UK200Group news
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Charities & Education

Smailes Goldie Group
CREATING ADVANTAGE

Charity shop income severely affected by Covid-19 restrictions

Charity shops across the UK were severely affected by 'stop-start' lockdown restrictions in the final quarter of 2020, according to figures reported by BDO and the Charity Retail Association (CRA).

Year on year income was down 19% in October 2020 following encouraging signs that sales were starting to recover before national lockdowns in November forced all charity shops to close. In December, pre-Christmas income initially supported the recovery of the charity retail sector, but new restrictions meant that overall income was down by 26% compared with December 2019.

However, charity shops performed better than commercial high street shops, whose in-store sales fell by almost 28% in October 2020 and by over 31% in December 2020.

Even before national lockdowns in late 2020 came into effect, charities were struggling as a result of regional restrictions with some anticipating losses of £100,000 due to the forced closure of charity shops. According to a 2021 survey of charity retailers carried out by BDO, the Covid-19 pandemic has led many to consider improving their online sales. Among survey respondents who already had an ecommerce platform, 85% were looking at ways to expand their online options in order to offset the decline of in-store sales. A further 8% were looking to introduce online sales for the first time.

One example of a charity retailer expanding its ecommerce operation is Newlife, which has seven shops, and raises funds to support disabled and terminally ill children. Newlife reported £500,000 in online sales from April 2020 to January 2021, compared with just £19,000 in the same period a year earlier.

According to the CRA, improvements in online sales cannot compensate for the £28 million per month that UK charities lose when shops are forced to close. However the CRA remains optimistic for the future, and anticipates that trading will quickly return to pre-Covid levels when stores are able to reopen.

Responding to the measures announced in the March 2021 Budget to assist recovery in the retail sector, the CRA welcomed the extension of the business rates holiday and the introduction of Restart Grants. However, the CRA also expressed concern that it is still not yet clear whether and when the UK Government will reconsider the continued application of old EU state aid caps that mean that larger retailers will not be eligible for the Restart Grants.

Read more about charity shop income at: https://bit.ly/3m2SIuQ

Academies warned to be wary of fraud

Schools are being warned to tighten their internal IT security procedures to avoid being targeted by fraudsters. The warning comes after it was revealed that an academy had paid £400,000 to fraudsters who posed as a building firm that had done work for the school. The fraudsters contacted the school, claiming the building firm's bank details had changed, and payment was made to the new, fake account. The deception only came to light when the real firm raised the issue of non-payment for its services. The fraud, which happened in spring 2020, was reported to the police, but is only one of the scams that occurred in the 12 months since the start of the Covid-19 pandemic. There are reports that fraudsters have also targeted schools' payroll systems.

There are nearly 1,200 Multi-Academy Trusts (MATs) in England. As MATs are made up of groups of schools, this can make it complex to standardise procedures across the trust. Around three out of a group of 36 academies in the south of England have fallen victim to scams since the beginning of the pandemic, losing either money or assets.

The effects of the pandemic, which has seen many schools essentially closed and staff working from home, has led to security weaknesses that can be exploited. Schools are being encouraged to tighten up IT systems, payroll procedures and internal controls to make sure they are fit for purpose even when staff are working remotely. Suggested measures include making sure that the finance and human resources (HR) functions are different, especially if employing people new to the academy, as payroll fraud is often committed by an insider. Other scams include sending phishing emails, though these are often defeated by schools' security systems.

Read more about academy fraud at: https://bit.ly/3m0akHX

Extra funding for armed forces and domestic violence charities

The Chancellor has used his 2021 Budget to announce extra funding for armed forces charities and charities tackling domestic violence. The Budget also extends funding for sport and the arts, which have been particularly hard hit by Covid-19 restrictions.

