UHY Hacker Young
Chartered Accountants

Charity and NFP Sector Outlook

2023/24

Our insights on the key issues impacting the charity and NFP sector

Helping you prosper

Welcome to our seventh annual edition of our Charity and Not-for-Profit Outlook.

Contents

Change remains ever constant in the sector and there are still many challenges to overcome now normality has returned.

Editor's welcome

This is my third Outlook as Head of UHY's National Charity and Not-for-Profit group, and time has certainly flown by. Although I am loathe to continue to mention the word pandemic, it feels like, for most of us, we are now getting back to business as usual and focusing on the future.

Indeed, the Financial Reporting Council (FRC) are pressing ahead with their second periodic review of FRS 102, changes to which are expected to become effective for entities with accounting periods beginning on or after 1 January 2025. I explore the major modifications anticipated as a result of this review on page nine.

Change remains ever constant in the sector and there are still many challenges to overcome now normality has returned. Given the impact the cost-of-living crisis is continuing to have, Nottingham partner, Dave Allum, looks at the practicalities around how charities can reduce their costs and increase financial resilience on page three.

One of our blogs that proved popular in the last 12 months was about 'cashless giving'. UHY Belfast partner, Michael Fitch, considers the revolution of fundraising in the rise of digitalisation and shines the spotlight on some of the options currently available to charities on page five.

Unfortunately, in today's world we need to be ever mindful of the risks we need to protect our organisations from, from increasing cyber threats to employment law issues and reputational risk. We enlisted experts in each of these areas to share their insight about how you can safeguard your organisation. Turn to page 13 to hear from cyber security expert, Andy Larkum, who considers the biggest cyber threats facing the charity sector today, page 17 to hear from employment law specialist, Mark Mason, and page 21 to hear from reputational PR specialist, Saraan Buckby, who, along with UHY partner Michael Fitch, considers the important steps you can take to reduce the risk of a public crisis.

But what happens if the worst does happen and your charity suffers a fraud or cyber crime? We find that we are talking to our clients about incidences of attempted or actual fraud – particularly cyber or online – with increasing regularity. We share some tips on page 16 about what to if you do discover a fraud.

Of course, it wouldn't be a Charity Outlook without an article from our resident VAT expert, partner Sean Glancy. Sean looks at the basics of claiming back VAT, how you can optimise recovery and considers whether there is a way to simplify compliance by changing the basis of VAT charges for charities on page 11.

Finally, we shine the spotlight on ShelterBox, UHY's national charity of the year 2022/23. Sanj Srikanthan, ShelterBox's CEO, was kind enough to grant us an exclusive interview, giving us an insight into the strategic decisions he has to make in the day of a life of a Chief Executive. Inspiring stuff on page 23. We also hear from London audit director, Harriet Hodgson-Grove, on page 29 who shares highlights from her adventures (along with over 125 others from UHY) scaling the Yorkshire Three Peaks on a mission to raise as much money as possible for this brilliant charity.

I hope you find real food for thought in our 2023 Charity and NFP Outlook. As ever, we are here to help. Please do contact any of our charity and NFP team if we can be of any assistance. Contact details for all members of our Charity and Not-for-Profit team can be found on page 32.

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Help! What do we do now?

Whilst the immediate challenges of the pandemic may have passed, change remains ever constant in the charity sector and there are still many challenges to overcome now normality has returned. UHY partner and charity specialist, Dave Allum, considers the impact the cost-of-living crisis is having on the sector and what charities can do to increase financial resilience and sustainability.

For many charities, the pandemic brought opportunity, either through increased emergency funding to enable service delivery to continue, or through strengthening of community spirit and a new army of volunteers and donors. Along came the current cost of living crisis and, sadly, both now seem to be in exceptionally short supply. Which leads to the question of what next?

Many charities I speak to are asking the same questions:

"How can we deliver the same service with less funding?"

"How can we access funding when there is increased competition for the same funds?"

"How can we make our charity stand out with increased competition for funding?"

"Can we afford to keep our team and give them a fair pay rise?"

or even just "Help! What do we do now?"

If the cost of service delivery at a viable level has risen beyond what can realistically be generated as income, there may unfortunately be some situations where a charity is simply unable to continue. However, before any decision is taken to close, let's look at some alternatives.

> It might become apparent that there is a huge synergy in service delivered by two or more charities

If you don't ask, you don't get!

The first action I would always advocate in tough times is to ask for more; if you don't ask, you don't get! Increased costs affect everyone and there is a degree of understanding amongst the grant giving bodies, donors etc. They may assume, if they have not been told otherwise, everything is fine, and you continue to manage with the donations and grants at their current level. If you need more, let them know. There is a possibility that funders may be looking for a new charity or project to support, providing a new source of reliable income and helping to alleviate some of the challenges.

You can also ask suppliers if they are giving you their best price. Whilst there may be little chance of getting a better energy deal right now, many other overheads could be reduced with some careful review. During the work from home period, as with most commercial businesses, charities needed to find alternate methods of communication and much of this is now around connectivity over the internet. Is the traditional phone still needed in your charity? If not, this can be a significant saving. Are you getting the best broadband deal? Prices for loyal customers seem to go up every year (and often beyond inflation!) but, by shopping around, it is usually possible to secure much better rates. Are team members working remotely or based in the office full time? Chances are you have adopted a hybrid approach and the need for office space may now be much lower. Is there a substantial saving to be made on rent and rates if the team can be accommodated in a smaller space by using flexible working practices? This could go as far as considering whether meetings need to be onsite or whether they could be held elsewhere, for example in a coffee shop, to save on room hire costs.

It is also worth thinking about any fundraising activities that may have been put on hold during Covid and whether any can be restarted. The summer fayre last held in 2019, for example? However, do think carefully about how much these are likely to raise given increased costs and the possibility that the income may be lower than historical events. If an event costs a lot to stage, it should be carefully costed out to make sure it is viable and will not be a loss maker for the charity.

Working together

For charities that are majority funded by donations, it is quite possible that income levels are being reduced as donors feel the squeeze from increased costs. Added to the increase in cost base, making the pennies go further is a key challenge right now. One potential quick fix is to look at likeminded charities that are offering a similar service and discuss delivering projects together. This can work well in situations where a service is funded by the local authority, who will no doubt be looking to make cuts, and will often not fully appreciate that a charity service provision is usually not delivered with profit margins added. A request to deliver for less money is, in many cases, simply not possible. However, by working in partnership with a similar charity on a project, it is likely there will be a gain from economies of scale, allowing the combined charity partnership to deliver the same service for less. Joint running of a project can usually be set in motion quite quickly, and without the need for too many formalities, making it a viable option for smaller charities to combine forces.

Taking the partnership approach one stage further, it might become apparent that there is a huge synergy in service delivered by two or more charities who decide that the old adage of 2 + 2 = 5 makes perfect sense and decide to formally merge to take advantage of this synergy. This is often a difficult decision to make if you have spent time building the identity of your charity but, with the current difficulties, the choice may come down to a simple question of do you merge and continue to deliver, or battle on until all reserves are depleted and your charity is forced to close? There are lots of formalities to formally merging and professional advice must be taken before doing so.

Take early advice to manage financial difficulties

A Trustee has a legal duty to look after the charity's money and other assets, which means understanding and keeping track of income and spending to spot any issues. If, after doing everything you can, you discover you are in financial difficulty, you must take professional advice as early as possible as this will help you determine what action to take. Four of our specialists are appointed to the Charity Commission Interim Manager panel and we have a strong Turnaround and Recovery team in our London office who can advise on the various options available.

What next?

One of the biggest things we can do in the sector is to be there for each other – it is hard enough trying to deliver at the best of times, but supporting others can really help to keep the charity sector thriving. Can you 'big up' a local charity that might need a bit of help? A shout out on social media can sometimes be invaluable. It's clear that there are some tough challenges to work through, but taking a moment to look around and work together can often bring some real benefits.

The charity sector has already proved its resilience in the way it adapted and changed over the course of recent years, and we have no doubt that it will continue to do so. If you would like to speak to one of our experts about the challenges you are facing, please get in touch with your usual UHY adviser or contact one of our experts listed on page 32.

