

# Challenges Facing the Charitable and Voluntary Sector

## Questions for House of Lords Debate, 30 April 2020



### 1. Emergency funds for charities and voluntary organisations

After five weeks of campaigning by the charity sector, on 8 April the Chancellor Rishi Sunak MP announced a £750m fund to assist charities during the COVID19 crisis. £370m is to be distributed through the National Lottery Community Fund and £360m through government departments. £20m will be provided to the National Emergencies Trust as match funding for the Big Night In appeal.

#### 1.1 Funding to be distributed by central government

##### Summary:

The £360m to be distributed via government departments includes £200m specifically for hospices, leaving £160m to be distributed throughout an unknown number of government departments. However, other smaller funds have been announced around this too, which have complicated efforts to determine the total amount and how it will be divided up.

The details and process for allocating these funds remain unclear. Apparently government departments have been bidding to HM Treasury for funding over recent weeks but there has been no official confirmation of this. Further, despite some brief indications in the press release from the Treasury on 8 April, there remains a lack of clarity about which causes will be prioritised for funding, and how and when it will eventually be distributed.

##### Questions to consider for the debate:

- On what basis did the Chancellor and HM Treasury decide that the £750m 'funding package' for charities would be sufficient to meet current and anticipated needs in the charity sector, and to prevent life-saving charitable services from collapsing, given that the charity sector faces at minimum a £4bn shortfall in income from the COVID19 crisis and associated social distancing measures?
- What discussions and / or briefings have taken place between the offices of the Chancellor and the Prime Minister about the scale of need in the charity sector caused by the current crisis, the imminent threat to many critical charity services closing, and what Government's response should be?
- What else is government doing to ensure that critical services provided by charities survive the crisis, beyond the £750m package already announced?
- Given that £200m has been allocated to hospices, that leaves just £160m to spread between many other cause areas affected by the crisis – potentially less than £10m per government department. Which areas or departments will be prioritised, what

will each department receive and on what basis, how and when will this be announced?

- What processes are in place to ensure this funding supports services for the most vulnerable, and that equalities considerations are fully woven into the design and delivery of the schemes?

## **1.2 Distribution of £370 million by the National Lottery Community Fund**

### **Summary:**

£370m of the £750m funding package provided by the Chancellor is to benefit small charities and will be distributed by the National Lottery Community Fund (NLCF). NLCF are currently working on the fund design in consultation with the Government (DCMS) although details have not yet been made public.

### **Questions to consider for the debate:**

- What processes are in place to ensure this funding supports services for the most vulnerable, and that equalities considerations are fully woven into the design and delivery of the scheme?
- What specifications, instructions, or agreements has the Treasury or DCMS made with the National Lottery Community Fund about the distribution of the £370m funding they have been allocated, and when will these be published?
- How will DCMS and the National Lottery Community Fund define 'small charity' in eligibility criteria and distribution of the £370m in funding they have been allocated?
- When will small charities be able to bid for funding from the NLCF, and will this depend on the timing of funding being released from central government departments?

## **2. Relevance of policy measures announced by the Chancellor for charities**

In the Budget on 11 March and subsequently the Chancellor announced a range of funding and policy measures to help business deal with the crisis posed by COVID19 and the associated social distancing measures. Chief among these are the Coronavirus Job Retention Scheme and the Coronavirus Business Interruption Loan Scheme.

Although the value of these and subsequent schemes is in the region of half a trillion pounds, their usefulness for charities and voluntary organisations is limited because they were not designed with an understanding of charity and not-for-profit business models that deliver public benefit, which are inherently different from those of profit-making business.

### **2.1 Coronavirus Job Retention Scheme**

### **Summary:**

The Coronavirus Job Retention Scheme allows businesses to 'furlough' staff during the crisis in order to reduce the likelihood of redundancies. The Government pays 80% of the salary of each staff member up to the value of £2500 per month, and employers reclaim this money from HMRC on a monthly basis. The scheme currently runs from the beginning of March until the end of June, and opened for claims on 20 April.

Several criteria designed into the scheme pose difficulties for charities. It is based on the premise that the need for business activity is inherently related to income. However, demand for charity services during the crisis has in many cases gone up, whilst income has to support those services has gone down drastically.

Charities currently participating in the scheme are not allowed to let staff for whom claims have been made under the scheme to volunteer for their own charity, as HMRC views this as a fraud risk, meaning they face a choice between survival or downsizing services.

### **Questions to consider for the debate:**

- How many organisations have made claims under the Coronavirus Job Retention Scheme; how many claims have been processed; how many are outstanding; and what is the financial value of claims to date?
- How many charities have made claims under the Coronavirus Job Retention Scheme; how many of these claims have been processed; how many are outstanding; what is the financial value of these claims to date, and when will it be published?
- Will the Government and HMRC allow charity staff for whom claims have been made under the Coronavirus Job Retention Scheme to volunteer for their charity without penalty or fear of prosecution, as demand for charity services has in many cases gone up, whilst income has gone down?

## **2.2 Coronavirus Business Interruption Loan Scheme (CBILS)**

### **Summary:**

The Coronavirus Business Interruption Loan Scheme (CBILS) is not available for most charities because of the uncertainty in the scheme criteria regarding trading, namely that over 50% of income must be generated by 'trading'. Further, research by the Charity Finance Group found that amongst respondents, 92% of charities that applied for the CBILS had been rejected.

### **Questions to consider for the debate:**

- How many applications have been made under the Coronavirus Business Interruption Loan Scheme; how many have been processed; and what is the financial value of applications to date?
- How many charities have made claims under the Coronavirus Business Interruption Loan Scheme; how many have been processed; and what is the financial value of applications to date?
- Will the Government place a cap on the interest rate for CBILS loans after the initial 12 month interest-free period, as debt taken on under the scheme by charities could be difficult to repay if charity income does not recover in that period?
- Will the Government amend the CBILS scheme, to clarify that the definition of 'trading' includes all income irrespective of intention to generate 'profit' and that 'public funding' does not include funding from the National Lottery Community Fund?

## **2.3 Small Business Grant Scheme**

### **Summary:**

The Small Business Grant Scheme provides small grants of £10,000 for small businesses in receipt either of Rural Rate Relief or Small Business Rate Relief. However, this scheme is not open to charities in receipt of charitable rate relief. This could be changed simply by making charities in receipt of charitable rate relief eligible for the scheme.

### **Question to consider for the debate:**

- Will the Government explicitly make charities in receipt of charitable rate relief eligible for this scheme, as they are currently excluded?

## **2.4 Deferred PAYE**

### **Summary:**

The Chancellor announced a deferment period for PAYE and other taxes in the Budget and subsequent announcements to deal with the COVID19 crisis. However, interest is currently payable at a rate of 2.5% on each month's claims for deferred PAYE, and this is cumulative, which is a considerably higher rate than commercial loans.

### **Question to consider for the debate:**

- Will the Government significantly reduce the interest payable on deferred PAYE, to at least the base of England Bank base rate?