14 January 2021

Joint charity sector bodies submission to Budget 2021

Dear Chancellor

We write to you as organisations that support the UK charity and voluntary sector to put forward our proposals for the Budget 2021, on which there is consensus among our organisations. We wrote to you in July 2020, ahead of your Economic Update, to propose a Five Point Economic Plan to support the millions of people who benefit from the never more needed activity that civil society organisations deliver. Our asks remain consistent and have become ever more urgent as we are plunged into another national lockdown, and the need for support from charities increases.

Across the country, charity staff and volunteers continue to be key workers throughout this yearlong crisis, stepping forward to provide support and care for our communities, in front line service delivery in areas including mental health, loneliness, homelessness, access to food and healthcare for deaf and disabled people and marginalised BAME communities, domestic violence and poverty. Drawing on deep and trusting relationships in communities, charities and volunteers continue to support people who are disengaged from or distrusting of mainstream services. This work is also vital to address the long-term impact of the crisis, and ensure economic and community recovery.

Charities are integral and essential in providing emergency support for communities and individuals directly impacted by Covid-19 alongside supporting us out of the crisis. St John Ambulance has committed to training more than 30,000 volunteers to administer the vaccination programme, which is critical to our victory over the virus and to our economic recovery. The organisations in the Voluntary and Community Sector Emergencies Partnership have been essential partners to the government's crisis response, and we all remain committed to working as partners with the government to tackle society's greatest challenges.

The organisations we collectively represent face a time of extreme financial uncertainty, impacting their ability to meet the rising needs of people and communities. Charities are experiencing an unprecedented income crisis caused by the cessation of trading activity, including the closure of charity shops and the cancellation and postponing of fundraising activity since March 2020. Over the past year, the sector has seen redundancies of over 7,500[1] representing loss of capacity and contraction of service delivery, alongside loss of valuable expertise and experience. Organisations have closed, contracted, remodeled and restructured and pulled on all the levers at their disposal to ensure they continue to be able to deliver public benefit for our communities.

The £750m package of support for the sector that was announced in March 2020, against a predicted £10 billion income loss over the year, is not sufficient to ensure the continued delivery of essential support provided by civil society organisations. Furthermore, much of the emergency support that has been available will end on 31 March 2021 with charities unsure how they will find the resources to continue support after this point. We now know that the impacts of the pandemic will be felt for much longer than originally anticipated. Other support schemes which have been primarily designed to aid the private sector are often not applicable to the context of charities and civil society organisations. To help charities determine if they can use these support schemes, the accompanying guidance for all measures announced must take into account of the needs of the sector, and make explicit mention to their eligibility.

The Job Retention Scheme allows charities a degree of financial stability, but for some charities on the front line, it has meant having to choose between securing their own financial stability or stepping up their frontline response.

The prime minister committed to doing "much more over the winter to support the voluntary sector" [3], and it is with this in mind that **we urge you to consider a renewed package of dedicated support measures for the sector, based on our unique role to support communities and their role in the social and economic recovery. It is crucial that the mechanism for delivery of this money should be as unbureaucratic as possible, to ensure that the funds are received swiftly by the recipients, so they can most effectively and quickly provide support for those most in need.**

We renew our offer to meet with you and your officials to discuss the specifics of our proposals, including the specific financial sum to be included in the proposed emergency support package, and to aid understanding of the unique operating nature of charities.

The following proposals will enable civil society to continue to make its vital contribution to the economy and society:

1. **A targeted programme of support to succeed the coronavirus job retention scheme.**

The Coronavirus Job Retention Scheme (CJRS) has provided welcome and much needed support to charities during the pandemic. It has enabled organisations that have seen a major drop in income to prioritise staffing frontline services at a time when those services are never more needed. We welcome the chancellor's announcement that CJRS will be extended until the end of April 2021.

The voluntary sector workforce is a significant contributor to the economy. It is almost double the size of the agriculture industry and employs more people than the wider automotive industry. Like many other industries including hospitality and tourism, the voluntary sector has been particularly hard hit by lockdown measures. Income generating activities like fundraising events and trading have stopped and charity shops have closed. The generous British public have stepped up to support causes close to their heart, and this has made a difference, but the public cannot and should not be expected to plug the £10.1bn[4] financial shortfall caused by COVID.