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Shaking up the giving landscape

How people give is changing. The pandemic accelerated digital transformation and triggered the decline of cash, having a significant impact on the fundraising landscape. In this article, UHY partner, Michael Fitch, considers the revolution of fundraising in the rise of digitalisation and shines the spotlight on some of the options currently available to UK charities.

When was the last time you used cash?

A street collector recently asked me to buy a copy of The Big Issue. I raised my hands in apology indicating I had no change to buy. Much to my surprise a contactless device appeared, and I was left with no excuse!

It made me think about our charity clients and the many new ways of collecting donations. In the same way the street collector made it easy for me to give, it is essential you make it easy for supporters to make cashless donations – from online bank transfers, online fundraising platforms and donation buttons to QR Codes and contactless devices.

The move towards digital giving

Cashless giving platform, Give A Little, has been working in digital fundraising since 2016 and, by the end of March 2023, the platform has helped over 5,500 charities raise over £17m in donation revenues.

According to the 2022 Global Philanthropy Environment Index, published by the Indiana University Lilly Family School of Philanthropy, "the future of philanthropy will be characterised by new technologies and the digitalisation of giving".

The key findings in their May 2022 report, Digital for Good: A Global Study on Emerging Ways of Giving: United Kingdom, concluded: "The future looks digital, but with a strong human element."

In 2022, Charities Aid Foundation (CAF) asked the public about what giving might look like in three years' time: two-thirds (65%) of British people agreed that in three years' time, more people will give digitally than with cash.

You need to consider the options.

Finding the right way to support donors

Just because someone is comfortable throwing change into a collection bucket doesn't mean they will be comfortable to tap and donate. It is important to find the right way to support donors. Here are some suggestions in the cashless digital world:

Regular giving, through Standing Orders, Direct Debits and Regular Automated Transfers, is still the best way to ensure your charity can financially plan for its future.

Online giving makes it easy for people to give to you through your website or social media page. Online donation options include:

- Text-to-donate
- QR code payments
- Payment links and referring people to a fundraising page
- Micro donations fundraising apps
- Online fundraising platforms

Online giving options

Text-to-donate has been around for a while and is still popular. Thousands of UK charities use Donr to run successful fundraising campaigns; they have processed £36m donations for over 5,500 charities. Other providers include Donate and instaGiv, with Donate raising over £3m and instaGiv over £10.5m to date.

QR codes offer your supporters a quick and easy way to donate. They are versatile, in that you can use them on different campaign collateral such as websites, advertising, shop windows, or donation buckets. JustGiving offers free QR codes for charities and fundraising teams registered with them, Give A Little offers QR codes as part of its free basic package and SumUp is another option.

Payment links work well if you have the mobile contacts of your donors. SMS links can be sent to request donations via mobile or tablet. Donation buttons are also a quick way to collect donations online. For example, PayaCharity's SMS donation link facility allows you to manually enter or upload your mobile contacts in bulk, type your personalised message and enter a link to your donation page before sending. They also have a selection of ready-made donation buttons.

Micro donations fundraising apps are also increasing in popularity. Pledjar has developed a micro-donations fundraising app enabling support to be given to charities through small acts of kindness by donating pennies from daily purchases. The app automatically rounds up pennies from everyday purchases to the nearest pound and lets users choose which charity they want to donate to. For charities, it has no registration or monthly platform fee but charges a 10% transaction fee to process donations. Mobile giving apps like PayPal, Venmo, and Cash App can also be used to collect donations.

Online fundraising platforms have been around for some time. There is a lot of choice when it comes to online platforms, from well-known platforms like JustGiving and Enthuse to locally focused fundraising platform, localgiving, which connects grassroots organisations, allowing charities to receive one-off and repeat donations, run crowdfunding campaigns and raise funds for projects. Crowdfunding platforms like Kickstarter, GoFundMe, and Indiegogo can also be used to raise funds, and more than 6,500 charities use CAF Donate to raise funds online and process their donations.

In the United Kingdom, where philanthropy is reasonably widespread, new ways of giving are also emerging such as donating through **voice software**, which allows individuals to verbally donate to charities through voice-based digital assistant devices such as 'Alexa'. And you can also leverage your supporters to raise money on your behalf through **peer-to-peer fundraising campaigns**. Supporters can create personal fundraising pages and share them with their social networks to solicit donations. Charities can also host **online auctions** to raise funds. These auctions can be hosted on your website or on auction platforms like eBay. Other initiatives include hosting **virtual events** like webinars, concerts or other gatherings and using these as an opportunity to request donations directly through the virtual event platform.

Contactless giving

Contactless giving enables people to give by tapping a contactless payment device with their debit or credit card. The Natural History Museum has been using contactless collection devices since 2017. Within a year, it helped the Museum raise an extra £1m in donations. Initially the devices were set to collect £5. When two devices were increased to £10, there was a 32% increase in donations and when another two devices increased the donation level to £30, there was a boost of 39% to donations.

Contactless devices come in all shapes and sizes. Getting a card machine as a non-profit organisation, individual fundraiser or community group is less straightforward than for a business. Not all card machine companies allow donation payments, but some do.

For smaller charities, an inexpensive card reader like SumUp (and DonaDonations), iZettle or Square might be enough to get started. They are well established, and the devices are simple to set up. Many offer more than just a card reader. For example, card readers may be attached to a tablet or stand with big visuals advertising your cause. Contactless Point of Donation include accessories like CollecTin or GWD's Slim, Skinny or Midi (with integrated cashbox) devices. This, unfortunately, also makes it more expensive and requires monthly fees on top of an upfront setup or purchase cost for the contactless station. Charity-focused companies offering card machines include GiveTap, GiveALittle (via SumUp), GiveStar (previously TapSimple), PayaCharity, GWD, LibertyPay (via PayaCharity), Tap for Change (via Liberty Pay) and JustGiving (via Liberty Pay).

Some merchant service providers and acquirers accept registered charities, but these packages require commitment and ongoing fees. That said, the transaction fees can be competitive, and you get a high-end card machine model. Merchant service providers that accept charities and non-profits include Worldpay, Wireless Terminal Solutions and Elavon (requires a Santander charity current account).

The latest contactless payment technology to emerge in the charity sector is tap-on-phone – using your phone as a card machine. This allows donors to just tap their card or contactless mobile wallet (Google Pay, Apple Pay) on the charity's smartphone to accept the payment. No card reader is required, just an NFC-enabled phone with a tap-on-phone app for payments. Charity paymet providers offering tap-on-phone include Give A Little, GiveStar, and GiveTap (all three are currently for Android only).

The future of fundraising

The pandemic undoubtedly had a significant impact on digital transformation in the charity sector, with most charities rapidly adopting digital tools and platforms to continue their work. However, despite the initial negative impact on the fundraising environment, there are several benefits to cashless giving for both charities and donors; from increased giving, including an increase in the overall amount given, to improved efficiencies, convenience, and a reduction in the risk of fraud associated with handling cash.

Ultimately, you need to make sure you are considering your options and making it as easy as possible for people to give to you, wherever they are.

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There are several benefits to cashless giving, including an increase in the overall amount given, improved efficiencies and a reduction in the risk of fraud associated with handling cash.

Upcoming changes to UK accounting standard Financial Reporting Standard 102 (FRS102) – FRED 82

The Financial Reporting Council (FRC) undertake periodic reviews of FRS102, the last one taking place in 2017 which resulted in several amendments and clarifications.

Charities are required to prepare their statutory accounts in accordance with the Charities Statement of Recommended Practice (Charities SORP), which is underpinned by Financial Reporting Standard 102 (FRS102).

The Financial Reporting Exposure Draft (FRED) 82 proposes a number of changes to FRS102 as a result of the second periodic review of the Standard. Here, we will explore the main changes and the potential impact for charities and non-profit entities.

What changes can we expect?

Although there are amendments to almost all of the sections of FRS102 in one form or another, there are two major changes which will impact all entities, including charities and non-profits:

Income recognition

Under current UK GAAP, there are three general principles to income recognition. Under these principles, income must only be recognised when the following criteria have been met:

1. Entitlement – control has passed to the charity.
2. Probable – it is more likely than not that the economic benefits associated with the transaction or gift will flow to the charity.
3. Measurement – the monetary value or amount of the income can be measured reliably.

Under the revised FRS102, recognition of income will follow a five step approach which is more closely linked to IFRS 15 'Revenue from contracts with customers'.

