

Written evidence submitted by Charities Aid Foundation

About Charities Aid Foundation (CAF)

The Charities Aid Foundation (CAF) is a registered charity with a simple aim: to make charitable donations go further. We make it easier for private and corporate donors to give both domestically and across borders and for charities to manage their money, offering financial, banking, administrative and educational support.

Executive Summary

- CAF distributed a substantial portion of the Government's £750 million pandemic support for charities through the CAF Resilience Fund. The fund distributed £19.3 million to 647 charitable organisations.
- Whilst the Government support was welcomed, CAF would like to see further support made available to the sector given the exceptionally challenging circumstances of the last 12 months as a result of the pandemic.
- When distributing funding in future, the Government should make resilience a priority and potentially reserve a proportion of funding to encourage charities to better prepare for future economic downturns.
- In particular, digital infrastructure and upskilling of staff to meet digital fundraising needs should be priorities for future support.
- In contrast to pandemic-support schemes seen in other sectors, Government support for charities was confusing and the application process seen by many to be overly bureaucratic. This discouraged some charities from applying for support and excluded other charities from the process entirely.

Recommendations

- In recognition of the adaption that many charities have been forced to make as a result of pandemic restrictions, funders, grantmakers and Government should work together to build necessary digital infrastructure and support civil society organisations to develop digital skills.
- Grantmakers (be they businesses, individual philanthropists or Government) should make unrestricted, multi-year funding the norm. This would help to support organisational resilience and to shift decision-making power within grantmaking relationships further towards the people and communities that grantmakers are

trying to support.

- Schemes in the future should be designed with fewer administrative requirements, with a view towards a more inclusive application process.
- The Government should introduce a Gift Aid Emergency Relief Scheme: including a two-year temporary increase in the rate at which Gift Aid is repaid to charities (from 25% to 33%) and a relaxation of the eligibility criteria for the Gift Aid Small Donations Scheme. To date, CAF has led a growing, broad base coalition of 300 charities in campaigning for this change.

Government Support and CAF

In September 2020 CAF was awarded £20m from DCMS to deliver the Community Match Challenge. This was matched with £20m from the Covid-19 Support Fund funded by more than 30 firms in the UK's insurance and long term savings industry. The Covid-19 Support Fund raised more than £103m in total, all of which was administered through CAF. The CAF Resilience Fund was subsequently launched in October 2020 with the intention of distributing £19.3m from DCMS to small and medium charitable organisations, funds that were to be spent by the end of March 2021.

The CAF Resilience Fund

Prior to closing to new applications in December 2020, the CAF Resilience Fund received over 3000 applications from organisations in the UK, for grants valued between £10,000 and £100,000.

As at 30 March 647 organisations received a level of funding, with the total amount of grant money distributed standing at more than £19.3 million.

CAF targeted demographics that had been overlooked in the past, with a focus on areas of the country where the need was greatest, communities which had struggled to access earlier funding, and those who had lacked a voice in the initial months of the pandemic.

As a result, the causes and communities which have benefitted from the fund include children and young people, individuals and communities living in poverty, people with learning or physical disabilities, the homeless, BAME communities, those experience mental health conditions, victims of abuse, and communities facing health inequalities.

The fund had two key aims – to support charities in providing services during the pandemic and to help charities “weather the storm” of pandemic-induced restrictions and their economic impacts.

The Effect of the Pandemic on Fundraising

CAF surveys charity leaders annually to understand the challenges they face, and to assess the impact these challenges have on the sector's ability to meet the needs of its beneficiaries.

In [this year's Charity Landscape Report](#), conducted between July and August of 2020, it was clear that it was proving to be an incredibly challenging year for charities, with a number of traditional income streams drying up altogether. With the widespread closure of charity shops, lack of in-person fundraising and decline in the use of cash, charities were forced to adapt to find new ways of working.

