GSC0013

Association of Chief Executives of Voluntary Organisations

Written evidence from ACEVO, the Association of Chief Executives of Voluntary Organisations. ACEVO is a membership body of over 1,500 CEOs and senior leaders of civil society organisations working in England and Wales. Through its network ACEVO inspires and supports civil society leaders to make the biggest possible difference by providing connections, advocacy and skills.

1. Introduction

1.1 During the Covid-19 crisis, charities have made a vital contribution to the public health response. While businesses had to close their doors to keep people safe, many charities stepped forward to meet increased demand for their support and services.

1.2 Charities support people and communities in numerous ways, often providing help which is not available from, or funded by the state. Their services have become even more vital during the pandemic. Charities have seen a huge rise in demand for their services, for example organisations providing mental health support[1], support for disabled people[2], domestic abuse services[3] and youth services[4].

1.3 The £750 million emergency funding provided by the government to support the voluntary sector in April 2020 was welcome. Additionally, other schemes such as the Coronavirus Job Retention Scheme (CJRS), the Coronavirus Business Interruption Loan Scheme (CBILS) and the Bounce Back Loan Scheme (BBLS) have been utilised by some charities.

1.4 However, the combination of challenges faced by the sector needed tailored and longer-term investment to ensure charities could continue to support people.[5] The £750m emergency package was not sufficient to cover the shortfall the charity sector was facing, which stood at £4 billion in April 2020, and is now estimated to be at £10.1 billion (see section 2.2 for further detail).[6]

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[1] Mind, *Mind warns of 'second pandemic' as it reveals more people in mental health crisis than ever recorded and helpline calls soar*, November 2020. Available at: https://www.mind.org.uk/news-campaigns/news/mind-warns-of-second-pandemic-as-it-reveals-more-people-in-mental-health-crisis-than-ever-recorded-and-helpline-calls-soar/

[2] Scope, The Disability Report, May 2020. Available at: https://www.scope.org.uk/campaigns/disabled-people-and-coronavirus/the-disability-report/

[3] Safe Lives, press release, August 2020. Available at: https://safelives.org.uk/news/lockdown-eases-surge

[4] UK Youth, *UK Youth Report reveals the impact of COVID-19 on youth services,* February 2021. Available at: https://www.ukyouth.org/2021/02/uk-youth-report-reveals-the-impact-ofcovid-19-on-youth-services/

[5] Never More Needed campaign: How the Government has helped. Available at: https://nmn.org.uk/the-campaign/why-we-are-campaigning/how-the-government-has-helped/

[6] Pro Bono Economics Charity Tracker Survey, July 2020. Available at:

1.5 While charities could be eligible for schemes like Coronavirus Job Retention Scheme (CJRS), Bounce Back Loan Scheme (BBLS) and Coronavirus Business Interruption Loan Scheme (CBILS), they often did not work well for charities and were not designed with charities in mind. Those who needed to keep their doors open could not benefit from the salary support offered by CJRS. Loans often aren't appropriate funding mechanisms for charitable organisations, but for those that did want to access them, a number could not because their banks were not providers of the schemes and new banks were not taking on new clients. As a result, many charities haven't been able to access any financial support (see section 3).

1.6 In this evidence submission we outline the shortcomings of the government's support schemes and our proposals for how support could be better designed to meet the needs of charities, so that they can in turn meet the increasing needs of communities. This evidence is accompanied by 2 case studies provided by charities (see section 5) demonstrating specific examples of the challenges organisations have faced in accessing government support.

2 The £750m VCSE Covid-19 response fund

2.1 On 8 April 2020, the Department for Digital, Culture, Media and Sport (DCMS) and the Office for Civil Society (OCS) announced that they had pledged £750m to the VCSE sector after weeks of sector campaigning. The government stressed that the money would be distributed at speed and prioritise those charities supporting the national Covid-19 response.

