22 September 2020

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.

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[[1]](#footnote-1) financial shortfall caused by COVID.

As lockdown measures have eased over the summer, charities have done all they can to get staff back to work, and play their role in supporting the recovery. However a number of revenue-raising activities are still not possible, or are having to be done at a smaller scale because of social distancing rules.

It is estimated that 6,000 redundancies have already taken place in the voluntary sector, with a further 60,000 redundancies[[2]](#footnote-2) to happen this year unless further support is made available. One fifth of charities have already made redundancies and a quarter of organisations expect to let more people go when CJRS comes to an end in October.

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.

It is not too late to prevent further mass redundancies, and more importantly prevent the harm that those redundancies would cause to people and communities that have already experienced so many challenges over the last six months. The Kickstart scheme offers an excellent opportunity to introduce the charity sector as a job to many young people but it is not designed as a replacement for skilled staff like care workers, fundraisers, and medical researchers.

We join others including the Treasury Select Committee and the CBI to ask the chancellor to put in place a targeted successor programme to CJRS to support those civil society groups whose trading and fundraising activities are still severely curtailed. This will prevent thousands of redundancies and ensure charities can retain the highly skilled staff they need to continue to deliver public benefit.

**2. Introduce the Gift Aid Emergency Relief Package[[3]](#footnote-3)**

The UK is one of the most generous nations in the world.[[4]](#footnote-4) 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[4] 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 £360m.

In addition, we propose making changes to the Gift Aid Small Donations Scheme (GASDS) 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.

1. **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 in normal times, the assets of the Fund, which have not been used to serve public benefit for over 100 years, had been questioned with calls made 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. We believe that this intent should be respected when the funds are released and be used to support charitable activity rather than being absorbed back into the Treasury.

**3.2**   **Community Wealth Fund**

By using money from the next wave of dormant assets, the government could create a national endowment for the most deprived communities that, even before COVID-19, did not benefit 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 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 in ‘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 and aligned to the priorities and vision of the government’s post-Covid-19 recovery efforts and ‘levelling up’ agenda. 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.

1. **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.[[5]](#footnote-5) 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 proposed 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 introduced in April 2021[[6]](#footnote-6), 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 principle that should be retained within UKSPF.

There is now an opportunity to design a better, world-leading 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 learn from past regeneration programmes which have invested in physical infrastructure, but not supported 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 should 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.[[7]](#footnote-7)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.

1. **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 councils have incurred £4.8 billion of extra cost pressures and income losses as a result of the pandemic. While the £3.2 billion of emergency funding provided by the government to councils has reduced some immediate pressures, councils are still facing an overall funding gap of £7.4 billion[[8]](#footnote-8).

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.[[9]](#footnote-9) The £2.9bn increase in Local Government Core Spending Power alongside an additional £1bn in grants for adult and children’s social care announced at last year’s Spending Round 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.[[10]](#footnote-10)

Local government and the voluntary sector are interdependent. When services are withdrawn by local authorities, the voluntary sector and volunteers often steps in to deal with the consequences. This has inevitably put significant pressure on the finances of many charities, and has led to a reduction of their reserves.[[11]](#footnote-11) This is not sustainable in the long-term, and there are increasing concerns about the financial resilience of many parts of the sector, especially as we approach winter and there is concern about the increase in COVID cases.

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.

1. https://www.probonoeconomics.com/news/pbe-launches-new-survey-understand-impact-covid-19-charity-sector [↑](#footnote-ref-1)
2. https://www.probonoeconomics.com/news/pbe-launches-new-survey-understand-impact-covid-19-charity-sector [↑](#footnote-ref-2)
3. <https://nmn.org.uk/information/2020/06/Briefing-Gift-Aid-Emergency-Relief-Package-2.pdf> [↑](#footnote-ref-3)
4. <https://www.cafonline.org/about-us/media-office-news/uk-is-one-of-the-top-10-most-generous-countries-in-the-world> [↑](#footnote-ref-4)
5. <https://www.resolutionfoundation.org/publications/the-full-monty/> [↑](#footnote-ref-5)
6. <https://www.conservatives.com/our-commitments/uk-shared-pr>[osperity-fund](https://www.conservatives.com/our-commitments/uk-shared-prosperity-fund) [↑](#footnote-ref-6)
7. <https://www.uk.coop/sites/default/files/uploads/attachments/ced_report_2017.pdf> [↑](#footnote-ref-7)
8. <https://www.local.gov.uk/lga-analysis-covid-19-council-funding-gap-widens-ps74-billion> [↑](#footnote-ref-8)
9. <https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/> [↑](#footnote-ref-9)
10. <https://www.lloydsbankfoundation.org.uk/ourimpact/news/2018/09/12/a-quiet-crisis/> [↑](#footnote-ref-10)
11. <https://data.ncvo.org.uk/> [↑](#footnote-ref-11)