- To give a sense of the impact of the first lockdown and to help frame the scale of the losses that charities were facing – from March to May of 2019 it is estimated that **£435 million was donated to charities through sponsorship**. That year the London Marathon alone raised £66.4m for charity – setting a world record for an annual single day charity fundraising event for the 13th year in a row. The virtual London Marathon last October amid Covid raised £16.1m by comparison.

In February 2021, [CAF spoke to small charities](#) about their predictions for the year ahead and what challenges they expected to persist after lockdown eased. Three in 5 of those surveyed (58%) expect to see a continued loss of income sources. Half predicted that challenges will remain for face-to-face working (50%), and from a loss of fundraising sources (48%), whilst just over two in five (43%) predict that planning for the long term will remain challenging, along with the impact of the economic downturn.

What pandemic-related challenges do you think will persist once lockdown has been eased?



Scores for 'Other', 'Don't know' and 'None of the above' not shown
CAF Fieldwork 19 - 23 February. Base, N=286 charities.

- Charities have reacted to this changing environment and have started to adjust their operating models; increasing their ability to ask for and receive donations online. In our research we found that one in five charities have accelerated their plans to raise funds online, while an equal number were concerned about the decline of cash usage.

However, there also appears to be worrying evidence of a “digital deficit” in some parts of the sector, with one in ten charities in our research saying that they cannot afford the technology needed to adapt to the new fundraising environment.



ONE IN FIVE
accelerated plans
for online fundraising



ONE IN FIVE
are concerned about a
shortfall in cash donations



ONE IN TEN
can't afford the
technology

Our research found that 53% agreed there is a need to shift to an online fundraising approach, 46% agreed that donors are likely to be open to online giving, and 47% said they had already changed their fundraising methods.

Once more, however, the divide between those with the skills and equipment for digital fundraising and those without it was stark - 62% of those surveyed said they did not conduct any online fundraising at the moment. This echoes findings in the latest [Charity Landscape report](#). Three quarters of charity leaders (77%) believe that technological change is relevant but only one in five (18%) said they know how to manage online fundraising effectively.

Digitisation and Building Resilience in the Sector

Government funding in response to the Covid pandemic understandably focused on the short-term goal of getting money out quickly in order to maintain charity cash flows during an unprecedented period of crisis. However, this Government support was not designed to build longer-term resilience in the sector, and further steps need to be taken to understand what this would entail for any future funding model.

Resilience can take a number of forms, for example a certain percentage of funding could be reserved for improvements to digital infrastructure, “green” procurement or upskilling of staff and volunteers.

With the move towards digitisation described elsewhere in this document, targeted support for digital infrastructure and training would be hugely beneficial in “future-proofing” the sector and those working in it.

The enforced rise of digital fundraising during the pandemic merely accelerated an existing trend, and more could be done to encourage the development of digital skills amongst charity workers. Existing work is already being done by organisations like the National Lottery Community Fund, Catalyst Fund and 360Giving, and future Government support should seek to build on these efforts.

Financial sustainability is another vital tenet of longer term resilience, and many charity leaders CAF has spoken to are planning to diversify income streams and make better use of their reserves over the next 12 months. This diversification should be encouraged –

particularly as many charities have been forced to spend down their existing cash reserves over the course of the pandemic.

It is vital that the Government, and grantmakers more generally, recognise the influential role that they can play in ensuring the resilience and sustainability of the charity sector, and adapt their approaches accordingly. Going forward we would like to see a percentage of all grants to be dedicated to support for resilience-building in grantee organisations. Charities have been forced to adapt to an unfamiliar environment during the pandemic and we have seen some positive shifts in funding practice in recognition of this – towards longer-term, unrestricted funding as a default. These are trends that we should try to build on as we move into the post-pandemic phase of recovery.

Alternative Ways of Supporting the Sector

The Government's financial support package benefitted roughly 15,000 charities. Whilst this support was welcomed, it nonetheless excluded a large number of charities, which found themselves unable to access some desperately needed support.