2.2 The sector broadly welcomed this funding, but also immediately highlighted that £750m did not address the funding gap identified. The sector estimated that between March and May 2020, charities would lose £4.3 billion[7], meaning that the emergency funding package could only meet the needs of a small number of charities working in a limited set of sectors.

2.3 Furthermore, in July 2020 Pro Bono Economics estimated that charities were facing a funding gap of £10.1 billion since the beginning of the first lockdown. This was due to a projected income drop of £6.7 billion and an increase in demand equivalent to £3.4 billion.[8] Although we understand that the initial funding package was focused on 'frontline' services supporting the response to Covid-19, a lack of follow-up support leaves many other charities whose services will be vital for communities recovering from the pandemic unsustainable, or at worst insolvent. It also did not address the rise in demand experienced by many charities.

2.4 Despite the stated aim that this money would reach organisations quickly, the distribution of this funding was frustratingly slow. As of February 2021, some charities have only just

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https://www.probonoeconomics.com/news/pres-release-charities-facing-101-billion-funding-gap-over-the-next-six-months

[7] Whitehead H, Charities set to lose £4bn over 12 weeks due to Covid-19 pandemic, Civil Society, 20 March 2020. Available at: https://www.civilsociety.co.uk/news/charities-face-closure-as-sector-set-to-lose-4bn-over-12-weeks.html

[8] Pro Bono Economics Charity Tracker Survey, July 2020. Available at: https://www.probonoeconomics.com/news/pres-release-charities-facing-101-billion-funding-gap-over-the-next-six-months

received their funding which must be spent by the end of March 2021, despite the delayed distribution (see section 5.2). The Coronavirus Community Support Fund (CCSF), distributed via the National Lottery Community Fund, did not open for applications until six weeks after the chancellor's initial announcement. After being announced in April 2020, the first funds were not disbursed until July, and by August only £55m – just over a quarter – had been allocated to charities.[9]

2.5 Other industries simply did not experience this kind of delay. Sectors such as hospitality and retail were able to quickly access support schemes, close their businesses and secure them for at least the next few months. For example, Bounce Back loans were announced on 27 April, and launched on 4 May. By the 21 June 2020, Her Majesty's Treasury and bank partners had managed to distribute emergency loans via CBILS, CLBILS, and BBLS worth a total of approximately £40 billion.[10] At the same point, 45% of charities were drawing down reserves to meet growing need while income continued to fall.[11] This indicates a lack of understanding from central government about the vital role charities are playing in communities.

2.6 The week before the CCSF opened for applications, the government reduced the fund by £110m reallocated this money to new schemes, in anticipation of possible 'unmet need'. This reallocated money was slower to be disbursed. The National Audit Office investigation into government funding to charities during the COVID-19 pandemic found that on 19 February 2021, £41m of charity funding, including £16m for youth projects and £7m to reduce loneliness, had yet to be disbursed despite the fact that money has to be spent by 31 March.

2.7 Finally, some elements of the process for distributing this money were opaque. DCMS engaged PwC on a £1.4 million contract to review applications deemed "contentious" and ensure decisions about this funding did not "undermine public trust". This definition of "contentious" has not been explained transparently despite numerous interventions from sector infrastructure bodies, and was not clarified in the National Audit Office investigation.

2.8 Although we understand that the government was dealing with numerous conflicting pressures to distribute this money, the package overall lacked the flexibility and sense of urgency necessary to support a sector responding to a rapid increase in demand at the same time as a rapid drop in income. Distributing £513m through almost 200 partner organisations and seven separate schemes created unnecessary bureaucracy and the stated intention of distributing this money 'at speed' was not met.

3 Other support schemes and proposals for future support

3.1 The government has repeatedly stated that charities could access other support measures. However, evidence shows that in many of these schemes, the majority of charities were locked out.