Step 1) Identify the contract with a customer

Step 2) Identify the promises within the contract

Step 3) Determine the transaction price

Step 4) Allocate the transaction price to the promises in the contract

Step 5) Recognise revenue when (or as) the entity satisfies a promise.

Now, the language used in the above steps – which comes directly from FRED 82 – is not the sort of language we tend to use in the third sector.

This is where the Charities SORP drafting committee will come into their own, making the provisions of the new standard more reader friendly for those working within the sector, rather than being aimed at accounting professionals.

Charities have a number of different income streams and whether you are affected or not will be determined by what your charity's income streams are.

For example, let's look at donations and other fundraising voluntary income. Voluntary income is freely given and is not generally recognised until it is received. This is because the condition of entitlement is not considered to exist until monies have changed hands. This source of income is unlikely to be impacted.

The amendment to the approach to income recognition is more likely to impact charities that receive legacy income and grant income. Whether that be general grant income which would usually be classed as donations, but might be for a specific purpose, or those which have performance related conditions attached to them.

Leases

Under current UK GAAP, a charity's operating lease commitments are 'off Balance-Sheet' and are simply a disclosure note, usually somewhere towards the end of the statutory accounts. When FRS102 was first introduced back in 2015, this disclosure note was amended to record all an entity's commitments under the term of the lease.

This revised FRS102 takes that change one step further, bringing the liability onto the Balance Sheet. For those of us who are professional advisers, this change has been widely anticipated for some time and is in-line with changes made to the recognition of other liabilities, such as multi-employer pension schemes where, if a charity is able to separately identify their share, the liability is now recognised on the Balance Sheet.

This change will have an impact on a charity's net assets.

Why change?

There is a need for the FRC to undertake these periodic reviews of UK accounting standards to ensure that they remain fit for purpose in a changing world. The intention is that the new standards will provide more reliable reporting and increase comparability between entities.

When does the updated standard become effective?

It is proposed by the FRC that the revised standard will become effective for accounting periods beginning on or after 1 January 2025. Early adoption is permitted providing all amendments contained in the standard are applied at the same time. It is expected that there will be transitional provisions included in the standard, just as there were when FRS102 was originally published in 2015.

Conclusion

At the time of publication, these changes have not yet been finalised and are subject to revision by the FRC.

Whether you think you will or will not be affected by the proposed amendments to financial reporting, your local UHY adviser will be happy to discuss the implications with you well ahead of 1 January 2025 to give you certainty and peace of mind over your accounts and audit timelines.

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VAT recovery by charities – time for a change?

There is a general misconception that charities do not pay tax. For many charities, however, VAT can be complex and uncertain.

Particular issues can arise in respect of the VAT treatment of income which can be difficult to determine from a VAT perspective. In this article, we look at the basics of claiming back VAT, how you can optimise recovery and consider whether there is a way to simplify compliance by changing the basis of VAT charges for charities.

VAT in charities – the background

While there are concessions and some reliefs, VAT is normally a direct cost for charities. This cost arises as charities are unable to recover VAT incurred in respect of their charitable (non-business for VAT purposes) activities.

This contrasts with local authorities and other specified bodies, such as academies, who are able to get full VAT recovery in respect of their non-business activities. Government departments can also get recovery of VAT incurred in respect of specified contracted out services. These refund mechanisms are not available to charities.

Assuming your charity is VAT registered, it may reclaim VAT on any purchases that are directly related to any VAT-taxable goods or services it sells. This reflects the normal rules applying to all businesses, not just charities, to avoid a distortion of competition.

Charities can, however, benefit from specific reliefs for the purchase of certain goods and services. This allows the application of the zero rate to those qualifying purchases. Specific reliefs for expenditure include:

1. Advertising and goods connected with raising donations
2. Aids for the disabled
3. Construction related to the organisation's Relevant Charitable Purpose ('RCP')
4. Drugs and chemicals for medical or veterinary research
5. Equipment for producing 'talking' books and newspapers
6. Lifeboats, slipways and launching and recovery equipment
7. Medical and scientific equipment
8. Medicinal products purchased by a charity engaged in the treatment or care of people or animals
9. Rescue equipment for charities providing first aid or rescue
10. Resuscitation training models

These reliefs can be valuable. For example, application of the advertising relief recently removed a VAT charge of £200k for one of our clients. And given RCP applies to property, the savings can be significant if the relief can be applied.

It is important to note, however, that where an RCP certificate has been issued, there must be less than 5% business use of the building. This use is monitored for a period of 10 years and if the 5% threshold is breached, this will result in a VAT charge. This can be meaningful and, if there is any doubt, a provision might be required.

Typical recovery methods

Charities will always incur some VAT. Where your charity has both business and non-business activities, it can only recover the VAT that relates to the taxable business activities. This means restricting recovery and apportioning VAT incurred that relates to both business and non-business activities, such as professional fees, via the application of a VAT recovery method.

Unlike businesses that make exempt supplies, who have a mandatory statutory recovery method (unless a special method has been agreed), there is no prescribed method for non-business activities undertaken by charities. The only requirement for a recovery method is that it meets the 'fair and reasonable' test. Typical methods include calculations based on:

- Income
- Cost centres
- Transactions
- Headcount
- Floor space
- Time
- Or a combination of these.

While not legally required, it can be prudent to agree a method with HMRC, particularly if your charity has complex operations or diverse income. Any method, approved or not, should be reviewed periodically to ensure it remains fit for purpose. If it does not, HMRC are likely to demand repayment of VAT incorrectly recovered and issue a penalty.

We have a client where, at the last HMRC inspection, the officer considered the method was not fair and reasonable and asked for a copy of the agreement with HMRC. The method had not been formally agreed. HMRC had, however, made several inspections over a period of 20 years and had been satisfied with the client's VAT recovery method each time. There is now a dispute with HMRC regarding the method and VAT recovery made. If the method had been in writing, the officer would have had less scope to argue for retrospective adjustment.

How can you optimise VAT recovery?

Often we find, following a review of a charity's accounts, there may be other VAT treatment options available that could prove more beneficial than the existing method in use. If there are new areas of expenditure, these should be carefully considered to see if the VAT cost can be mitigated.

Practical points to consider when looking to reduce VAT costs:

- Establish what reliefs might be available
- Check the basic requirements of HMRC and the relevant guidance carefully
- Do not assume 'one size fits all' – VAT is a transaction tax and transactions differ
- Check attribution
- If using an income based method, is the income correctly analysed?
- Can the VAT cost be taken out in other ways? Planning is key
- Plan ahead – it can be difficult to fix the past.

Any mitigation should complement activities, and not create any meaningful changes to the objectives or model of your charity.

> **Assuming your charity is VAT registered, it may reclaim VAT on any purchases that are directly related to any VAT-taxable goods or services it sells.**

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The UHY view

Should the charity VAT rules be revised?

The charity sector is critical to society and picks up gaps in support from public bodies. The demand on charities is increasing, and there is increasing commentary regarding the decrease in financial support as people struggle with the cost-of-living crisis. Even corporate supporters are withdrawing or limiting their contributions, for example, the announcement from Amazon Smile that it is cancelling its charity programme.

There is perhaps a bigger question; should VAT be a cost to charities? A VAT recovery mechanism could be introduced to remove the cost for charities.

How could this be achieved?

The solution is straightforward. The VAT recovery mechanism for local authorities and specified bodies is well established. Extend this statutory right to charities that are engaged in specified activities, for example:

1. Foodbanks
2. Human and animal welfare
3. Education
4. Sport

It is not difficult to understand the importance of these four areas to the wellbeing of society.

This availability of recovery could be achieved through class eligibility (similar classifications already exist in VAT legislation) or on an individual approval basis. A general approval power could be granted to HMRC or Treasury, which would allow scrutiny and avoid abuse of process.

It is important that there is no resultant distortion of competition, but this is easily managed, as any recovery would only apply to non-business activities.

The need for simplification

Treasury may push back that there are many valuable reliefs for charities - indeed there are. But they are limited. The system is overly complex for charities and there are meaningful penalties for charities who make a mistake. The attendance levels at VAT education events demonstrates there is need for simplification and some relief.

Given the UK's departure from the European Union there is scope to change UK law. It would be great if something positive was achieved with these new powers.

Risk management and cost reduction case studies

The following are a couple of examples of how we have supported our charity clients with VAT issues recently.