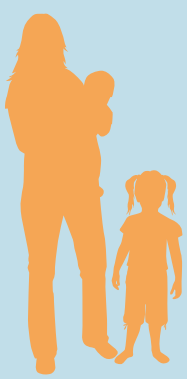
The Armed Forces Covenant Fund Trust will receive £10 million of funding in 2021/22 to deliver projects and initiatives that support veterans' mental health. Armed forces charities across the UK will receive up to £475,000 to help them develop a digital and data strategy for the sector. This will improve their ability to work together and with the Government, ensuring that support is available to members of the armed forces as and when they need it.

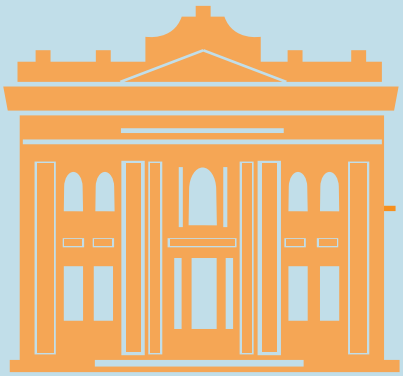
The Chancellor has also announced that perpetrator programmes in England and Wales will receive £15 million of funding in 2021/22. The programmes work with offenders to reduce the risk of domestic violence continuing. A further £4 million will be used to trial a network of respite rooms across England in 2021/22 and 2022/23. Respite rooms provide specialist support for homeless women facing severe disadvantage.

The 2021 Budget also included an additional £300 million for the Culture Recovery Fund to support key national and local cultural organisations in England as the sector reopens. The Sport Recovery Package will receive the same amount to support major spectator sports, clubs and governing bodies, and £90 million will be provided to government sponsored national museums and cultural bodies.

The Chancellor has also extended the Thalidomide Health Grant programme beyond 2022/23 and confirmed that it will continue for as long as necessary. The grant provides funding to support people living with disabilities as a result of their mothers taking thalidomide for morning sickness.

Read more about the funding at: https://bit.ly/2Pft5LA





In brief...

Funding to protect community assets

HM Treasury has announced a new £150 million Community Ownership Fund to help local people across the UK buy community assets that are at risk of closure. Community groups will be able to bid for up to £250,000 of matched funding to buy assets such as local pubs, shops, theatres, post offices and sport centres that will be run as community owned businesses. In exceptional cases, up to £1 million of matched funding will be available to set up community owned sports clubs and sports grounds. The first round of the fund will be open for applications in summer 2021.

Read more about the fund at: https://bit.ly/2QCHh1p

Changes to guidance on responsible investments

The Charity Commission for England and Wales is consulting about proposed changes to guidance on responsible investments, which are financial investments that align with a charity's mission and purpose. The consultation was announced after research from the Charity Commission revealed that many trustees are unsure whether they can use responsible investments due to a lack of clarity in the current guidance. Final updated guidance on responsible investments is expected to be published in summer 2021.

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

Covid recovery premium for schools

The Department for Education has announced a £302 million recovery premium to help students catch up following extended periods of school closures and remote learning due to Covid-19 restrictions. The premium will enable schools to deliver learning over the summer, such as additional clubs and activities, as well as introduce new approaches to support disadvantaged students. The recovery premium will be allocated to schools according to the number of children who are eligible for the current pupil premium.

Read more about the recovery premium at: https://bit.ly/2PfmvVm

More academies planning to directly employ supply teachers

A significant number of trusts that operate two or more academies are reviewing how they manage supply teacher costs due to the impact of Covid-19, according to the Kreston Academies Benchmark Report. The report has revealed that average supply costs per pupil in secondary schools fell to £92 in 2020, compared with £191 in 2019. Overall, around 70% of trusts have saved money on supply teacher staff costs during the pandemic. The report has also indicated that 14% of trusts plan to employ their own supply teachers directly in future to manage costs instead of using staffing agencies.