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[9] National Lottery Community Fund, press release, July 2020. Available at: https://www.tnlcommunityfund.org.uk/news/press-releases/2020-07-28/covid-19-funding-in-england-update
[10] Browning S, Coronavirus: Business loans schemes, 10 February 2021. Available at: https://commonslibrary.parliament.uk/research-briefings/cbp-8906/
[11] Pro Bono Economics Charity Tracker Survey, June 2020. Available at: https://www.probonoeconomics.com/june-16-17-covid-charity-tracker-survey-results

3.2 Many charities have made use of the CJRS as one of the only options available to them, and this scheme will have helped many organisations to survive. However, it is far from an ideal solution. The CJRS is not helpful for the thousands of charities who need to scale up, not down. Furloughing employees leaves vital services understaffed at a time when demand is higher than ever; Pro Bono Economics found that 4 in 10 charities said demand for their services is going unmet because they have had no choice but to furlough staff.[12]

3.3 Charities have repeatedly called for a modified furlough scheme that would allow charities registered for public benefit to claim furlough funds for essential staffing costs. This was supported by the DCMS select committee during the first lockdown. The government has responded to this by reiterating concerns about fraudulent use of furlough; however, we believe by limiting this adjustment specifically to organisations founded for public benefit the risk of fraud would be greatly reduced. There is no reason this should pose a greater risk of fraud than that posed by the furlough scheme overall.

3.4 Many charities have been forced to consider redundancies as a result of the pandemic, with New Philanthropy Capital tracking over 7000 redundancies in charities by the end of 2020.[13] Pro Bono Economics have estimated that the impact of coronavirus will result in 60,000 job losses within charities. In September 2020 PBE found that 43% of organisations were cutting jobs, with one in five organisations expecting to make redundancies when the CJRS ended (at the time of this survey, the scheme was expected to close in October 2020).[14] The impact of the end of the CJRS specifically on jobs has not yet been seen, but charities have started 2021 in a very challenging position. PBE found in January 2021 that 42% of charities did not expect to be able to meet demand in the first quarter of the year and 19% were planning to reduce staffing numbers temporarily or permanently.[15] This combination of decreased staff levels and increased demand for services means charities will face serious delivery challenges over the coming months.

3.5 The Coronavirus Business Interruption Loan Scheme (CBILS) is also inaccessible for many charities, due to uncertainties surrounding the definitions of trading and public funding. Research from the Charity Finance Group found that 92% of charities that applied for the CBILS had been rejected. Charities have told us that they were unable to access a Bounce Back Loan (BBLS) or CBILS because their bank did not offer the loans, and other providers were not accepting new applicants or would not loan to charities (see section 5.1). Furthermore, many charities simply are not in a position to take on further debt after 12 months of heavily reduced fundraising.

4 Conclusion

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[12] Pro Bono Economics, Charity Tracker Survey, November 2020. Available at: https://www.probonoeconomics.com/november-15-20-covid-charity-tracker-survey-results
[13] New Philanthropy Capital, 2020 redundancies monitor, November 2020. Available at: https://www.thinknpc.org/resource-hub/covid-19-charity-redundancies-monitor/
[14] Pro Bono Economics, Charity Tracker Survey, September 2020. Available at: https://www.probonoeconomics.com/september-15-20-covid-charity-tracker-survey-results
[15] Pro Bono Economics, Charity Tracker Survey, January 2021. Available at: https://www.probonoeconomics.com/january-11-18-covid-charity-tracker-survey-results

4.1 The sector welcomed the announcement of emergency funds for the sector, but as the crisis has continued it has become clear that this package was nowhere near sufficient to secure the sector in the longer-term. Charities will help people and communities overcome the long-term implications of Covid-19 but without further support they will be unable to meet this need. The slow management of the distribution of emergency money left many charities facing unnecessary uncertainty at a time when people needed them most.

4.2 If schemes such as the CJRS and CBILS had been adjusted to meet the specific needs of charities, the sector would be in a far stronger position. For example, if charities had been able to apply for emergency funding for increased demand in conjunction with securing the salaries of service delivery staff by claiming furlough, many more organisations would be secured to continue meeting community needs.