Charity client A: VAT treatment of a new building

The situation

A charity client was commissioning a new building. The building would be used for the charity's purposes and also by third party tenants. The management team were uncertain of the VAT treatment of the costs in respect of the project for both budgeting, and also if any mitigation could be made.

The UHY solution

We had initial discussions with the project team and explained the likely issues. We were appointed to develop and implement a tax risk and mitigation strategy. The issues were explained to the project board and stakeholders, and the implementation included successful negotiations with HMRC.

The result

The VAT costs were mitigated by 95%, resulting in a £9m saving. The charity could evidence reasonable care to HMRC. They were aware of the red lines, and the Trustees and funders were reassured that the issue was properly managed. We also secured as much certainty from HMRC as possible in respect of future reviews (which are nearly always retrospective).

Learning point

The amounts involved were significant and the management team did not have the in-house expertise to assess the VAT treatment. By bringing in external advisers, this met the standard of reasonable care expected by HMRC and resulted in a significant saving. The strategy developed was within both the letter and spirit of the law.

Charity client B: a review of VAT accounting arrangements

The situation

A charity client had a new finance director who wanted a review of the VAT accounting arrangements of the charity. These had not been reviewed for some time and he was seeking assurance that the accounting processes were fit for purpose.

The UHY solution

We considered the activities of the organisation and its past and future income and expenditure profile. Our view was the client had not made fair and reasonable VAT recovery. The VAT recovery method had been unchanged for several years and did not reflect the use of the income received.

We developed a method we considered produced a fair and reasonable recovery for the client. This included an adjustment to income treated as grant income that had been wrongly characterised. On behalf of the client, we raised and dealt with the issue with HMRC's charity specialist teams.

The result

The client received a £600k refund from HMRC in respect of under recovered VAT over the last four years. A method for future recovery was agreed with HMRC producing prospective savings.

Learning point

A charity has an obligation to regularly review VAT recovery methods to ensure they produce a fair and reasonable result. This is also evidence of reasonable care.

The VAT treatment of grant income can cause issues and HMRC revised the guidance for their officers in respect of this income in recent years. If they consider VAT is due, the funding agreement normally prevents any recourse to the funder.

Charity client C: application of VAT reliefs

The situation

The client was upgrading elements of their computer equipment. This was a £3m procurement. The client asked if there was anything that could be done to mitigate the VAT cost.

The UHY solution

We reviewed the business case and draft procurement documentation. This allowed us to fully understand the purpose of the upgrade and use of the new equipment. We felt there was a case for a VAT relief to apply. However, HMRC have litigated to limit the scope and application of the relief, so we prepared a submission on behalf of our client and made our case for zero rating to HMRC. HMRC asked some clarification questions, which we dealt with.

The result

HMRC ruled that the relief could be applied to the procurement, which saved the client £500k.

Learning point

The client approached us before the procurement was made. This was part of our regular dialogue with them. By using HMRC's internal manuals, we were able to identify areas of potential concern for HMRC and address them. We avoided this becoming a potential issue at an inspection and were able to gain certainty for the supplier and charity, removing risk.

Keeping your charity cyber safe

There has been much talk over the years about cyber security, but there is still a huge amount of misunderstanding around what it is, what it means, how it works, or what we should do.

There is also a persistent disbelief around whether cyber security is something organisations should be worried about. Unfortunately for many, efforts to improve security are left too late. A successful cyber attack and/or a data breach can have a telling impact on organisations with both financial and reputational implications.

Cyber security specialist, Andy Larkum, considers the biggest cyber threats facing the charity sector today and shares his top three tips to improve the security of your charity.

What do the stats say?

The Department for Culture, Media and Sport (DCMS) delivers an annual report: the Cyber Security Breaches Survey.

Their 2022 report stated that:

- 30% of charities reported having some kind of cyber security breach or attack in the last 12 months
- 62% of high-income charities (those with £500,000 or more) and three-quarters with very high incomes (those with £5 million or more) were significantly more likely to record breaches or attacks.

From this we can draw two clear conclusions:

- Cyber security is certainly something that charities should be concerned with
- Smaller charities are less likely to have the technology or resources to identify attacks or breaches.

What is cyber security?

From the top - cyber security is the discipline of trying to secure data against the consequences of people interacting with technology and data. Those three things (people, technology and data) pose little risk in isolation, put them together and we have the potential for a whole world of pain!

Take a laptop as an example. Sat on a desk and left alone, a laptop is unlikely to present much of a risk. Put some sensitive data on the laptop and the risk increases, particularly if you connect that laptop to a network. Sit a person in front of that laptop and the potential for something going wrong with the data that it holds escalates dramatically.

A cyber attack is the generic name for a technology enabled security incident that involves data.

The incident may involve the manipulation of people (we call that social engineering - more on this later), or a user error (someone did something wrong by accident).

However, when we talk about cyber security, we have to throw the net slightly wider. The description of a cyber attack above assumes that a 'bad actor' is deliberately attacking us. Many cyber security incidents are caused by accidents, where an employee or other unfortunate individual does something that results in a data breach. We need to try to stop that too.

Like for instance?

Let's make it easy and consider something we have probably all done.

Have you ever sent an email to the wrong person? Of course you have - we all have!

OK, so let's imagine that you attached to that email a spreadsheet full of personal data. It was supposed to be an internal email, but your email client helpfully swapped the internal email address for someone else with a similar name. The result is a reportable data breach (under the GDPR).

This type of cyber security incident didn't involve a bad actor, but it was technology enabled and involved a person (or people) and data.

What's the biggest threat right now?

Right now, phishing is the most common form of cyber attack.

Phishing is a version of email fraud that we have probably all encountered. One particular flavour of phishing email is 'credential harvesting'. This is where the email contains a link to a site that looks a LOT like a legitimate website (like Paypal, or Microsoft, or Google…).

The victim clicks on the link, and then attempts to sign into the website, thereby handing over their login credentials to a bad actor. The bad actor can then access the real system using the victim's details.

Some phishing emails are genuinely terrible. Others, however, are incredibly sophisticated. In fact, the level of sophistication of phishing attacks is increasing year on year, with phishing tools able to apply social engineering data (for example, information learned about the target from social media) and automated machine learning to improve the levels of success.

Three practical improvements

There are usually practical things that organisations can do to improve their security. Here are some quick wins:

Multi Factor Authentication (MFA)

MFA is where, having entered your username and password, you then need to enter a code that is either generated by an app on your phone, some other kind of device, or sent by text message.

MFA makes life rather hard for a bad actor to hack you. With MFA enabled, not only do they need to hack your password, they also need access to your device.

MFA is, of course, an additional layer of inconvenience. That said, the improvement in security is substantial. It's our opinion that MFA should be enabled on all email accounts. Further, any administrator accounts, accounts that provide access to financial processing or personal data, should all be protected with MFA.

Access reviews

You would be amazed (or perhaps not!) how few organisations conduct access reviews. As a result, it is not uncommon for ex-employees to still have access to confidential information, including personal data, or for the wrong employees to have access.

Dormant accounts (of those who have left) are also not likely to be monitored. As a result, should the account be compromised, it is unlikely that anyone will notice for a while, increasing the opportunity for a bad actor to gain further access.

Improving processes to ensure the timely removal of access to information and systems (accounts or permissions) can reduce the opportunity for breaches.

Education and training

Understanding the 'why' of information security can result in much better results and less friction when we introduce the 'how' (technical controls) of security.

All employees should have some level of security training, relevant to the type of information they have access to.

Don't become a victim

The risk of a cyber security attack and/or data breach is evidentially high. Failing to take steps to protect your organisation is likely to result in becoming another victim, with our employees and benefactors ultimately paying the price.

We must ensure that adequate security measures, both technical and physical, are in place and that we help our employees to understand why security is in place and how to work with it, rather than against it.

Andy Larkum
Specialist GDPR & Cyber Security Consultant

About the author:

Andy Larkum has over 18 years' experience in the IT industry. In recent years, he has specialised in cyber security and the GDPR and provides seminars on the same. His ability to explain IT technical things to his listeners make his talks not only informative, but also interesting and engaging. He has also delivered consultancy support for the GDPR, ISO27001 and/ or Cyber Essentials to a range of industry sectors including accountants, financial software developers, schools, construction and social and medical research companies. You can follow him on LinkedIn here: https://www.linkedin.com/in/andy-larkum-925660b/

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What would you do if your charity became the victim of fraud?

