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Charities & Education

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Charity Commission guidance for charities in financial difficulties

The Charity Commission has published guidance to help charities that are facing financial difficulties as a result of rapidly increasing costs and higher demand. The guidance reminds trustees of their duty to provide effective financial stewardship and provides suggestions about minimising costs, conserving income sources and approaching difficult decisions such as merging with another charity or closing altogether.

Energy costs are a particularly serious concern for charities, and the guidance provides updated information about energy bill relief available. According to a report published by Pro Bono Economics, 41% of charities and community groups across the UK say that their energy bills have increased. Among these, a third reported that their energy bills had more than doubled and one in five have reduced the use of their premises in order to cut energy costs.

In addition to using the energy bill relief scheme, the Charity Commission guidance recommends that trustees should check whether they are paying the correct rate of VAT on the energy they purchase and to contact their supplier if they think that a refund may be due.

Other recommendations include teaming up with other charities with similar aims to share resources, approaching lenders to discuss whether loans can be re-scheduled and asking funders whether they are prepared to relax any restrictions they may have placed on how payments or grants are to be used. The guidance also includes advice for charities that are considering selling assets or drawing on their reserves and for charities with trading subsidiaries that are facing financial difficulties.

The guidance is aimed particularly at the trustees of smaller charities, who may need help to ensure that any financial decisions they make comply with their duty to act with reasonable care and skill in the best interest of their charity. It stresses the need to keep the charity's finances under closer review than would be expected during a more financially secure period. Severe financial difficulties, such as unmanageable debt, may need to be reported to the Charity Commission as serious incidents.

Where it becomes necessary to close a charity as a result of financial pressures, trustees must check their charity's governing document for any procedural requirements in relation to closure, understand the costs involved and consider how they will communicate the planned closure to stakeholders. The guidance also recommends that trustees should take professional financial advice and consider appointing administrators to ensure that appropriate procedures are followed.

The guidance is available at:
https://bit.ly/3AAjrHk

Charities & Education

Spring Budget funding announcements for charities

Funding of £100 million for charities and community organisations in England was announced in the 2023 Spring Budget. The Chancellor explicitly acknowledged the sector's role in supporting vulnerable people during the cost of living crisis. Three quarters of the funding will be targeted at the frontline organisations most affected by increased demand for their services. The remaining £25 million will be spent over two years on measures to improve energy efficiency and sustainability in the sector, such as grants for new boilers, heat pumps and insulation.

According to research carried out by Pro Bono Economics, this additional funding will fall far short of the amount needed to compensate for the real-terms loss of funding that the sector is experiencing, which is likely to amount to £800 million between 2022/23 and 2023/24.

However, in addition to the £100 million of dedicated funding for the sector, charities and community organisations are expected to benefit from measures announced in the Budget to encourage economically inactive people back into the workplace. These include a pilot WorkWell programme, Musculoskeletal Hubs and the Youth Offer, which will all involve collaboration between local authorities, health services and community organisations.
Other budget announcements that will benefit charities and community organisations include an additional £239 million for wrap-around childcare (over half of which is provided in partnership with the charitable sector) and a £10 million grant fund for suicide prevention organisations in England.

The expansion of the Staying Close programme for care leavers and the employment support programme for Ukrainians will also provide opportunities for relevant charities.

Read more about the funding at: https://bit.ly/3VbnjrS

Consultation on social media guidance for charities

The Charity Commission is in the process of analysing the results of a consultation on new draft guidance for charities that use social media. The guidance, which follows concerns about the increasing number of complaints received by the commission relating to social media posts, is intended to help trustees understand their responsibilities, manage risks and take appropriate action where necessary.

Key recommendations include developing a social media policy and making sure that trustees, staff and volunteers are familiar with it. The policy should make it clear that the charity should not post or share content that could be regarded as harmful, inconsistent with its charitable purposes or not in its best interests.

The guidance acknowledges that charities are free to engage in emotive and controversial issues on social media if this is a way of achieving their charitable purposes. However, it stresses that trustees should have procedures in place to manage reputational risks and handle complaints.

Although many of the Charity Commission's proposals have been welcomed, some charities have expressed concern about recommendations relating to the personal social media accounts of individuals connected to a charity, such as staff and volunteers. According to the draft guidance, trustees are responsible for identifying and managing the risks that an individual's posts may cause reputational damage if they are interpreted as reflecting the views of the charity. However, organisations, including the Directory for Social Change, have warned that this is likely to place an unworkable regulatory burden on trustees, and may even be regarded as a threat to free speech.

Read more about the consultation at: https://bit.ly/3LApB0u

In brief...

