

Charity Insight

December / 2020

HAWSONS CHARTERED ACCOUNTANTS



Sign up here to
receive our
newsletter updates

Big firm expertise,
small firm personal
attention



In this issue:

Indicators Suggesting Smaller Charities Struggling Across the UK
Charities Lose Millions to Fraud and Cybercrime Since March
The Impact of a Second National Lockdown
Chancellor Announces Further Financial Help for Businesses,
Employees and the Self-Employed.

Introduction



Simon Bladen,
Partner, Sheffield
T: 0114 266 7141
E: slb@hawsons.co.uk

A handwritten signature in black ink that reads "Simon". The signature is written in a cursive style with a long, sweeping underline.

Welcome to our final charity newsletter of 2020. What a year it has been and for mostly the wrong reasons. Despite the early promise leading into 2020, I think this one will probably go down as a year to forget. Hopefully, there is more to be positive about as we head into 2021 and say goodbye to 2020.

Although the immediate economic outlook appears somewhat bleak, this will hopefully only be in the short term and the charity sector will be looking to get itself back on track and continue the vital work it does across the UK and beyond.

In this issue, we cover a number of topics centered around the impact of and the support available as a result of Covid-19 whilst also noting the ever-increasing importance of cybersecurity.

We hope you enjoy the contents of this newsletter and as ever if you have any questions about any of the articles please do not hesitate to contact me or your usual Hawsons contact. Bring on 2021!

At Hawsons we recognise that not-for-profit organisations have very different requirements from other businesses and are currently exposed to a challenging economic climate.

Our dedicated team fully understands the complex, ever-changing regulatory requirements of the charity and not-for-profit sector. Irrespective of your size we wish to support you to maximise the benefits you could achieve through our specialist professional advice.

Charities & not-for-profit organisations are currently facing extensive changes in their regulatory and legal framework. Given the additional pressures on fundraising, complex tax regimes, internal risk exposure and stakeholder demands, it has never been more important to obtain specialist professional advice.

Indicators Suggest Many Smaller Charities Struggling Across the UK

Recent polls and fundraising data have indicated that donations to NHS charities have risen dramatically since March. Whilst this is perhaps not surprising other charity sectors have seen a decline in donations, this includes homeless and animal shelters as well as disability support groups.

Why are small charities struggling?

A recent report conducted by the Charities Aid Foundation (CAF) indicates that overall donations to charities had increased by £800m in 2020 compared to 2019. However, CAF has said that although donations in 2020 increased overall, smaller charities did not see this growth. During lockdown, many people started donating to frontline services of the pandemic such as NHS charities. For example, Captain Tom Moore's fundraising campaign which raised over £32 million for NHS charities. However, these campaigns have left other charities at greater risk. For example, animal charities have seen their largest year-on-year decline in donations. There are similar stories across a number of other charity sectors. The current economic strain caused by COVID-19 has caused many individuals and businesses to reduce their charitable giving whilst also re-directing donations that are made to the sectors seen to be directly combatting the pandemic.

What support is available to charities?

The government supported charities with a £750m bailout in April, however there have been calls for additional support. In addition, the Small Charities Coalition (SCC) noted in a recent poll that only half of their member organisations have received additional support after applying. This funding was due to cover 6 months of operational costs and the impact on the charity sector as a whole is not expected to be seen until the early months of 2021.

Charities Lose Millions to Fraud and Cybercrime Since March

Since March charities have lost an estimated £3.6 million due to fraud and cybercrime. The Charity Commission has stated that the actual figure is likely to be far higher due to fraud and cybercrime being notoriously hard to detect and report by their very nature.

It is believed that unfortunately, the coronavirus pandemic has accelerated fraud and cybercrime because of the prevalence of remote working. Charities are often seen as somewhat soft and attractive targets by fraudsters due to the high volume of transactions and varied income streams. Staff have to be particularly vigilant to stop criminals getting into their systems.

The Charity Commission's analysis of frauds reported an increase in not only external fraud but also insider fraud. The added economic strain caused by the pandemic has increased temptation for employees across all industries, not just charities.

Make sure your organisation has the best possible practices in place

It is always important to make sure your charity has the best practices in place to reduce the chances of a cyber-attack or data breach. Especially if there is a greater reliance on home working since the start of the pandemic as fraudsters are looking to expose potential vulnerabilities within your system.