In the previous article, cyber security specialist, Andy Larkum, outlined some of the simple preventative steps that can help protect your charity from cyber crime and we strongly encourage you to heed his advice and take any steps you can to protect your systems. However, sometimes the worst does happen. What then?

We find that we are talking to our clients about incidences of attempted or actual fraud – particularly cyber or online – with increasing regularity. Criminals are focusing on socially engineering their victims, with the intention of tricking them into authorising a payment to an account within their control. As a Trustee, you have an overarching responsibility to protect the resources of your charity and the prevention and detection of fraud is a central component of this.

Act quickly!

If your charity does suffer a fraud or cyber crime incident, the response and reaction of your Trustees and management can make a huge difference; both in terms of the overall impact on the organisation, and in demonstrating that the Trustees have acted in accordance with their charity trustee responsibilities.

The Charity Commission and Fraud Advisory Panel have prepared some useful guidance, available at https://www.gov.uk/guidance/protect-your-charity-from-fraud, noting the key steps to take on the initial discovery or suspicion of a fraud:

- If in doubt, take action and report it
- Act quickly, to minimise harm done and maximise legal options
- Take steps to preserve evidence
- Report to the relevant authorities, particularly Action Fraud and the Charity Commission.

The National Cyber Security Centre has also launched a free online tool for UK organisations to perform a range of simple online checks to identify common vulnerabilities in your public-facing IT at https://checkcybersecurity.service.ncsc.gov.uk

In addition, we would always suggest that steps are taken as soon as possible to establish the full extent of the fraud and any potential ongoing exposure. For example, identifying any continuing IT vulnerabilities or whether there may be a GDPR risk connected with the breach, engaging professional assistance where necessary.

Take ownership

Trustees must take ownership of the situation and be kept informed of relevant developments and actions. It may be useful to establish a working group of Trustees from the Audit Committee, or similar, and senior management to co-ordinate actions and manage communication with the rest of the Trustee board. Charities are likely to hold a significant amount of personal data as, in addition to employee data, many will also hold data from donors and beneficiaries, so ensuring you act quickly is key.

Following the initial response, it is essential that you drill down into exactly what went wrong and why, and how you need to respond; be it in terms of systems and controls, training or a change to your culture and ways of working. It is important that such a review makes an honest and comprehensive assessment of any shortcomings which may have enabled the fraud to take place, and sets out clear and specific actions to be taken to address these.

Trustees and management will also need to consider carefully how they communicate news about the incident, both within the organisation and externally to appropriate stakeholders, and potentially to the media.

Have a plan in place

With all of these points, it is of course better to have thought through the issues and identified potential responses in advance, rather than in the midst of a highly stressful incident, and we strongly recommend developing a 'fraud response plan'. Hopefully, this will never need to be used but, by going through the process of disaster planning, your charity will be much better placed to respond in a controlled and proactive way should the worst happen.

Should you require our support, we can help you assess whether your systems and controls provide a robust defence against fraud and introduce external cyber security specialists, if necessary, who can make practical recommendations for improvements.

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Volunteers, employees and contractors for charities – the legal considerations

The largest cost for a charity will vary depending on the size and nature of the organisation, as well as the services and programs it offers. However for most, the largest cost is typically the cost of individuals involved in the activities of the charity, whether they are employees, volunteers or contractors.

Charities that use volunteers, employees and contractors need to consider several key financial and legal matters to ensure that they are operating efficiently, effectively and in compliance with legal requirements. Some of the most important considerations you should address include:

1. **Legal status:** ensuring that your volunteers, employees and contractors are classified correctly under the law.
2. **Payments and benefits:** employees must be paid and provided with benefits in accordance with the law. Contractors must be paid in accordance with contract law and any agreement you have made with them. Volunteers, on the other hand, are not paid, but you may provide them with reimbursement for expenses incurred while volunteering.
3. **Recruitment and training:** you need to recruit and train volunteers, employees and contractors appropriately. Volunteers may require different training and support than employees or contractors, and you need to ensure appropriate resources and guidance is provided to all.
4. **Management and supervision:** you must have appropriate systems in place to manage and supervise the individuals involved in the activities of the organisation. This can include performance management processes, regular feedback and clear lines of communication.
5. **Health and safety:** all people must be safe and protected while working for your organisation. This may involve providing appropriate equipment, training and risk assessments, as well as ensuring that all relevant health and safety laws and regulations are followed.
6. **Insurance:** you should have appropriate insurance policies in place to protect volunteers, employees, and contractors against accidents, injuries, and other risks while working for the organisation.
7. **Confidentiality and data protection:** you must ensure that all volunteers, employees and contractors understand and comply with any relevant confidentiality and data protection policies and regulations. This is especially important given the sensitive nature of many charitable activities.

This article provides additional guidance on the first two matters.

Legal status of individuals

Charities often rely on individuals engaged on a number of different arrangements to carry out their work. There will often be a core team engaged in the day to day running of the charity. In addition, some charities will engage individuals on a casual basis to deliver services while others will engage the services of self-employed contractors to deliver services, particularly training.

Most charities will also have volunteers, engaged in and committed to the work of the charity.

It is important to understand the differences in rights that individuals have, depending upon the nature of their relationship and, therefore, it is also important to correctly identify the nature of the relationship with each individual engaged.

For example, volunteers are not in a legal relationship with the charity. They should therefore not be issued with a contract and have no right to claim unfair dismissal or discrimination. It can be helpful to have a volunteer agreement, setting out what the charity and the individual can expect from each other, but this is a document that is intended only to confirm the expectations on both sides and is not intended to amount to a contract.

Charities that use volunteers, employees and contractors need to consider several key financial and legal matters to ensure that they are operating efficiently.

Benefits in kind

Volunteers should not be paid for their time, though they can be reimbursed for out-of-pocket expenses incurred during the course of their volunteering – for instance, travel expenses. Care needs to be taken not to give volunteers any money - other than to reimburse expenses - or benefits in kind. If a volunteer is given anything over and above out-of-pocket expenses, this is likely to move them from being a volunteer to being a worker entitled to the National Minimum/Living Wage.

Training that helps the volunteer to carry out the role they are engaged to perform will not count as a benefit in kind, but paying for the individual to obtain a qualification that will benefit them outside the context of their volunteering with the charity is likely to constitute a benefit in kind. You should seek specific advice before proposing to pay anything to a volunteer that is not explicitly a reimbursement of an out-of-pocket expense.

Casual workers

Casual workers have some of the rights of employees, but not all. The main difference between the two is that a casual worker is not entitled to any minimum number of hours of work and is not obliged to accept work when offered. However, when a casual worker is offered and accepts work, they will be entitled to the minimum wage.

Casual workers are also entitled to paid annual leave and care should be taken to ensure that this is calculated according to the law. Casual workers also have protection from discrimination under the Equality Act 2010 in Great Britain (GB) and the various pieces of equality legislation in Northern Ireland (NI).

Employees generally have the right to a minimum number of hours of work according to their contract and they are required to work those hours. Employees are entitled to notice of termination of employment and can claim unfair dismissal after two years' service in GB (one year in NI).

Contractors

It is important to correctly identify whether a person is employed or self-employed. You can use the Check Employment Status for Tax (CEST) tool to find out if a worker on a specific engagement should be classed as employed or self-employed for tax purposes. The tool is available at https://www.gov.uk/guidance/check-employment-status-for-tax.

Correctly identifying the nature of the relationship, issuing the appropriate agreement and managing the relationship appropriately, depending upon whether the individual is a volunteer, casual worker, contractor or employee is extremely important.

Fixed-term contracts

Charities often appoint employees on fixed-term contracts because funding has been secured to support a post for a certain period of time. While fixed-term contracts have their place, they also have pitfalls that you need to be aware of.

Firstly, the non-renewal of a fixed-term contract is treated as a dismissal in law. Therefore, you need to have a fair reason for terminating the employment at the expiry of the fixed-term contract. Simply relying on the contract expiring will not suffice. Because the non-renewal of a fixed-term contract is treated as a dismissal, an employee who feels that the non-renewal has been unfair will be able to bring a claim for unfair dismissal if they have two years' service in GB (one year in NI).

