DAINS ACCOUNTANTS

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Charity email databases shrink due to GDPR

The charity sector is finding it more difficult to communicate with donors and supporters following the introduction of the General Data Protection Regulation (GDPR) in May 2018, according to a survey of charity workers.

The survey, which was carried out by Third Sector and nfpSynergy, has revealed that 53% of charities have experienced a fall in the number of supporters they can contact via email as a result of complying with the GDPR. In addition, 18% of charities said the size of their email database had more than halved. Around 37% have also seen their postal databases shrink, while 20% said their phone databases were now smaller.

However, the research has also indicated that a significant proportion of charities may have removed contacts from their databases unnecessarily due to a lack of understanding about GDPR, particularly the legal grounds under which they can contact their supporters.

According to the research, a large number of charities believed they required opt-in consent. However, charities can often use legitimate interest as grounds for contacting supporters and donors. Nevertheless, once a charity asks a donor for consent, the concept of legitimate interest becomes invalid under GDPR.

The research has revealed that 62% of survey respondents rely on consent as the legal basis for contacting donors. Legitimate interest (50%), having a contract in place (11%) and having a legal obligation (11%) are the other main legal grounds used by charities.

Around 89% of survey respondents said preparing for the introduction of GDPR took up a significant amount of staff time, while 74% said they had to invest a large amount of money to make their charity compliant. Smaller charities also said they received contradictory or vague GDPR advice that made it more difficult to understand their obligations.

The research has also indicated that 70% of survey respondents believe that GDPR has helped their charity improve its data protection processes, and 53% said it would improve public trust in the charity sector. However, just 49% of survey respondents believe GDPR has been beneficial overall, while 28% said it has damaged their relationship with their supporters and donors.

Joe Saxton, founder of nfpSynergy, said: *"Some organisations will have seen their opportunities to raise money severely diminished. They might have a whole chunk of supporters who are still interested in them but they do not have the mechanisms to talk to them. And of course if they're very small organisations, that's a serious long-term financial implication."*

Read more about the survey at: https://bit.ly/2MXLchY

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Charities confused about serious incident reporting

Charity trustees do not understand which serious incidents should be reported to the Charity Commission, and more than 99% of charities have never filed a serious incident report. This is according to speakers who took part in a panel discussion on incident reporting at the Annual Charity Tea Party 2018.

Guidance from the Charity Commission about incident reporting defines a 'serious incident' as any event that leads to (or creates a risk of) significant loss of a charity's assets or significant damage to its property, work, beneficiaries or reputation. Trustees are advised to report such incidents to the commission as soon as they occur.

Rosamund McCarthy, a participant in the panel discussion, claimed that charities do not have enough information about when and why a report should be made and called for an independent government review of serious incident reporting.

Contributors to the discussion also considered whether the reporting of serious incidents should be made a legal requirement for all charities.

Currently, the only legal requirement is for charities with an income of £25,000 or more to declare once a year on their annual return that there have been no serious incidents that they should have brought to the Charity Commission's attention.

The commission's director of investigations, monitoring and enforcement, Michelle Russell, said that creating a statutory reporting requirement would help the commission to gather the information it needed to take effective action to protect the sector, such as sending out fraud alerts.

Ms Russell also said that the commission was considering a new 'digital system' to guide charities through the incident reporting process. She emphasised that the commission did not view serious incident reports as an indication that a charity had failed, saying: *"If you do report, you are acting responsibly and we think you are managing your risk."*

Read more about the discussion at: https://bit.ly/2zBZAJl

guidance for new academies and free schools

The Education and Skills Funding Agency (ESFA) has published guidance to help new academies prepare for their first period of opening. The guidance forms part of a welcome pack that is sent to all academies on their date of opening.

The guidance sets out the key actions new academies and their trusts will need to take within the first few months of opening. In particular, it outlines obligations relating to funding agreements and financial assurance that new academies must meet. The guidance also provides an overview of the areas of work and services provided by the ESFA, as well as how academies should expect to interact and work with them.

The ESFA has also published a range of practical videos and resources to help new academies understand their funding entitlements and timescales for receiving funding allocations. Most of an academy's funding allocation is based on the number of pupils it teaches. Academies will be required to confirm pupil numbers in October every year, and are urged to contact the ESFA as soon as possible if their pupil intake is lower than planned and likely to impact its financial sustainability.

The guidance also provides practical advice about a range of issues and topics a new academy will need to consider in its first period of operation. Topics covered include estate management, land and buildings valuations, governance, managing resources, safeguarding and whistleblowing.

In addition, the ESFA has published a welcome pack for free schools opening in 2018. The welcome pack includes guidance and resources to help new free schools and their trusts understand and meet all their obligations.

Read more about the guidance at: https://bit.ly/2OWuUaW

in brief...