Winter sales boost for charity shops

The average number of transactions per day in charity shops increased by 9.1% year-on-year in Q4 2022, according to figures from the Charity Retail Association. The figures have also revealed that the average transaction value was £7 in Q4 2022 compared to £6.74 in the same period of 2021. The increase was due to a range of factors including shoppers buying more items per transaction, as well as buying higher-priced items. Many charity shops have also implemented strategies to boost footfall and recover from the Covid-19 pandemic, such as selling online, opening superstores, and encouraging donations to meet customer demand. Read more about the figures at: https://bit.ly/3VdSI28

36% of consumers cutting back on donations

Charities could lose out on up to £580 million of donations as consumers cut back on charitable giving due to the cost of living crisis. A survey carried out in March 2023 by Beautiful Insights revealed that 36% of consumers were planning to reduce the amount they donate over the next three months, while 13% were likely to stop donating altogether. In addition, 10% of consumers had already stopped all charitable giving. As a result, many charities are facing falling revenues during a period of growing demand for their services. Read more about the survey at: https://bit.ly/41TV6rM

Free property guide for charities

The Ethical Property Foundation has published a free online guide to help trustees acquire and manage property for their charity. The Weston Property Manual provides practical advice and tips covering 12 key areas, including governance, acquiring property, building management, energy use and conservation, sourcing supplier quotes and project delivery. The manual also includes a jargon buster for commercial property to help trustees understand common property language.
Read more about the manual at: https://bit.ly/3NgDqlU

DfE scraps key academy proposals

The DfE has scrapped two key proposals intended to accelerate the academisation of schools. The target for all schools to be in or preparing to join a multi-academy trust by 2030 has been dropped, along with plans for local authorities to set up their own trusts. The proposals were announced as part of the 'Opportunity for All' White Paper published in March 2022. However, just 19 of the 42 main proposals have been implemented or are still on track to come into force. In response, academy trust leaders have warned that a lack of clarity about the direction of education policy is making it difficult to plan ahead.
Read more about the proposals at: https://bit.ly/3AvTSY7

More young adults planning to volunteer

Research from Pro Bono Economics has revealed that charities could benefit from up to 2.5 million new younger volunteers as one in six people aged 18 to 34 plan to start volunteering in 2023. Overall, 11% of people said they plan to give unpaid help to a group or organisation, which equates to 7 million new volunteers. The increase in volunteering intentions follows a period of sustained decline that was intensified by the Covid-19 pandemic. The proportion of people engaged in regular formal volunteering fell to 17% in 2020/21 compared with 27% in 2013/14.
Read more about the research at: https://bit.ly/3NhEAO4

Plans to future-proof academy trusts

The DfE has published the findings of a review into how it can future-proof the role of academy trusts. A new risk-based proportionate regulatory approach will be introduced, along with a single interface between the DfE and trusts to make it easier for trusts to submit returns. The requirements set out in the Academy Trust Handbook will also be streamlined, with a revised edition expected to take effect from September 2023. A national mentoring programme for multi-academy trust chiefs will also be introduced, along with a regional trust development network to facilitate peer-to-peer support.
Read more about the review at: https://bit.ly/41V9KiE

DfE sets out vision for academy trust landscape in left-behind areas

The Department for Education (DfE) has published trust development statements (TDSs) that outline how it wants the academy trust landscape in England to develop. The TDSs cover education investment areas, which are 55 local authority education areas identified as underperforming by the Levelling Up White Paper, and reveal an overall drive towards mergers between multi-academy trusts (MATs). A key theme of the TDSs is for single academy trusts and smaller MATs to be merged into or replaced by larger MATs. This mirrors the Government's belief that high quality MATs are key to improving education outcomes. It also reflects regional directors' concerns that smaller schools may be left behind unless they join a MAT.

Where possible, MATs should look to incorporate schools and single academy trusts with less than 'Good' Ofsted ratings, as well as trusts that are at risk of becoming isolated outside of a MAT. Proposals that rely on unplanned incremental changes will be actively discouraged.

Each TDS clearly signposts the types of trust growth encouraged in each area, and local educational context is taken into account. For example, in Leeds, the Government would like the city's Catholic and Church of England diocesan MATs to build capacity for the many faith schools maintained by the local authority. The TDSs were published in March 2023 alongside the Academies Regulatory and Commissioning Review, which promised £86 million of Trust Capacity Funding between 2022 and 2025. Spending will be focused in education investment areas to allow new and existing MATs to build their capacity to grow. Larger grants will be available for projects which respond to local priorities for trust growth set out in the TDSs.

Read more about this story at:
https://bit.ly/446IWxs
Read more about TDSs at:
https://bit.ly/41JiWqy
The review findings are available at:
https://bit.ly/40DsXnT

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New Gambling Minister urged to remove financial limit on society lotteries

Charity leaders have called for the Government to remove the financial limits on society lotteries. In March 2023, the Department for Culture, Media and Sport added gambling to the brief of the Under-Secretary of State for Civil Society, who had promised to meet with charity leaders to discuss reforms.

People's Postcode Lottery welcomed the fact that a single minister is now responsible for policy on charities and charity lotteries. It warned that the financial limits on lotteries are causing increasing difficulties for charities responding to the impact of the cost-of-living crisis, adding that it is time for the Government to take action.

Lotteries are the only form of charitable fundraising and the only gambling product subject to financial limits. The total amount that can be raised in ticket sales by a society lottery (the annual sales limit) and the total value of ticket sales per draw (the per-draw sales limit) are capped. In July 2020, charity lottery reforms increased the annual sales limit from £10 million to £50 million and the per-draw limit from £4 million to £5 million.

An open letter from more than 100 charities to the Culture Secretary in February 2023 acknowledged that the 2020 reforms have helped charities. However, the remaining limits were criticised as unnecessary over-regulation and excessive red tape. The letter also pointed out that removing the limits would be of no cost to the Government.

Read more about this story at:
https://bit.ly/3V9VbVW
The open letter is available in full at:
https://bit.ly/3n1YKBb