

## Charity Commission urges trustees to do more to prevent wrongdoing

A report published in January by the Charity Commission for England and Wales has revealed that it has made significant use of new enforcement powers that were granted to it in the Charities Act 2016, including powers to disqualify individuals from charity trusteeship and to issue official warnings to charities and trustees.

The report, 'Dealing with Wrongdoing and Harm: Lessons for Trustees' is the latest annual review of the Charity Commission's compliance case work. It summarises the investigations and enforcement activity of the Charity Commission in 2017/18. The report reveals that the new enforcement powers were used a total of 137 times. In 21 cases, trustees were disqualified, and a further seven trustees were suspended.

There were six official warnings issued, including one given to the RSPCA concerning a financial settlement made to its former acting chief executive. The Charity Commission found that RSPCA officers had failed to gather sufficient information before agreeing to the £150,000 pay-off and that they had not acted with reasonable skill and care.

This 'robust' approach to enforcement is explained in the 'Charity Commission Statement of Strategic Intent 2018 - 2023', published by the Charity Commission in October 2018, which notes that public trust in the charitable sector is at its lowest level for more than a decade. In order to rebuild trust, the Commission has developed strategic objectives that include a commitment to intervene

promptly where wrongdoing is suspected and make better use of technology to handle enforcement cases more swiftly.

In the strategy document, the Charity Commission also pledges to become more preventative in its approach, aiming to help trustees act fully on their responsibilities as the first line of defence against wrongdoing and harm. It urges trustees to have robust financial controls and safeguarding policies in place and to encourage everyone involved in their charity to speak openly about possible problems.

In particular, the Charity Commission reminds trustees that they must report serious incidents promptly. In 2017/18, it received 2,819 serious

incident reports, mostly concerning safeguarding issues. It investigated 552 new safeguarding cases in 2017/18, compared with 302 in 2016/17 and 163 in 2015/16. The increase in safeguarding reports was thought to be a result of the increased focus on safeguarding issues that followed revelations involving Oxfam.

According to the Charity Commission's analysis of serious incident reporting statistics overall, it is likely that there would be more reports if trustees were carrying out their reporting duties more effectively.

Read more about the Charity Commission's enforcement powers at: <http://bit.ly/2YLdnb2> and <http://bit.ly/2HWyemB>



# academy schools not sharing information with parents

Parents and local communities find it difficult to obtain basic information from academy trusts about the schools that they run, according to a recently published report from the House of Commons' Public Accounts Committee (PAC). While information about academy trusts is available through Companies House, the committee found that this is of little use to parents as it does not disclose details about individual schools. In some cases, parents have had to use freedom of information requests to obtain basic information, for example about funding for repairs to school buildings. The PAC report recommends that trusts should be required to make information about individual schools available and to

be transparent about governance and decision making at all levels. It also calls on the Department for Education to provide better analysis of the financial performance of the academy sector as a whole, showing how different types and sizes of trusts perform, and how performance varies in different geographical areas.

The PAC also found that although trusts are required to have complaints procedures in place, this requirement is not always met and many parents do not know who to approach when they have concerns about the running of a school. The PAC recommends that all parents should be informed of a named

individual within the trust that they can complain to. In addition, the Department for Education should provide its own departmental complaints service that parents can turn to if their concerns are not addressed adequately by a trust.

The PAC report also called on the Department for Education to work with the Charity Commission, Companies House and the Insolvency Service to strengthen the sanctions that are available to punish and prevent malpractice in the academy sector.

Read more about the report at: <http://bit.ly/2FKGO4i>

## DSC launches new funding website

The Directory of Social Change (DSC) has launched a new website, Funds Online, to help charitable organisations search for funding. More than 8,000 funders offering a total of around £8 billion are listed on the site.

Previously, the DSC listed funding opportunities on four websites **[Trustfunding.org.uk](http://Trustfunding.org.uk)** **[Grantsforindividuals.org.uk](http://Grantsforindividuals.org.uk)** **[Governmentfunding.org.uk](http://Governmentfunding.org.uk)** **[Companygiving.org.uk](http://Companygiving.org.uk)** Funds Online replaces these websites and brings their four 'datasets' together to provide comprehensive information about funding opportunities for individuals and organisations offered by grant-making charities, local and central government, European organisations and business and charitable trusts.

Funds Online enables users to search for funding opportunities by intended beneficiaries (for example, people with learning disabilities, homeless people and environmental causes), or by their particular organisational needs (such as campaigning, capacity building, staff salaries and capital costs).

Funds Online also provides management tools that enable users to keep records of their grants and applications, who they've applied to and how much they have raised. They can also upload application forms, funding proposals and other key documents.

To use Funds Online, organisations must pay an annual subscription fee of £350 for each dataset. Organisations that were already subscribed to one or more of DSC's

old funding websites will automatically be able to access the same information on Funds Online. Tom Traynor, DSC Head of Research, said that the new website will make it easier for charitable organisations to: *"find funders that can potentially support your organisation or cause. That can make it easier for you to organise and plan your fundraising activities."*

Read more about Funds Online at: <http://bit.ly/2la2Yjm>



# in brief...

## 2019 will be financially challenging for charities

The 2019 'Road Ahead' report from the National Council for Voluntary Organisations (NCVO) has warned charities that they must prepare for a financially challenging year due to Brexit-related uncertainty, rising costs and cuts to local authority budgets. Overall, spending by local authorities across England fell by 19% between 2009/10 and 2017/18. In addition, changes to the benefits system and benefit freezes for lower-income households is expected to lead to higher demand for charities delivering services such as debt relief and food banks. <http://bit.ly/2VkfMaE>