It is estimated that more than 7,500 redundancies have already taken place in the voluntary sector [5], with up to 60,000 redundancies projected to happen this year unless further support is made available.[6] One fifth of charities have already made redundancies and a quarter of organisations expect to make more people redundant once CJRS comes to an end.

Charities that have already announced consultations on redundancies include the Scout Association, Anthony Nolan, St Johns Ambulance and the British Heart Foundation. This could mean fewer activities for young people, fewer people available to support people with blood cancer, fewer people trained in life-saving first aid and less money spent on ground-breaking medical research that saves lives. Civil society groups that run national heritage sites like Shakespeare's Globe, Bletchley Park and the Tower of London have also all already announced significant financial losses and redundancies.

As well as large household names, countless smaller charities that are a vital part of local communities are facing scaling back their activity or closing. This includes charities that have provided crucial support in hard-hit communities during the worst of the pandemic. These charities are continuing to see a growth in demand for support and anticipated further increases as the crisis drags on - especially if Government does not keep the lifeline that has seen Universal Credit increase by £20 per week.

The extension of the CJRS until April 2021 will be of great help to thousands of charities. But if lockdown measures continue beyond April 2021, and the voluntary sector's ability to raise funds continues to be reduced, we recommend that the job retention scheme is extended accordingly.[7] We will continue to monitor this situation and make an assessment about what additional support may be needed for charities as the April end date approaches.

2. Introduce the Gift Aid Emergency Relief Package[8]

The UK is one of the most generous nations in the world.[9] This generosity could be amplified by the government making some simple changes to processes surrounding the process of Gift Aid.

Estimates from the National Audit Office indicate that £560m of eligible Gift Aid is not claimed each year – money that could be going to fund charity services. So that communities can fully benefit from the agreed principle that people should not be taxed on their gifts to charity, we suggest an emergency Gift Aid relief package modelled on the previous successful Gift Aid Transitional Relief Scheme. By changing the effective tax rate at which Gift Aid is paid for a two-year period to 25% charities could claim £133 on a £100 donation rather than the current £125. This change would help to boost the value and number of donations and likely be worth around £450m.

In addition, we propose making changes to the Gift Aid Small Donations Scheme (GASDS) to remove the 'matching rule' and for the eligible donations that can be claimed under GASDS increases from £8k to £10k; and adopt the same temporary effective tax rate for GASDS as proposed for Gift Aid Emergency Relief.

3. Repurpose and access stranded funds to support charity services

3.1 The National Fund

The National Fund charity was established a century ago with an investment that was designed to be drawn down when it reached a sum that would enable the UK government to pay off national debt. The Fund is now worth £500m, and the assets have not been used to serve public benefit for over 100 years. Before the pandemic there were calls for it to be repurposed for social use. In this time of emergency, and as the intent behind the Fund is no longer achievable, we urge that this money is made available to support charity services across the country.

Although these assets cannot be spent on meeting the specific charitable purpose for which the National Fund was established, they present a substantial opportunity for investing in the long-term resilience of communities as we emerge from the Covid-19 pandemic. The original intent of the donor when creating the National Fund was for the money to be used charitably. The High Court recently ruled that the £500m held by the charity could be released, but what the money should be used for is yet to be decided..We believe that it should be used to support charitable activity rather than being absorbed back into the Treasury.

3.2 Community Wealth Fund

We welcome the recent government announcement that over £800million will be made available to support good causes through an expansion of the dormant assets scheme, and the recognition that these funds should build on work to support people and communities during the pandemic.

We are calling on the government to use this next wave of dormant assets to create a permanent multi-billion pound national endowment for the most deprived communities that, even before Covid-19, did not benefit from Britain's wider economic prosperity.

A Community Wealth Fund would devolve funding decisions directly to residents within these neighbourhoods, in order to build the confidence and capacity of local residents, whilst providing them with the support to deliver sustainable change for their area. This would redirect control away from Westminster, giving local people the power to create and maintain independent community services and community spaces, and provide them with the capabilities to achieve their aspirations for their areas. Developing new approaches in areas that have not benefited from growth will be key to addressing both the UK's low productivity, and 'levelling up' all our communities in the coming years.