Additionally, where an employee is engaged on a series of fixed-term contracts for more than four years, there is a presumption of permanence unless an objective reason can be given for the contract remaining fixed-term.

If an employer is engaging an employee on a fixed-term contract, it is extremely important to reserve the right in the contract to serve notice to terminate the contract early, failing which the employee may be able to claim that early termination is a breach of contract, and they may be able to claim their loss for the remaining duration of the fixed-term.

If an employee is to be recruited to cover a period of maternity leave or work on a project that is only intended to take a certain amount of time, clearly a fixed-term contract will be appropriate. If, however, the intention is that the role will continue indefinitely, then a fixed-term contract is less likely to be appropriate.

If funding is secured for a period of time, there is time while the employee is in post to work on securing extended funding or alternative funding. Not many jobs in the business sector have funding guaranteed for an extended period of time and businesses generally do not offer fixed-term contracts because of concerns that the job may not be capable of being funded indefinitely. If a job is no longer viable, it is put at risk of redundancy. Having funding secured for an initial period of time is not normally, by itself, a good reason to recruit an employee on a fixed-term basis, unless you know at the outset that the funding will not be renewed.

If, at the end of the funding period, there is no further funding, the role can be considered for redundancy, much like what would happen in a business if a job was no longer viable. As employees on fixed-term contracts have similar rights to those on indefinite contracts, you are no worse off if having to consider the redundancy of an employee on a contract of indefinite duration than if the employee had been on a fixed-term contract. Indeed, you may be better off having an employee on a contract of indefinite duration as, if another provider picks up the funding and continues the service, the employee's employment may transfer to the new provider without you having to make the role redundant.

Finally, it is likely to increase the pool of interested candidates if a job is advertised on a permanent basis. Few people will leave a permanent job for a fixed-term contract. For these reasons, fixed-term contracts should be used sparingly.

Ensuring compliance with employment laws

Charities, like any other organisation, must comply with employment laws and regulations and failure to do so can result in legal action, fines, and damage to your reputation. It is important you stay up to date with relevant legislation and guidance to help ensure you are meeting your legal obligations and acting in the best interests of beneficiaries. If in doubt, always seek advice from an employment law expert.

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It can be helpful to have a volunteer agreement, setting out what the charity and the individual can expect from each other.

Protect your most valuable asset: why managing your reputation is key to success

You've heard about financial audits, but did you know that experts also recommend reputation audits to help predict, prevent and prepare your charity or organisation for reputational risk? UHY Belfast partner, Michael Fitch, along with Reputation Management Lead at Jersey Road PR, Sarann Buckby, consider the important steps you can take to reduce the risk of a public crisis.

Reputational risk is your biggest threat

It is now widely accepted that an organisation's reputation can be its most important asset. Charities and NGOs recognise that reputation is essential to their existence, both financially and in outworking their mission.

For example, in the year following Oxfam's staff sex scandal in 2018, the charity's public donations fell by £3.8 million, it lost 7,000 donors and was left with a £16 million shortfall. More recently, Christian Aid broke its silence on a £700,000 legal battle to defend itself against allegations from a pro-Israeli advocacy group intended to inflict financial and reputational damage on organisations working with Palestinians. The case lasted more than five years before being thrown out by the US courts.

Whether the damage is financial or reputational, a lot of time and resources are needed to rebuild trust with your supporters, staff and other key audiences after a crisis.

Don't lose trust in the first place!

People are drawn to organisations that share their values – especially in the charity sector, where 75% of donors cite belief in a cause as the key influence behind their giving.

Trust is built over time when you consistently deliver on the different expectations of your key stakeholders. A risk issue or crisis develops when there's a gap between what's expected and what's perceived to be delivered.

A recent example is when Oxfam's inclusive language guide was deemed offensive and divisive, and critics accused the charity of 'wokery', wasting money, acting as the 'word police' and rejecting their British heritage. The story was picked up in the national press and the CEO had to defend the document on Good Morning Britain and in The Guardian.

The Charity Commission's Public trust in charities report makes clear that the public is divided on whether charities should get involved in social and cultural debates. If you don't have a good understanding of your key audiences' values, you could risk alienating them by speaking out.

Avoiding vs. managing a crisis

There are a variety of reasons that leaders suddenly find themselves in the painful position of having to face a storm in the public eye. Before Covid, the Institute for Crisis Management (ICM) announced that 70% of crises were the result of slow-burning and predictable issues within an organisation, but since 2021 sudden crises have become more likely (now accounting for 54% of crises).

Even so, that means that close to half of the potential crises you face as an organisation can be identified and managed early on, avoiding a crisis in the first place.

Leaders will often reach out to us as accountants and, in turn, to PR agencies like Jersey Road PR for support in managing risks and a crisis: an event, accusation, or perception that seriously threatens their organisation's reputation.

In some cases, an issue such as a malicious cyberattack or an internal dispute has spiralled out of control. In others, serious cultural or behavioural failings have been exposed that the organisation could – and should – have dealt with before, and now it will need to respond to these in the media (or social media) glare.

As a result, we advise you take the following important steps to reduce the risk of a public crisis, and the damage it can cause.

> **Ask yourselves: do you have the right policies and processes, such as health and safety or safeguarding, to minimise risk?**

1. **Predict** the likelihood of a crisis happening.

Have you considered what sort of risks and crises your charity could be facing with a reputational risk audit? Asking your leadership and staff on the front line the question, 'what's keeping you up at night?' will quickly reveal concerns lurking in the background.

Have an honest conversation about the risks your charity might face. You could start with some of the most common crises organisations and charities face, such as abuse, misconduct, mismanagement or culture wars.

Listen to what other people are saying about you and identify any issues that could escalate. Follow the news agenda, monitor social media and set up alerts for your organisation's name or issues of interest. It is also important to make opportunities to regularly listen to your stakeholders – staff, service users or other people important to your charity – so that you become aware of any potential issues or developing problems.

Once you've identified the risks, prioritise those that are most likely to happen and would cause the most damage, and put a plan in place to address them.

2. **Prevent** risks from turning into a crisis by deliberately taking action to minimise the potential of this happening.

Set up a senior team responsible for factoring risk management into your strategy and decision-making. You may also want to bring in trusted advisers from other parts of your organisation or outside it, who can offer alternative perspectives and valuable insight.

Ask yourselves: do you have the right policies and processes, such as health and safety or safeguarding, to minimise risk? If not, make it a priority to get these in place and ensure they are followed.

Undertake a health-check of your organisational culture. Have you nurtured a healthy, open culture, where people feel safe to raise issues or concerns and know that the leadership will take them seriously? This will help you to become aware of problems early and deal with them before they turn into a crisis.

3. **Prepare** for a crisis happening.

Identify your crisis team: the people who will take the lead in responding if a public crisis threatens to hit your organisation. Depending on the size of your organisation, one or several people may take on a variety of different roles: decision-making, drafting statements, speaking to the media, pastoral responsibilities and so on.

Then, develop your crisis plan, outlining the steps you will take if a crisis breaks so that you can respond calmly and confidently in the event. It's also a good idea to agree some key messages for your priority crises, drafting statements that you can adapt and use if the time comes.

Finally, ensure the crisis team are trained using simulated scenarios and that your spokespeople are equipped to face potentially difficult or hostile media interviews.

By investing the necessary time and securing buy-in from the highest levels of your charity, you will be taking a crucial step towards safeguarding your most valuable asset: your reputation. Remember, a strong reputation is a powerful tool that enables you to inspire and positively impact the people you serve. As you take measures to avoid negative headlines, you can redirect your energy towards becoming a force for good and making a meaningful difference in the world.

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In the spotlight: Sanj Srikanthan, CEO at ShelterBox

Each year, teams across our 23 UHY offices vote to pledge support to a national charity. We were very proud to support international disaster relief charity, ShelterBox, as our national charity for 2022/23. ShelterBox believe that "Everyone deserves a place to call home. It is a human right and the first step towards recovery after disaster." They do amazing work to accomplish this, working with communities to provide emergency shelter, essential items and technical assistance to help some of the world's most vulnerable people recover and rebuild their homes after disaster or conflict.