Read more about the report at: https://bit.ly/3w95KvB

Over 13,000 charities miss filing deadlines

Figures from the Charity Commission for England and Wales have revealed that more than 13,000 charities missed the deadline to file their accounts and annual return by 31 January 2021. This was an increase of 7,000 compared to 2020. The commission has also granted around 4,000 extensions to charities that are struggling to meet filing deadlines due to Covid-19. It will continue to grant extensions when requested unless a charity has failed to submit its previous year's accounts or was already late filing on 1 March 2020.

Read more about the figures at: https://bit.ly/3fna3NX

Rise in number of schools in financial deficit

Figures from the Department for Education have revealed that 12% of local authority maintained schools were in financial deficit in 2019/20, up from 10% in 2018/19. The number of schools in deficit increased across all types of schools with the exception of secondary, where the number in deficit fell by 1.5% to 26.8%. The figures have also indicated that the average deficit for local authority maintained secondary schools reached £680,000 in 2019/20, compared with £569,000 in 2018/19. The average deficit for primary schools also increased by £9,000 over the same period to reach £65,000.

Read more about the figures at: https://bit.ly/39nO5qu

Rising number of academy trusts report deficits

An increasing number of academy trusts across England reported a deficit in their finances in 2018, according to a report by Kreston Academies Group.

The finances of more than 360 trusts, which manage around 1,500 schools, were analysed, and the resulting report indicated that at least 30 trusts had recorded a deficit in 2018, while 28 had cumulative deficits, up from 21 in 2017. According to the Department for Education, there are currently 8,461 academies in England.

The report found that funding for academies is extremely tight and warns that the sector's financial position is highly volatile and could deteriorate further unless additional grants are announced. Financial pressures could lead to uncertainties over income and costs, including pensions and salaries.

The report indicates that the growing financial pressures faced by the sector could also lead to significant restructuring of trusts in coming months. Official figures confirm this trend, as the number of schools that were transferred between trusts rose from 21 in 2014 to 307 (3.5% of the total number of academies in England) in 2018. In addition, there has been a gradual trend towards schools joining together to form Multi-Academy Trusts (MATs). The average number of schools forming MATs rose from 3.28 in 2016 to 5.51 in 2018. Meanwhile, the financial position of MATs has improved over the past three years, resulting in an average surplus of £196,000 in 2018/19 compared to a deficit of £145,000 in 2017/18.

However, the increase in average surplus figures has mainly been due to the receipt of non-recurring additional income, such as one off grants for capital expenditure, and almost half of all MATs have at least one school that is failing financially.

Read more about the report at:
http://bit.ly/3cW1Pca

Pay levels at academy trusts revealed

The 'Kreston Academies Benchmark Report 2019' has revealed that chief executives and head teachers in England's largest Multi-Academy Trusts (MATs) received significant pay rises in 2019. This is despite attempts by the Department for Education (DfE) to curb high salaries. For example, in February 2018 the DfE challenged 87 trusts about the six figure salaries paid to senior members of staff.

The report reveals that the average head teachers in larger trusts with between 5,000 and 15,000 pupils rose by 22% to £142,467 in 2019. In contrast, average salaries in smaller trusts with up to 5,000 pupils remained stable. For example the average salary for head teachers in trusts with between 501 and 1,000 pupils increased by 2% to £82,471 in 2019.

The report also revealed that in 2018 head teachers in several trusts took voluntary pay reductions and new head teachers had been hired on lower salaries to try to reduce pay levels. However, in 2019 some trusts have re-aligned salaries while still complying with the Department for Education's request to reduce pay levels.

The report also revealed that only 10 trusts implemented General Annual Grant (GAG) pooling in 2019, despite it being advocated by the Education and Skills Funding Agency (EFSA). GAG pooling allows a trust to depart from the EFSA's formulaic grant allocation by taking all the general grant funding for schools within the trust and then redistributing it back to schools. The slow take up of GAG pooling is attributed to academies' reluctance to join a MAT if it means losing control of their funds, and internal political challenges within trusts themselves.

Read more about the report at:
http://bit.ly/3aICK2e

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