As the government's response to the Dormant Assets Commission highlighted, new legislation will be needed to access dormant assets. This presents an ideal opportunity to also consider the remit of how the assets should be designated to support the government's levelling-up agenda and strengthen community infrastructure in the most deprived neighbourhoods, particularly where poor infrastructure has been exposed by the coronavirus crisis. Developing new approaches in areas that have not benefited from growth will help the government address the UK's low productivity problem.

3.3 Repaying lottery distributors from the 2012 London Olympics

In 2007 the government diverted £675m in lottery revenues from National Lottery good causes to pay for infrastructure on the Olympic Park. £425 million of the £675m would otherwise have been distributed by the Big Lottery Fund (now the National Lottery Community Fund), mostly to small charities and community groups doing crucial work across the country. The remainder was taken from other lottery good causes such as heritage and arts. It was agreed that these funds would be repaid after the Games using the proceeds of asset sales on the Olympic Park. However, thirteen years later a fraction of that money has been paid back.

The government statements over the years have said that asset sales will take place over a period of decades, 'potentially' to be completed by 2030/31. Given the devastating effects of the COVID19 pandemic, charities and community groups across the UK need this money now, not in 2030.

We believe that a solution could be reached wherein the Treasury would pay back £675m to the Lottery distributors in full now, and in turn renegotiate the 'London Settlement' to take on the role of 'creditor' against the future sales of Olympic assets. Making these funds available to address urgent social need now would be hugely beneficial, potentially funding thousands of vital projects in communities across the UK.

4. Ensure effective and efficient distribution of the Shared Prosperity Fund

The coronavirus crisis has had a severe impact on the country's labour market, with the low paid and the young bearing the brunt of the impact.[10] As we emerge from the Covid-19 pandemic and start to rebuild the economy, investing in employment and skills programmes that seek to address economic inequalities within and between communities will be paramount.

The government’s forthcoming UK Shared Prosperity Fund (UKSPF) will be central to the delivery of this levelling-up agenda by supporting the creation of the social infrastructure needed to tackle structural and regional inequality and to improve the lives of people in deprived communities. Scheduled to be launched this year, the UKSPF will act as a replacement for the funding the UK has received from EU Structural Funds for decades. Communities across the country have benefited greatly from funds delivered particularly via the European Social Fund and European Regional Development Funding which focus on skills, employability, regional inequality and the low-carbon economy. The funds’ equality and non-discrimination objectives ensured women, disabled, BAME and LGBT people and others facing disadvantage were included. This is a requirement that must be retained within UKSPF.

There is now an opportunity to design a better initiative that will replace the investment in a more efficient and effective way. By helping to create a fairer and more inclusive society where all communities have an opportunity to contribute to economic growth, an effectively designed UKSPF will help the UK fulfil its post-Brexit and post-Covid-19 potential. The UKSPF is also an opportunity to improve on past regeneration programmes which have invested in physical infrastructure but failed to support the social infrastructure to ensure it connects with the people who really need it.

The UKSPF should invest in services that support people and communities experiencing disadvantage and discrimination neglected by mainstream state provision. Local communities and civil society organisations including equality organisations that work with groups who experience discrimination and inequality must be involved in the design and delivery. Research also shows that approaches which put communities in control of how investment is spent and which interventions will work for their places do not just provide good social outcomes but are also proven to create stronger local economies.[12] In Wales, Scotland and Northern Ireland, the devolved administrations should be responsible for design and delivery in their respective nations so that the UKSPF creates the biggest impact for local people and matches policy and legal frameworks.

This will help tackle the UK’s current skills gaps and productivity challenges and deliver a thriving labour market in line with the government’s ‘levelling up’ agenda. Importantly, communities will also be better positioned to generate local opportunities for themselves and withstand the impact of economic shocks by becoming more economically resilient.

To ensure the UKSPF delivers its potential, it is vital that charities play a meaningful role in the pilot schemes scheduled to begin this year. The sector’s knowledge and expertise will be particularly important given the lack of consultation on the UKSPF’s design. Longer term, local boards consisting of key stakeholders - including charities - should be responsible for distributing funding and identifying need. This will help ensure that marginalised communities receive adequate support and avoid the UKSPF being used to simply subsidise existing state provision.