Further research has found that 73% of charities did make changes to their procedures and infrastructure once they had been the victim of fraud. But don't wait until you are a victim before you review your current systems and processes!

The Impact of a second National Lockdown on Charities

Due to the combination of increasing demand and decreasing income it is estimated that a funding gap of around £10bn has been created across the charity sector over the past six months. [Recent research](#) conducted before the second national lockdown was announced showed that around 10% of charities are likely to close and 80% are predicting that they will not deliver on their planned objectives. The second national lockdown will almost certainly not help improve these figures, especially with many charities scaling down their workforce with the Job Retention Scheme as they await calmer waters which will hopefully come in early 2021.

Job Retention Scheme Extension

Due to pressure arising from a second national lockdown, the government has committed to an extension of the Job Retention Scheme until March 2021. Furthermore, businesses in England that are forced to close may be eligible for up to £3,000 a month to cover costs (via the Local Restrictions Support Grant). However, this has fallen under some criticism in the charity sector with many arguing that charities in particular should be encouraged and assisted to operate more during this difficult time. Some believe that scaling down the charitable workforce is not in the nation's best interests and will impact local communities. More difficult operational decisions are on the horizon for many and there are no easy answers either way.



Chancellor Announces Further Financial Help for Businesses, Employees, and the Self-employed

Furlough Scheme extended until March 2021

The Chancellor Rishi Sunak has recently announced that the furlough scheme will now be extended until the end of March 2021. This comes just a few days after the government announced the scheme would be extended until 2 December 2020. This was due to the second national lockdown across England which started on 5 November and is scheduled to run until 2 December 2020.

The chancellor has said that he has extended the scheme further to offer businesses and employees protection through the winter months. The statement came after the Bank of England announced they are investing an additional £150bn into the UK economy.

Will there be any differences in the furlough scheme?

During the last few months of the furlough scheme businesses were asked to start increasing their contribution to employee remuneration. In this extension, the government is going to pay 80% of employee wages as they did in late March 2020. However, employers are being asked to pay pension and national insurance contributions.



Do I qualify for the furlough scheme?

To qualify for the furlough scheme employees must have been on the employer's payroll as of 30 October 2020. It is worth noting that employees do not have to have been on the furlough scheme before.

What other support is available for businesses?

Businesses will also be able to claim the Local Restrictions Support Grant worth up to £3,000 per month if their business is forced to close.

Businesses will receive £1,500 for each unemployed 16-24-year-old given a high-quality six-month work placement. Businesses will also receive £2,000 for every under-25 apprentice taken on until the end of January.

What about self-employed?

Self-employed individuals will receive increased support through the Self-Employment Income Support Scheme (SEISS). Self-employed individuals will now be eligible for a third grant worth up to 80% of average trading profits up to a maximum of £7,500. This will cover November to January.

[To find out more please the HMRC website here](#)



Get in touch...

At Hawsons we recognise that not-for-profit organisations have very different requirements from other businesses and are currently exposed to a challenging economic climate.

Our dedicated team fully understands the complex, ever-changing regulatory requirements of the charity and not-for-profit sector. Irrespective of your size we wish to support you to maximise the benefits you could achieve through our specialist professional advice.

Charities & not-for-profit organisations are currently facing extensive changes in their regulatory and legal framework. Given the additional pressures on fundraising, complex tax regimes, internal risk exposure and stakeholder demands, it has never been more important to obtain specialist professional advice.

Sheffield Partner



Simon Bladen

T: 0114 266 7141

E: slb@hawsons.co.uk

Doncaster Partner



Paul Wormald

T: 01302 367 262

E: pw@hawsons.co.uk

Northampton Partner



Richard Burkimsher

T: 01604 645 600

E: richardburkimsher@hawsons.com



Sign up here to receive
our newsletter updates

Big firm expertise, small
firm personal attention

Book your free
initial meeting
with us here

VAT Health Check

All information on in this newsletter is of a general nature and may not be applicable to your own specific circumstances. We will be pleased to discuss your specific circumstances or requirements in more detail. If you would like to discuss anything with us, [please contact us](#).

Follow us on social media

