



Welcome to Watson Buckle's Charity Bulletin, bringing you the latest news on financial issues facing the not-for-profit sector.

This Charity Bulletin takes a look at: worrying new figures indicating a sharp rise in the number of charities suffering data breaches since the introduction of the General Data Protection Regulation (GDPR); concerns that a substantial number of large charities are "unclear" about the levels of reserves they hold; and, finally, news that charities will now be able to pay 'sleep-in' workers less than the National Minimum Wage (NMW) despite previous fears that this would no longer be possible.

We hope you enjoy reading our Charity Bulletin and that you find it useful. We would welcome your feedback on the content, or ideas for topics that you'd like to see featured in future issues. Please get in touch with Susan on [01274 516700](tel:01274516700) or email [SusanS@watsonbuckle.co.uk](mailto:SusanS@watsonbuckle.co.uk).

## Charity data breaches up by 600 per cent since GDPR introduction



**The number of charities reporting data breach incidents has risen significantly since the introduction of the General Data Protection Regulation (GDPR), new figures have shown.**

The research, published by data watchdog the Information Commissioner's Office (ICO), reveals

that some 137 data breaches were reported to the office in the second quarter of 2018/19.

This is compared to the same period a year ago, when just 21 incidents were flagged. This represents an increase of more than 600 per cent.

According to the report, 88 of those incidents pertained to the unlawful disclosure of data, while 50 related to various other security issues.

Under the GDPR, which was implemented in May this year, all European organisations are required to take a number of steps to protect the privacy and security of customer data, with a focus on transparency, consent and cybersecurity.

Failure to follow the new rules set out in the regulation can result in significant fines, potentially rising up to 20 million euros or four per cent of annual global turnover, whichever is highest.

The regulator's latest report shows that a total of 4,056 data security incidents were reported to the office, with charities accounting for 3.3 per cent of all reported incidents.

The data also reveals that charities were victim to some 36 individual cases of cyber-attacks during the second quarter, more than double the number of attacks reported by the sector for the first quarter of the year. Of these, 18 related to phishing, six to misconfiguration of hardware and five to unauthorised access to information.

Is your charity fully compliant with the GDPR? Complete the ICO self-assessment checklist to check if you are ready to deal with a data security breach.

At Watson Buckle, our specialist team can provide expert tax and accountancy advice to charities. For more information, please contact us.

# Larger charities are ‘unclear’ about reserve levels, report finds

**Most large charities are “unclear” about the levels of reserves they hold, according to a new report.**

The data, published by the Charity Commission this month, shows that less than a quarter of large charities accurately report the level of financial reserves they hold in their trustees’ annual report.

Sarah Atkinson, Director of Policy, Planning and Communications at the Charity Commission, said this could result in trustees making “poor decisions” about their charity’s finances.

According to its analysis of 106 large charities with an income of more than £500,000, less than

25 per cent gave the right reserves figure based on standardised accounting requirements.

Meanwhile, some 33 per cent of charities failed to include a figure at all, contrary to trustees’ annual report rules, which state that charities should document the levels of reserves held, as well as why they are held.

Commenting on the findings, Ms Atkinson said: “The public, who generously donate to charity, rightly hold charities to high standards and expect them to manage funds in a way that maximises their benefit to society.

“As a regulator, we, therefore, expect charities to steward their resources effectively; to protect their

charity’s future and safeguard the money donated to them by the public or through public funds.

“Reporting financial information accurately is an essential part of this responsibility, so it’s concerning that so few larger charities appear to fully understand what reserves are or how to disclose them correctly.”

She added: “We would also expect auditors and independent examiners to report any concerns they have about the reserves held by charities, especially in light of the collapse of Kids Company.”

The Charity Commission said it would now be sending a copy of the full report to all charities in the sample where concerns were recorded.

# Charities to pay social workers “under National Minimum Wage” after sleep-in shift ruling

**A social care charity has told staff that it will cut their wages to below the legal minimum wage for time spent asleep while on shift.**



Alternative Futures Group (AFG) made the decision after the Court of Appeal ruled in a case involving disability charity Mencap that workers on sleep-in shifts were “not always” entitled to the National Minimum Wage (NMW).

The judgment overturns a previous ruling which found that sleep-in workers should be paid the full minimum wage, whether they were asleep on shift or not.

The ruling could have potentially led to hundreds of thousands of pounds of backdated wages being handed to sleep-in workers.

The latest guidance, however, implies that workers can be paid a flat rate fee for each sleep-in shift, which results in an hourly wage lower than the legal minimum wage (which is currently £7.83 for those over the age of 25).

This means that a worker will lose an average of around £30 to £40 per shift.

Other organisations, including private care provider Lifeways, have announced similar changes, although only because care commissions are likely to “underfund” care following the Court of Appeal ruling.

Announcing the change in the way its workers will be paid, AFG said: “It is highly likely that our commissioners will stop paying AFG a rate which would allow us to continue to make top-up payments.

“Therefore, AFG regrettably has had to write to employees to advise them that from 1 January 2019 we will no longer pay top-up payments for sleep-in hours – unless we secure sufficient funding to continue making the payments.”

It adds: “As we state in our letter to employees, we will continue to negotiate with commissioners to seek the best possible rates to protect the pay of front line workers.”

It is reported that the union Unison North West has lodged an application with the Supreme Court to ask it to overturn the Court of Appeal ruling. It has yet to be approved.

Our experts at Watson Buckle have years of experience in helping charities and other similar organisations. By providing specialist advice as well as bookkeeping services, audit and preparation of financial statements, we can help charities meet and exceed their financial responsibilities. For more information, please contact us.

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