5. Strengthen long-term financial sustainability of local authorities by increasing core government funding

Charities, volunteers and local authorities work closely together across the UK to ensure that people can access the support, help and services they need to live their lives well. Local governments have been central to the relief effort during COVID-19 but the Local Government Association (LGA) reports that while the £3.2 billion of emergency funding provided by the government to councils near the beginning of the crisis did help to reduce some immediate pressures, councils still face significant concerns about the long-term pressures faced by councils.[13].

Even before the crisis, the National Audit Office calculated that local authorities have seen government funding reduced in real terms by almost half since 2010-11, and that 1 in 10 councils are now using their reserves at a rate which is not sustainable for more than three years.[14] The latest Spending Round did provide an additional £2bn in 2021/22, which was welcome, but this will not reverse the significant cuts that councils have endured since 2010 and that have been exacerbated by the Covid-19 emergency.

Research from Lloyds Bank Foundation has shown that while councils have tried to reduce the effect of cuts on people that face the greatest disadvantages, their impact has fallen on marginalised and underrepresented groups in society. This has coincided with a marked increase in demand for services, particularly amongst communities that see the least financial investment by central government. This has seen councils being forced to spend on meeting immediate crisis need rather than preventative services.[15]

Local government and the voluntary sector are interdependent. When services are withdrawn or reduced by local authorities, the voluntary sector and volunteers often step in to support communities without the necessary funding from local government. This has inevitably put significant pressure on the finances of many charities and has led to a reduction of their reserves.[16] This is not sustainable in the long-term, and there are increasing concerns about the financial resilience of many parts of the sector.

Greater investment in the delivery of public services is an opportunity for inclusive, local economic growth. As such, the longer-term financial sustainability of all levels of local democracy should be a key focus for the government. It is important that the funding provided takes the form of core government funding, rather than solely providing additional mechanisms for local authorities to raise revenue themselves. It is in the poorest communities that local authorities will struggle most to raise the local revenue needed to fund the services that families rely on - and where demand for services will typically be higher. Leaving areas solely reliant on council tax and business rates would further exacerbate inequality, not least because of the disproportionate impact that Covid-19 has had on deprived areas and communities. It is also essential that the funding formula takes account of each area’s unique and changing population, including levels of disability and deprivation.

Yours sincerely,

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[1] https://www.thinknpc.org/resource-hub/covid-19-charity-redundancies-monitor/

[2] https://www.cfg.org.uk/mobilise_not_mothball_campaign

[3] https://hansard.parliament.uk/Commons/2020-11-02/debates/6AF57346-80F3-491D-AA67-9EF31B9B3B26/Covid-19Update#contribution-58B43E12-249D-4E76-A4FC-3C83BFF649E1

[4] https://www.probonoeconomics.com/news/pbe-launches-new-survey-understand-impact-covid-19-charity-sector

[5] https://www.thinknpc.org/resource-hub/covid-19-charity-redundancies-monitor/

[6] https://www.probonoeconomics.com/weathering-the-storm-pbe-covid-charity-tracker-august-03-07-results

[7] There is a parallel campaign by Charity Finance Group asking for the government to allow charity staff on furlough to volunteer back for their charities. More information can be found here:
https://www.cfg.org.uk/userfiles/Letter%20to%20Chancellor%20re%20Job%20Scheme%20Civil%20Society%205.11.20.pdf

[8] https://nmn.org.uk/information/2020/06/Briefing-Gift-Aid-Emergency-Relief-Package-2.pdf

[9] https://www.cafonline.org/about-us/media-office-news/uk-is-one-of-the-top-10-most-generous-countries-in-the-world

[10] https://www.resolutionfoundation.org/publications/the-full-monty/

[11] https://www.conservatives.com/our-commitments/uk-shared-prosperity-fund

[12] https://www.uk.coop/sites/default/files/uploads/attachments/ced_report_2017.pdf

[13] https://www.local.gov.uk/parliament/briefings-and-responses/spending-review-2020-day-briefing

[14] https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/

[15] https://www.lloydsbankfoundation.org.uk/ourimpact/news/2018/09/12/a-quiet-crisis/

[16] https://data.ncvo.org.uk/