HMRC scraps plans for joint registration portal

HMRC has scrapped plans to simplify how charities in England and Wales register for Gift Aid and other tax reliefs. Under the plans, HMRC and the Charity Commission would have set up a joint portal, meaning charities would only have to register once in order to claim tax relief. Currently, charities with an annual income of more than £5,000 have to register separately with HMRC and the Charity Commission. The plans were originally announced in 2013 but have been delayed several times. According to HMRC, the plans have now been scrapped because charities usually do not need to register with HMRC and the Charity Commission at the same time, meaning most charities would not use a joint portal. https://bit.ly/2xIy0ZE

Cuts to public spending increasing pressure on charities

Research published by the Lloyds Bank Foundation for England and Wales has revealed that cuts to local authority budgets are placing more pressure on charities. Overall, spending by local authorities across England has fallen by 8% since 2010 and, as a result, many local authorities are being forced to provide a reduced level of service. The research has indicated that charities have reported a significant rise in demand for services and are increasingly expected to deliver services that were previously provided or funded by local authorities. In addition, voluntary organisations received a total of £7.5 billion in funding from local authorities in 2015/16, meaning the sector is particularly vulnerable to further cuts to public spending. https://bit.ly/2xKRBIC

Public unwilling to share personal data with charities

Just 11% of people in the UK are willing to share their personal data with charities to help them improve their services, according to a survey of 2,000 people by KPMG. In comparison, 56% of survey respondents said they would share their data with the NHS to help them improve the quality of the healthcare they provide. More than half (51%) of survey respondents said concerns about data privacy are the main reason they are reluctant to share their personal data. A separate report from KPMG has urged charities to utilise their data to take advantage of developments in data analytics and artificial intelligence to improve service provision and better meet the needs of their clients. https://bit.ly/2wWEEKj

Fundraising guidance for smaller charities

The Charities Aid Foundation (CAF) has published new guidance to help smaller charities improve their fundraising practices. The 'Fundraising Fundamentals' guide includes advice, how-to guides and case studies to help charities start or grow their fundraising activities. It also sets out the practical steps charity fundraisers can take to identify and retain donors and improve their fundraising strategies. In addition, the guide outlines the variety of fundraising models available to charities, as well as providing support to help charities use both online and offline fundraising channels. The CAF provides a range of online toolkits to help charities write fundraising emails, generate donations through their websites and use social media to promote fundraising activities. https://bit.ly/2xcCxSX

Charities failing to carry out data protection checks

The Information Commissioner's Office (ICO) has reviewed eight charities as part of a voluntary programme to improve compliance with data protection law in the charity sector. The review has revealed that most charities do not carry out routine data protection compliance checks, while many fail to inform staff of their data protection responsibilities properly. Nevertheless, all the charities reviewed had clear governance structures in place and were also appointing data protection officers. In addition, the majority of charities that carry out direct marketing are now asking for opt-in consent. https://bit.ly/2MSau5W

Charities failing to meet accounting standards

More than a quarter (26%) of charities with an annual income of over £25,000 are failing to meet accounting standards, according to research published by the Charity Commission for England and Wales. The research, which is based on a sample of 106 charity accounts covering the 12 months to December 2015, has revealed that 26% of charities filed accounts of an unacceptable standard in 2017. Around 11% of charities failed to meet the Commission's standards because their accounts provided insufficient information about their charitable activities. Inadequate independent scrutiny, failing to provide their accounts or annual report and incomplete accounts are the other main reasons why charities failed to meet accounting standards. https://bit.ly/2OYjWS3

Charities must use annual reports to build public trust, regulator warns

The Charity Commission for England and Wales has urged charities to use their annual reports and accounts to communicate their charitable purpose effectively and build public trust through greater transparency. The warning comes after a monitoring exercise published by the commission revealed that charities are submitting annual reports and accounts that do not meet the required standards.

Among charities with an income over £25,000, 26% failed to provide reports and accounts that met the commission's basic benchmark. Common reasons for the failure included missing documents, inadequate information and accounts that did not balance.

Among charities with an income of less than £25,000, 36% of reports and accounts were inadequate. Public benefit reporting (the requirement for trustees to explain how they have fulfilled their charitable purposes) was also inadequate. Although there was an improvement in public benefit reporting compared with a similar monitoring exercise carried out in 2017, almost half of the reports and accounts examined by the commission did not demonstrate a clear understanding of this requirement.

Usually, this was because the annual report did not include an adequate description of the charity's activities. In other cases, it was because the report did not make clear who was benefitting from the activities.

Nigel Davies, head of accountancy services at the Charity Commission, warned that trustees' annual reports and accounts must not be regarded as merely a box-ticking exercise. They provide an opportunity for charities to demonstrate to supporters, funders and the public that they are delivering on their core purpose. Mr Davies said: *"the public no longer give charities the benefit of the doubt; they want evidence that charities make a difference when using their money. Public reporting is an opportunity for charities to tell their story and explain to the public what they do and how they use charitable funds."*

Read more about the Charity Commission's findings at: https://bit.ly/2R87CjV

younger donors, donating more

The "sheer size" of the millennial generation (people born between 1981 and 1995) meant that it contributed more to charities than any other age group in 2017. This is according to the 'Next Generation of UK Giving' report, published by Blackbaud. Donations from millennials amounted to £2.7 billion, which was 30% of the total amount given that year. Generation Z (those born in or after 1996) contributed £2.2 billion, baby boomers donated £2.3 billion and 'mature donors' gave £2 billion.

The report was based on a survey of 1,000 people, which was carried out in February 2018. Commenting on the figures, Blackbaud has advised organisations to recognise how important generation Z and millennials are, particularly because over 40% of respondents in these age cohorts said that they planned to increase their charitable giving over the next year.

More than 60% of UK donors contributed to a health charity in 2017, making this the most popular type of charity to support. Charities supporting children were the second most popular, receiving 41% of donations, while animal charities were third with 35% of donations.

The report also found that 33% of donors had made a contribution via street and door-to-door fundraising, compared with 24% who had made monthly donations (for example by direct debit), 23% who donated directly to a charity's website and 10% who donated via a social media platform. Telephone and email were the least used donation channels in 2017, with only 4% of donors making contributions by phone and 10% using email.

Read more about the survey at: https://bit.ly/2N49yvj

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If you would like further information on any of the articles in this newsletter please contact;

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