Sanj Srikanthan is Chief Executive of ShelterBox. Prior to joining ShelterBox in January 2020, he worked at the International Rescue Committee for 10 years where he progressed to Senior Vice President for Europe and Executive Director for the UK. We caught up with Sanj to hear more about his background, the amazing work ShelterBox is doing, and to gather his thoughts about some of the current issues facing the charity sector, and ShelterBox in particular.

Can you tell us a bit about your background and how you became involved with ShelterBox?

My path to ShelterBox was not laid out from the beginning. I began my professional career in the British military where I served for seven years, including a tour of Iraq. Partly influenced by my experiences there, I wanted to get into the humanitarian world. I left the army, went back to university and did a course on post conflict development. On completion, I joined the International Rescue Committee (IRC) and I worked with them for 10 years. Interestingly, I saw ShelterBox early on in my IRC career in Haiti in 2010; I remember seeing a sea of tents going up all over Port-au-Prince and thinking, 'who is this organisation just getting on and doing it?'. A decade later, ShelterBox were looking for a Chief Executive. I knew I wanted to be part of it, so I applied and started as CEO in January 2020, just before Covid hit.

Despite the challenges of the pandemic, ShelterBox has grown from strength to strength. Sadly, the growth element is a bit morbid because if we are growing, needs are growing, and more people are being made homeless. We really come into our own with rapid-onset disasters and conflicts and we are responding to more people than ever before; 2022 was our biggest year to date and 2023 looks set to be another big year. The need for our help is coming thick and fast with Ukraine, Pakistan flooding, and the Türkiye and Syria earthquake all in the last 12 months.

What do you think sets ShelterBox apart from other disaster relief organisations?

Most other international NGOs do disaster relief in addition to various development and longer-term projects; for example, a literacy project in Afghanistan running 10+ years. At ShelterBox, we just do disaster relief. That is a conscious choice because we are good at it, and within disaster relief we do shelter, because we are very good at that. In our new strategy, we have committed to remaining focused on disaster relief and shelter specifically. 23 years ago, our founders recognised this huge need for shelter after disasters, which was largely left to people on the ground to sort out for themselves. Those needs have grown, and more and more people are being displaced by climate change and by conflict. We are staying focused on emergency shelter disaster relief and, sadly, we have more than enough to do.

Can you talk about a specific program or initiative and the impact it has had?

During Covid, we went through the process many other organisations went through, debating whether we go into hibernation. We are not a health NGO so what difference can we make? However, as the messaging in the UK about 'hands, face, space' came out, we realised we can provide that for the poorest, most vulnerable and most displaced because, essentially, we can add whatever we want to the disaster kits we distribute. In addition to shelter items, we added handbasins, soap, basic PPE, washable masks etc. We were able to give some of the health dignity we enjoy in this country in the kits we provide. We also did some informational work with local community leaders as, in some of the most remote parts of the world we work in, we were finding some did not even know Covid existed.

One of the things I am most proud of during that Covid period is our response in Vanuatu, when Cyclone Harold hit and ran through the country. They didn't think anyone was coming, but we were lucky enough to have a partner donor who agreed to support us. There is a wonderful story of talking to a lady there who was in tears that anyone remembered that they existed, because at that time we were all going into lockdown and nobody was thinking about Vanuatu. On an emotional level and on an ambition level, we went to the next level of logistics to get out there in the midst of Covid. We could not even go into the country ourselves because Vanuatu didn't have Covid at that point and they wouldn't let anyone in, so we worked with a local partner. It was a wonderful case of going that extra mile.

What do you think the biggest challenges facing the charity sector are today?

Whilst ShelterBox is not huge, we are very fortunate in that the people who support us are incredibly loyal. This is partly because there is a tangible difference in the aid we give; the impact on families is immediate. As a sector, however, there is a real challenge around apathy, which is understandable given the cost pressures in this country. So, whilst we have seen growth ourselves, the sector overall has seen a decline in the value of donations. However, if you look at the statistics around volunteering, that has gone up. A survey by the Benefact Group shows the value of donations went down by £5bn between 2021 and 2022, however the proportion of adults volunteering rose from 17.9% in 2019 to 29.7% in 2022, with the estimated annual value of voluntary work in the UK during 2022 being £18.7bn. What we are seeing is people are less able to give cash, but they are more generous with their time.

How do you engage volunteers at ShelterBox?

In almost every area of our business, we have volunteers. They are highly valued and support us with everything from Scout and Girl Guide events, speaking events, fundraising events; you name it. They are also part of our distinctive volunteer community, and many are also part of our response team. Volunteers can go through a rigorous selection process and, once qualified, can respond to a disaster alongside our staff. By engaging our volunteers, we find they are willing to give their time for free out of a belief in our mission.

ShelterBox was originally a volunteer only outfit, responding out of a single warehouse in Helston, Cornwall. The instinct to engage volunteers is embedded within our organisation. So much is based on word of mouth, from those original volunteers speaking to people they knew, and so on. Now we are also the global disaster relief partner of Rotary International, which is a massive group of more than 1.4 million volunteers, and we work with them around the world.

Can you tell us more about your partnership with Rotary International and any collaborations that ShelterBox has entered into to support your efforts?

By working together with Rotary, we are able to collaborate and combine resources. It was Turkish Rotarians who volunteered to be drivers, interpreters and facilitators during our Türkiye Syria response, and we are now doing a joint project with Rotary clubs in Türkiye to help the local communities they have identified.

We also work with other NGOs like the International Federation of the Red Cross and Habitat for Humanity. Increasingly, however, we are shifting to local partners who only work in that particular country. For example, Bahar Organisation is a great organisation that provides support in North-East Syria and have been heroic in getting aid to people on the front lines of conflict. Public Concern in Cameroon is another local organisation that has worked tirelessly for people displaced there.

As I've said, our model is disaster relief; we are in, we provide aid and then we are out. We are not going to rebuild homes or stay there for the next 10 years as there are many other countries that need our help, so we are staying disciplined and true to our model. If we have a local partner that we have worked with and have helped get access to funding, there is still a long-term legacy we can leave without compromising on our short-term disaster relief mission. It is also a positive experience for communities to make empowered choices alongside their own local organisations.

We know the local partners we work with understand their community better than we ever could, and we learn from them as we go. We want to make sure it is an inclusive partnership and never a top-down experience, so we do things like surveys to make sure our partners are happy with us, as well as us being happy with them.

Whilst ShelterBox is not huge, we are very fortunate in that the people who support us are incredibly loyal.

How do you generate revenue, and what fundraising strategies have been most successful for ShelterBox?

ShelterBox is entirely funded through private fundraising, and we have a generous community of supporters. We use mail campaigns and word of mouth. We find some people send cheques even before we have said we are responding to a disaster, particularly our supporters in the South West of England. But increasingly, our biggest growth areas are through the corporates, trusts and foundations that we work with. We also have supporters around the world through the Rotary network, with fundraising offices in the US, Europe and Australasia all generating support, particularly when a disaster hits in their part of the world.

We are fortunate our funding is very flexible. If you take government grants, you must do exactly what the grant is telling you to do, whereas we can work wherever we want. For example, in Bangladesh we didn't go to Cox's Bazar, where a lot of the NGOs and the majority of government focus was. We went into the hill communities that nobody was working with. They had not been assessed and there was no government funding to work with these communities, but we could support them and provide aid because our funding is flexible.

How do you plan financially and prioritise efforts?

When a disaster occurs, we don't know how much money we are going to get. It takes time to get the donations in, but we can't wait until we get the money. We have to get going within 24 hours. So it is often educated guesswork, looking at what we think the level of interest amongst the public will be, and doing things like examining the number of hits on stories about the disaster on social media. We have to commit an amount of money from our reserves and spend up front, in the hope that we are going to get the money to cover it. If we don't, our reserves are that much smaller. If we make too many of those wrong calls, we run out of money.

Fortunately, we are not in that position and our calls are generally right. There are two levels of axes of decision making, public interest and humanitarian need. When you have high levels of both, it is an easy decision to respond. However, where the humanitarian need is high but the public interest is low, there is a moral duty to respond but we may not cover all of our costs. In those cases, we have to take that hit and do the best we can. That is a tough call to make.

What do you feel is the best way for a management board to interact with its Trustee Board? As a Chief Executive, what kind of involvement do you most value from your Trustees?

There are some principles I learnt once about being a Trustee, and I am also a Trustee of another charity, so I see it from both sides. I think being a good Trustee is to give and to get, to guard, govern and guide.