4.3 The combined impact of generalised schemes that were inappropriate for charities and insufficient emergency funding leaves the sector facing a funding cliff edge at the end of March 2021. Charities contribute at least £18.2 billion to the economy each year, about 0.9% of total GDP, and employ approximately 910,000 people.[16] It is our view that throughout this crisis and despite consistent lobbying, the government has not heeded calls to support the sector sufficiently and does not seem to understand the far-reaching impacts on society if charities continue to close or reduce services.

4.4 Ahead of the 2021 budget, a coalition of charity sector infrastructure bodies asked for an emergency fund for charities which would direct funding quickly to organisations who had so far been unable to access support. We also asked for modifications to existing support schemes, many of which are outlined in this submission. However, the sector received no follow up support and has been repeatedly told that the initial £750m emergency fund was generous enough. Other new initiatives such as the Help to Grow scheme explicitly exclude charities, and charities are notably excluded from the Levelling Up Fund Prospectus. Numerous other sectors such as transport and retail received follow up funding, but charities have been excluded which ultimately puts people and communities at risk.

5 **Case studies**

5.1 Access to government support schemes

Anonymous

This UK-based water and sanitation charity directly supports a team in East Africa on the front line preventing the spread of coronavirus in some of the most vulnerable communities in the world. The charity had a pre-coronavirus income of just under £1 million. Over 60% of their income is normally raised from fundraising events and this was almost entirely wiped out as a result of lockdown. A prudent reserves policy and the support of a small number of generous donors have helped the organisation survive, but it now urgently requires additional support to see them through until fundraising events can resume.

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[16] NCVO Civil Society Almanac 2020: What is the economic contribution of the voluntary sector? Available at: https://data.ncvo.org.uk/impact/#:~:text=The%20voluntary%20sector%20contributed%20%C2%A3,than%20%C2%A33.3bn%20each.

For almost a year, this charity was completely locked out of both BBLS and CBILS. Over 2020-21, they were forced to spend significant staff time approaching every single lender accredited to offer BBLS and CBILS to try and secure the organisation's survival, but all had turned the charity down. This was at a time when their services were never more needed, and for-profit organisations were able to access these loans quickly and efficiently. Their bank was not registered to provide BBLS and turned the organisation down for CBILS as they only provide loans against secured property (which the charity does not have). Reasons for rejection included:

1. That the majority of banks were only lending to existing customers
2. Where banks are accepting new customers, the vast majority have a policy of not lending to charities. This response varies from a blanket 'no charities' policy to more technical reasons such as 'being ineligible because we do not have a Person of Significant Control registered with Companies House' (which is very common for companies which are also registered as charities).
3. The very few that did consider applications from charities turned this organisation down because their beneficiaries are based overseas.

As of March 2021, the charity was liaising with one final provider who were exploring the organisation's eligibility for a loan and hoped they may be able to secure something. However, for this charity, being shut out of both the BBLS and CBILS schemes for almost a year has drawn out and worsened financial uncertainty. The need for work in communities which lack access to soap and clean water is more urgent than ever, to protect people against typhoid, cholera and more recently coronavirus. The lack of accessible loan schemes greatly increased the risk of the charity having to wind down right when their work is most needed.

5.2 Funding spending deadline of 31 March 2021

Anonymous
This small charity provides support for new breastfeeding mothers, through support groups and 1-1 sessions. It was constituted at the end of 2020 and had planned to launch face to face projects at the end of April 2021. The charity applied for funding from the £200m allocated to support small charities, and distributed by the National Lottery Community Fund, on 25 January 2021.

The charity received confirmation of funds on 5 February, and the funds arrived on 12 February. However, this was accompanied by a requirement that the funding be spent by 31 March 2021. This left the charity with just over six weeks to spend nearly £2000. As a small charity with no paid staff, this deadline created significant additional pressure, as the organisation had to replan projects and make quick decisions around insurance to ensure the funds could be spent in time. When small charities are facing serious financial difficulty as a result of the pandemic, flexibility around spending deadlines is essential to ensure that specialist charities such as this one can survive into the future and keep delivering the best services in communities.

April 2021