This was referenced in the [NAO investigation into government funding to charities during the COVID-19 pandemic](#), which suggested that there was a lack of detail as to which communities received Government support. It has been [well reported](#) that many of the economic and health inequalities already present nationwide have been exacerbated further by the pandemic, particularly in relation to ethnic minority communities - and yet this was not reflected by the support package. Whilst some of the partners distributing funding have elected to target support for specific groups in light of this evidence, there does not appear to have been any significant moves towards doing so by Government.

Government support for the charity sector also did not take into account one of the key trends we have seen during the pandemic – an increased demand for services. Research by CAF shows that the need for charitable services is higher than ever, due both to the pandemic and its knock-on economic and social effects, with charities reporting a [43% rise](#) in workload.

During the 12 months since the first lockdown in March 2020, charities have responded to help reduce the demand on frontline services, often working directly with Government and reducing stress for frontline public services. Unfortunately, this increased workload increased costs and yet no increase in financial support was announced to reflect this.

The pressure on charities doesn't appear likely to disappear in the near future, with [research from March 2021](#) showing nearly half of charities surveyed expecting demand to increase further in the months to come.

Neither the increased costs nor the scheme's lack of accessibility were helped by the Government support's restrictive layer of bureaucracy. Whereas schemes to support businesses through the pandemic were largely administered centrally and available through straightforward online forms, the funding for charities was considerably less straightforward. The money was distributed to almost 200 partner organisations and seven separate schemes, and charities were understandably confused as to where to turn for support. This was particularly true for charities with less formal structures, particularly those run by people who do not speak English as a first language.

Nearly a year on from the support package being announced, £41m of funding was yet to be disbursed, including all of the Youth Covid-19 Support Fund. This is of particular concern considering the NAO report was released on the same day that labour market statistics show that a third of people without jobs are aged under 25. Charities can, and want to be, part of the response and recovery to Covid-19 but if it they are to do so, it is vital that government learns lessons from what has and hasn't been successful over the last 12 months.

Government support for other sectors was made available in a far more straightforward manner and take-up of the widely praised Job Retention Scheme benefitted from there being a short and simple process, with minimal levels of bureaucracy. That simplicity should, where possible, be something to aspire to in future government support for charities. Unfortunately for many charities, the increased demand on their services meant that they were unable to take advantage of the scheme, or any of the other support services potentially available to them.

Reforms to Gift Aid

CAF is part of a coalition of charities campaigning for a potentially more straightforward way of getting financial support to charities – a two year Gift Aid Emergency Relief package. This package would offer financial support to a wider range of charities, with minimal additional administrative costs.

The package has two elements:

1. The introduction of Gift Aid Emergency Relief (modelled on the previous successful Gift Aid Transitional Relief scheme (in Sch 19, Finance Act 2008)). This would get much needed funds to charities across the country by temporarily changing the way that Gift Aid is calculated. The proposal is for this to take effect from the beginning of the 2021-22 tax year and stay in place for two full tax years. By making use of the existing Gift Aid claiming processes that charities already have in place with HMRC this can happen quickly and easily get cash to charities as effectively as possible.
2. Changes to Gift Aid Small Donations Scheme to: remove barriers for entry to ensure wider access across the full charity sector; and increase the amount that can be claimed.

The changes would make financial sense for both charities and Government. Estimates from the National Audit Office indicate that approximately £560m of eligible Gift Aid is not claimed each year - money that could be directly funding charity services. The proposal would bypass a number of the challenges of expanded grant funding. It could be introduced quickly, with minimal difference in administrative costs for both HMRC and charities. Equally, there would be no increased risk of fraud as claims would be administered by HMRC in the way it already does.

The introduction of a Gift Aid Relief package would also act as an equalising factor, as it would be open to any charity receiving charitable donations within existing Gift Aid parameters. This would mean it would benefit large international charities as well as small community ones, representing the broad cross-section of organisations which work with diverse communities and individuals.

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