## Charity accounts too complex

Auditors have warned that charity accounts are becoming too long and complex following the introduction of additional reporting requirements. The Charity Commission has introduced new reporting requirements on topics such as serious incidents, whistleblowing and fundraising to improve transparency and public trust in charities. However, auditors have expressed concern that the new requirements have been difficult for charities to comply with, and the volume of information in the accounts is hindering rather than improving transparency. Auditors have also claimed that guidance published by the Charity Commission to help charities meet the new reporting requirements is inconsistent, and as a result, many charities are uncertain about how to meet their obligations. <http://bit.ly/2layZYr>

## Charity shop profits up 6% year-on-year

Research from the Charity Retail Association (CRA) has revealed that profits at UK charity shops reached a total of £295 million in 2017/18, an increase of 6% when compared to 2016/17. Sales of donated items accounted for 82% of charity shops' total income. Other sources of income included bought-in items (6%), Gift Aid reclaims (5%) and sales to recycling merchants (4%). Overall, there are now 11,200 charity shops trading in the UK. According to the CRA, the increase in profits reflects the resilience of the charity shop sector despite difficult trading conditions and the challenges facing the high street. <http://bit.ly/2VkfqtgO>

## Charities should avoid extensive checks on new employees

Charities that carry out excessive screening checks on new and prospective employees could be at risk of breaking data protection law. This is according to a number of data protection experts who have urged charities to be diligent when outsourcing employment checks to vetting agencies. It is a charity's responsibility to ensure that any organisation or vetting agencies that collect data on their behalf are compliant with data protection law, and that the vetting process is not intrusive or involve the collection of irrelevant information. The warning comes after a number of charities have expressed concern about their inability to conduct comprehensive screening checks on new employees. <http://bit.ly/2UfKAww>

## Smaller charities most likely to miss filing deadline

Figures from the Charity Commission for England and Wales have revealed that around 6,700 charities missed the 31 January 2019 deadline to file their annual accounts or annual report. Overall, 17,129 charities were late filing their annual reports, of which 15,330 were charities with an annual income under £100,000. The figures have also indicated that 250 charities with an income of more than £1 million and 1,544 charities with incomes of between £100,000 and £1 million were late filing their accounts. <http://bit.ly/2UxuWMe>

## Academy trusts must review executive pay

The Department for Education (DfE) has confirmed that a significant number of academy trusts are reviewing their processes for setting executive salaries following concerns that some CEOs are receiving disproportionately large salaries. The DfE has written to 213 trusts asking them to justify the high salaries as part of a government crackdown on academy payment policies. In response, 131 trusts have confirmed that their approach to setting executive pay is compliant with Education and Skills Funding Agency guidelines. A further 43 trusts have confirmed they will review their pay policies, while 52 trusts have been taken out of scope because they have cut executive pay or have closed. <http://bit.ly/2uReY1n>



# conversion of faith schools to academies risks funding shortfall

The Department for Education (DfE) has confirmed that the requirement for not for profit organisations running voluntary aided schools to contribute to the school's running costs will no longer apply if the school becomes an academy. Voluntary-aided schools are state-funded but receive financial support from a foundation or trust (usually a religious organisation) that has an influence on how the school is run. Charities and other not for profit

organisations that run voluntary aided schools must cover at least 10% of the capital costs required to run the school.

Accord, a campaign group that argues against religious selection in state funded schools, has warned the DfE that if it encourages faith schools to become academies it could result in a serious funding shortfall if non-profit organisations are no longer required to contribute financially to the schools' running costs. Accord also highlights that each time a voluntary aided faith school is converted into an academy, the DfE will lose a contribution to the school's running costs. Accord estimates that the total funding shortfall caused by the

conversion of voluntary aided faith schools to academies could run to millions of pounds.

Of around 4,800 non-academy faith schools in the UK, almost two thirds (63%) are voluntary aided schools. Overall, one in every two children in the UK attends an academy. In February 2019, the Education Secretary met with representatives from the Church of England and the Catholic and Methodist churches, as well as Muslim, Sikh, Jewish and Hindu leaders, to promote further take up of the academy model by faith schools.

Read more about the DfE confirmation and Accord's warning at: <http://bit.ly/2VibrES>



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## trustees continue to misunderstand public benefit reporting requirement

Charity trustees continue to misunderstand the public benefit reporting requirement, research by the Charity Commission for England and Wales has suggested. In order to satisfy the requirement, trustees must ensure that the charity's annual reports include an explanation of the activities carried out for the public benefit during the report period, as well as a public benefit statement, meaning a declaration that the trustees had due regard to the Commission's guidance document on public benefit reporting.

A total of 105 annual reports from randomly selected charities were reviewed by the Charity Commission in May 2018. Just 52% of reports demonstrated that the trustees had a clear understanding of the public benefit reporting requirement compared to 51% of annual reports reviewed by the Charity Commission in 2017.

The number of annual reports that included a public benefit statement increased from 62% in 2017 to 66% in 2018. In contrast, the number of reports that included an explanation of the charity's public benefit activities decreased from 71% in 2017 to 66% in 2018. The Charity Commission has stressed that satisfying the public benefit reporting requirement requires more than the inclusion of a public benefit statement. Trustees must also use the annual report to demonstrate consideration of how the charity's activities for the public benefit made a difference during the report period, for example through improving the lives of a certain group of people.

Read more about the Charity Commission research at: <http://bit.ly/2KcClam>