You need to give your experience. We recruit people to our board who can bring valuable experience we can learn from. But, as a Trustee, you also deserve to get something back, because you are giving your time freely. We try to get our Trustees involved in events and, if we can, get them out to the field to see some of our work. The guard side of being a Trustee is really important too, you have to be the cold empathy alongside the hot empathy of management. A Trustee needs to be able to be one step removed and bold enough to say, 'hang on a minute, that is quite risky', or even challenge 'you are not taking enough risks'. Our board is very good at empowering us to take more risk.

There is also a lot of regulation for charities and so the governance side of being a Trustee is important. For example, ensuring we are compliant with Charity Commission regulation, that we are doing things in a way that is transparent and we are communicating honestly with our supporters. But, the most important thing, I believe, is that there is a cultural alignment between your executive and your Trustees. If you are culturally different on any number of issues, from equality, diversity and inclusion to the issue of vulnerable persons or where we work and the risks we take, it is really hard. One of the trickiest parts of being a Chief Executive is holding those two constituencies together; you are the link between management and staff and, on the other side, the Trustees who are looking to you to keep them informed and engaged.

Do you find it easy to get Trustees to join the board?

We have been lucky in that we have never struggled to recruit Trustees to date. It is exciting for them to be involved with an organisation of our size. We are small enough that, as a Trustee, you can have a real impact on our direction. We do an annual two-day retreat with the Trustees, and it is important to get out of the standard quarterly board meeting and have time to get into some deeper issues on our future and the big questions coming up. The Trustees meet staff and do some staff and Trustee sessions to hear directly about what's going on, rather than just hearing from the management team. I think the Trustees value it, and we certainly do. These sorts of things help engage Trustees.

Finally, what would be your top three tips to anyone moving into a Chief Executive role within the charity sector?

Charity Finance's recent Charity Chief Executives Survey found that just over a third of CEOs leading the UK's largest charities are women. Whilst the inequality gap is larger within corporates, women are still underrepresented in the charity sector, which I find surprising. Our experiences, backed by the data we've been shown, is that in interviews and performance appraisals women tend to be much more pragmatic and realistic in how they sell themselves, whereas men tend to oversell themselves. My message for women thinking of becoming a CEO is don't doubt yourself. You do not need to be perfect in all areas to be a CEO. I certainly wasn't, and I think you can back yourself to win.

Once you are a CEO, to succeed you need to get the balance right. You need to take the time to listen and understand the organisation and then have in your mind a vision of where you are going. It is that balance of hubris that will keep you looking ahead but not necessarily checking to see if you are getting followership, versus looking back to see if you are bringing everyone along, but possibly trying to build too much consensus and not thinking about where the charity needs to go. If you can get the balance right, that will stand you in good stead.

My last tip, which really matters, is that you must live the values of the organisation. It is more than just talking about them, you have to live them. What hotel do you stay in when you go on a work trip? Who do you make time for in the day, just your executive team? Are you willing to admit when you were wrong in a staff meeting? A degree of vulnerability is important, but you need to get the balance right. If you keep admitting where you are wrong, it starts to build a lack of confidence, but if you are ignorant or think the rules don't apply to you, that doesn't work either.

As a small final example, one day a year we hold a 'thank you day' where everyone, not just the fundraisers, get on the phones and call our supporters and thank them. It can be nerve wracking if you have never done it before, but we support each other and do it together, usually around Christmas, with mince pies etc. It is heart-warming because we are not asking for any money that day, it is just about saying thank you and it really lifts morale. I do it, the most junior, and the newest members of our team do it; we all do it together because it is really important that we signal that all of us could not be where we are, doing what we do, without our supporters. If I didn't do it, it would skew the event and suggest it is a menial task. If you are going to be a CEO, you have to make time for every level of the organisation and every function of the organisation.

Sanj Srikanthan
CEO, ShelterBox

If you would like to read more about the fantastic work the team at ShelterBox do, you can visit their website at shelterbox.org. You can also support ShelterBox via our JustGiving page at justgiving.com/uhy-hacker-young-2022-23-charity

You must live the values of the organisation. It is more than just talking about them, you have to live them.

UHY's Yorkshire Three Peaks Challenge for ShelterBox

On Friday 21 April 2023, over 125 UHY team members, friends and family took on the Yorkshire Three Peaks Challenge for ShelterBox, on a mission to raise as much money as possible for this brilliant charity. London audit director, Harriet Hodgson-Grove, shares her story of the challenge.

Despite three weather hazard warnings of high winds, severe chill effect and poor visibility, at 6am we headed to the starting point of the Yorkshire Three Peaks challenge.

The Yorkshire Three Peaks Challenge is usually a 24 mile (38.6km) round trip route, and includes 1585m (5200ft) of ascent. I say usually as our group had to add an extra 3.8 miles due to challenging weather conditions forcing us to re-route; more on that later.

The Yorkshire Three Peaks Challenge takes on the peaks of Ingleborough (723 metres), Pen-y-Ghent (694 metres) and Whernside (736 metres) in under 12 hours. These hills form part of the stunning Pennine range and encircle the head of the valley of the River Ribble, in the Yorkshire Dales National Park.

Although there were blue skies to start with, the winds were picking up and meant we had to race to get to the tops of the peaks before it got too dangerous to continue.

Our group were in good spirits and feeling positive after reaching the peak of a cloud covered Ingleborough at 7:31am after a 6:15am start.

We reached the peak of Pen-y-Ghent at 10:55am, despite the winds starting to pick up and working against us, making every step that little bit harder. With the weather conditions worsening, we had to re-route from the top of the peak and double back on ourselves, adding another mile or so to our route.

One of the best parts of the day for me was the 10 mile stretch between Pen-y-Ghent to Whernside. At this point the sun was shining, the lambs were dancing and, despite having to keep up the pace to keep to the 12 hour deadline, we were able to take in the stunning views and enjoy the chance to be outside in the great outdoors with our colleagues and friends.

At the final stop before attempting to reach the peak of Whernside, the best cup of Yorkshire tea we'd ever had was waiting for us, along with a slice of jam roly poly cake, giving us the energy to push on to the final hurdle.

Unfortunately, the wind had other ideas… 84 meters from the summit of Whernside at around 3:30pm the winds increased to a terrifying 70mph and the guides made the difficult decision to turn back on ourselves (adding another three miles to our total for the day). I can't quite describe the force of the winds, but it meant having to crawl down parts of it to prevent being blown over. Some groups behind us had to skip the ascent altogether as the rain clouds rolled in and conditions continued to worsen.

On the descent from Whernside we had to dig deep as the heavens opened and the rain started to dampen our spirits. The finish line was still four miles away and, after over 10 hours of being on our feet we pushed, pulled, grumbled but encouraged our team all the way to the end.

This was a challenge both physically and mentally. Everyone who turned up at 6am for the start, no matter how far they got, made an incredible effort to raise funds for our national charity, ShelterBox, and it was an incredibly rewarding day, a great example of our team living and breathing our UHY values.

Our fantastic teams raised over £28,000 during the challenge and, in total, we have raised over £43,000 (including gift aid) for ShelterBox, providing over 700 families with the means to repair their homes and begin the process of recovery. We are extremely proud of the determination and generosity of our teams across the UK who have made a tangible impact in the lives of those in need.

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Our sector expertise

The provision of professional services to the charity and not-for-profit (NFP) sector is one of the core areas we have built our business around and we are committed to the sharing of best practice and knowledge for the benefit of our clients. We recognise that while your primary focus will be on those who benefit from your services, you must manage tightly controlled finances that are transparently reported in the public domain.

With increased competition for grant funding and charitable giving, and income streams disrupted due to the cost-of-living crisis, your charity needs to be managed better than ever to withstand the long haul.

We advise over 300 charity and NFP clients across the UK, from local charities of varying sizes to major national organisations. The long-term relationships we have developed with our charity clients enable us to understand the challenges faced and to offer advice based upon real understanding and experience.

We understand the need for a robust process that can demonstrate clearly good governance arrangements to stakeholders. Our decades of experience ranges from assisting with audits for grant and funding applications, advising on annual Charity Commission submissions, helping charities take advantage of the various VAT concessions available, to assisting with setting up a charity and obtaining charitable status.

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