

03/07/2020

Dear Chancellor,

### **COVID-19: a five point plan to support charities to rebuild lives, communities and livelihoods**

Ahead of your economic update on 8 July, we write to you as a group of organisations that support the UK charity and not for profit sector to ask you to implement a five point plan to aid the recovery. Charities are never more needed and essential to helping communities and the government to build back better.

Across the country, charity staff and volunteers have been key-workers, stepping forward to provide support and care for our communities. Charities have been integral in providing emergency relief and care for communities and individuals directly impacted by Covid-19. They have done so at a time of huge financial uncertainty, while experiencing an income crisis caused by the cessation of trading activity, including the closure of charity shops and the cancellation and postponing of fundraising activity.

The latest research from the Chartered Institute of Fundraising , Charity Finance Group, and National Council of Voluntary Organisations, supported by PwC, indicates that charities are on average are planning for a 24% loss to their total income for the year ahead<sup>1</sup>. To run organisations effectively and responsibly charities have to take decisions now on budgets, staffing levels and services. This loss to income will mean charities will have to reduce their services for individuals and communities, which would mean the sector is not able to play its full role in contributing to the government's ambition of levelling up.

The initial £750m package announced in April was welcome but, as you acknowledged in your announcement, was only intended and suitable for emergency relief. It was not a sustainable long-term solution to aid recovery and rebuild our social infrastructure and economic health. While the job retention scheme has been used to safeguard many jobs in the charity sector, it has been unable to support many charities, for example where mobilising, not mothballing, was the appropriate response to the crisis. All charities have had their ability to raise funds significantly curtailed by the pandemic and many came into this pandemic with insufficient financial resilience to withstand the magnitude of the crisis.

Economic and social recovery cannot be optimised without civil society organisations playing their part in underpinning connections and supporting networks in the social and economic fabric of our communities, helping to heal deep divides. But we also know that the potential is there for a different future – recovery needs to be about more than going back to normal. All charities exist to bring about improvements in causes for the public benefit and a part of that must be to work with government to Build Back Better.

However, without additional funding and support, charities will not be able to play their role to its full potential, which will be of disadvantage everyone across the UK as well as put further pressure on public services and finances. As you work towards your economic update on 8 July we urge you, as part of your levelling up, to implement a package of initiatives to support charities to rebuild lives and livelihoods, which include but are not limited to:

#### **1. A flexible approach and appropriate extension of the Coronavirus Job Retention Scheme**

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<sup>1</sup> <https://www.institute-of-fundraising.org.uk/library/impact-on-the-charity-sector-during-coronavirus-research-report/?preview=true>

Employers who will not be able to resume generating income due to social distancing requirements should be permitted to delay contributing to furloughed salaries in the Coronavirus Job Retention Scheme until such time as full activity can safely resume (for example fundraising events, some service delivery and trading activities). Alternatively, government should make provision for additional targeted funding for these activities, in order to ensure that charities can continue to tackle inequalities, deliver services and public benefit at a time when they are most needed and where they are uniquely able to meet emerging need.

## **2. Introduce the Gift Aid Emergency Relief Package**

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 charities properly benefit from the agreed principle that people should not be taxed on their gifts to charity, we suggest an emergency gift aid scheme<sup>2</sup>. Change the effective tax rate at which Gift Aid is paid for a two year period to 25% so that charities can claim £133 on a £100 donation rather than the current £125. This change would help to boost the value and number of donations from the generous British public and likely be worth around £360m to charities.

In addition, make changes to the Gift Aid Small Donations Scheme to remove the ‘matching rule’ so that 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.

In addition, we urge you to take on board the recommendations of the recent Charity Tax Commission report<sup>3</sup> including redirecting the value of higher-rate and additional-rate relief to charities on top of the basic-rate relief they already receive, with an opt-out from this if donors specifically requested it.

## **3. Repurpose and access the National Fund to support charity services**

The National Fund charity, established a century ago, now has around £500m that was originally earmarked for repaying the national debt. In normal times, the assets of the Fund, which have not yet been used to serve public benefit for over 100 years, have been questioned and calls have been made for it to be repurposed for social use. In this time of emergency, and while being able to repay the national debt is likely to be even further away, we urge that this money is made available to support charity services at this time of unprecedented need.

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

More details are urgently needed about the UK Shared Prosperity Fund (UKSPF), including the time period over which the £500m earmarked to support disadvantaged people is spread, and the consultation on how the programme will be designed and delivered. It is important that the funding provided is at least commensurate to the levels of funding the UK would have received from the

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<sup>2</sup> <https://nmn.org.uk/information/2020/06/Briefing-Gift-Aid-Emergency-Relief-Package-2.pdf>

<sup>3</sup>

[https://www.ncvo.org.uk/images/documents/policy\\_and\\_research/funding/CharityCommissionReport\\_ForWeb\\_3.pdf](https://www.ncvo.org.uk/images/documents/policy_and_research/funding/CharityCommissionReport_ForWeb_3.pdf)

2021-27 EU spending round, to ensure the most disadvantaged people across the UK do not lose out. There should also be assurances that other smaller funds outside of ESIF and ERDF are appropriately replaced.

Communities and charities that represent them must be at the heart of the UKSPF, including in the delivery and design of the programme, with significant devolved funding and community control. A more localised approach would harness local assets, and provide investment for growing the capacity of communities and local organisations to lead change in their neighbourhoods. It would unlock opportunities for areas which have often been overlooked, and for people facing barriers to and in the workplace. It would also enable community-led activity and community businesses to flourish.

## **5. Creation of a Community Wealth Fund using Dormant Assets**

By establishing a Community Wealth Fund using money from the next wave of dormant assets, government would create a national endowment for the most deprived communities that have not benefited from Britain's wider economic prosperity. Funding decisions should be devolved 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 put local people in control of 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 in 'levelling up' all our communities in the coming years.

The Community Wealth Fund would use these assets to create an independent endowment to support our most deprived areas over a 10-15 year span. This would develop civic assets and community engagement in neighbourhoods that have been 'left behind' and significantly contribute to the 'Levelling Up' objective.

We would be pleased to meet with you and your team, or other relevant officials at the earliest opportunity to discuss any of these proposals and the support charities need to rebuild lives, communities, and livelihoods.

Yours sincerely,

Debra Allcock Tyler, Chief Executive, Directory for Social Change

Tony Armstrong, Chief Executive, Locality

Caron Bradshaw, Chief Executive, Charity Finance Group

Vicky Browning, Chief Executive, ACEVO

Rita Chadha, Chief Executive, Small Charities Coalition

Kathy Evans, Chief Executive, Children England

Jane Ide, CEO, NAVCA

Peter Lewis, Chief Executive, Chartered Institute of Fundraising

Ruth Marks, Chief Executive, Wales Council for Voluntary Action

Robin Osterley, Chief Executive, Charity Retail Association

Paul Streets OBE, Chief Executive, Lloyds Bank Foundation for England & Wales

Sue Tibballs, Chief Executive, The Sheila McKechnie Foundation

Adeela Warley, CEO CharityComms

Karl Wilding, Chief Executive, NCVO