue to increase.

while most charity leaders (89%) believe that technological change is relevant to their organisation, larger organisations were more likely to have invested in tech solutions during the pandemic. While nearly three quarters (72%) have introduced or plan to introduce new methods of giving, only two in five (41%) are increasingly turning to online fundraising. This is perhaps due to under a quarter (24%) feeling they have the know-how to do so effectively.

The CAF surveys charity leaders annually to understand the challenges the sector faces, and how these affect charities' abilities to serve their beneficiaries. The most recent survey received over 1,000 responses.

Read more about the CAF report at: <https://bit.ly/3u8gbkk>

ANDERSON BARROWCLIFF LLP

Chartered Accountants

3 Kingfisher Court
Bowesfield Park
Stockton-on-Tees
TS18 3EX

Tel 01642 660300

Fax 01642 660301

theteam@anderson-barrowcliff.co.uk

www.anderson-barrowcliff.co.uk

If you would like further information on any of the articles in this newsletter please contact David Robertson on the telephone number above or email davidr@anderson-barrowcliff.co.uk

Registered to carry on audit work in the UK and regulated for a range of investment business and consumer credit activities by the Institute of Chartered Accountants in England and Wales.



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.

www.uk200group.co.uk

This newsletter has been prepared for general interest and it is important to obtain professional advice on specific issues. We believe the information contained in it to be correct. While all possible care is taken in the preparation of this newsletter, no responsibility for loss occasioned by any person acting or refraining from acting as a result of the material contained herein can be accepted by the UK200Group, or its member firms or the author.

UK200Group is a trading name of UK200Group Limited and is an association of separate and independently owned and managed accountancy and law firms and as such each has no responsibility or liability for the acts or omissions of other members. UK200Group does not provide client services and it does not accept responsibility or liability for the acts or omissions of its members.

The survey also assesses the digital charity landscape. Unsurprisingly,

Charity Commission preparing to register thousands of church charities

The Charity Commission for England and Wales is preparing to register up to 35,000 church charities over the next ten years. As part of this, the Charity Commission will also work with the Church of England to pilot and manage applications from cathedrals applying for charitable status.

Currently, church charities with links to certain Christian denominations are 'excepted' from charity registration if their gross income is no more than £100,000. This means they do not need to register or submit annual returns. However, the regulations that allow this will expire in 2031.

Expanding the Register of Charities to cover all church charities is part of the Charity Commission's work to continue with a robust approach to regulation, which was identified as a key priority in its business plan for

2021/22. The Charity Commission will also make it more straightforward for members of the public or charity staff to raise concerns.

Additional priorities set out in the 2021/22 business plan include helping the sector recover from the pandemic and significantly improving the use of data. The Charity Commission will help charities deliver impact post Covid-19 by setting an online portal for trustees, enabling a one to one relationship with the regulator. It will also develop an action plan to improve charities' compliance in submitting statutory returns, which will cover Covid-19 extensions. The content of the returns themselves will be subject to a fundamental review.

Read more about this story at: <https://bit.ly/3j4y10I>