

### Written evidence submitted by The Charity Commission

1. The pandemic has shown that charities make a vital contribution to public life: whether large, national charities, relied on to provide life-saving services; or small, local community groups innovating and helping people, in support of a common cause.
2. The charity sector has always been made up of this range of organisations. Its diversity is such that many charities have little in common. But collectively, all charities represent the expression of people's willingness to give time, or money, and to help others, to make a positive difference in their communities and around the world. This is the essence of charity and it is what unites charities, whatever their size or purpose.
3. As well as providing vital services to many of the most vulnerable in our society, and curating much of the cultural and artistic life of the nation, charities make up large part of our social fabric, of the glue that binds individuals into communities and society. Charities will, therefore, be key to helping society recover from this pandemic. The Charity Commission will do all it can to ensure the sector is resilient and able to play its full part.
4. Like so many charities, businesses and public institutions, the Commission's work has been challenged and changed by the pandemic. But the Commission's core purpose – putting the public interest at the heart of everything it does – has remained constant. Charities rely on continued public goodwill and support, and the public need well governed, efficient and accountable charities that they can support with confidence – and it is the Commission's role to ensure charities continue to inspire this trust.

### The Commission's response to COVID-19

5. From the beginning of the pandemic, the Commission engaged with charity representative groups and individual charities to understand the challenges facing the sector. Through these regular conversations, we were able to hear where the most pressing issues were in the sector, and to respond swiftly and effectively.
6. We have sought to reduce, where possible, short-term regulatory burdens or hurdles that may get in the way of charities responding to urgent need. For example we introduced a facility allowing charities to apply for a postponement of their annual reporting deadline. As of April 2021, 4,855 charities have taken advantage of this, and been granted an extension. While this sort of relaxation cannot remain in place forever, it has given charities greater flexibility during a time of heightened pressure, allowing them to focus resources and time on imminent priorities, and demonstrates how we have listened and responded to what the sector was telling us.
7. We have also published, and regularly updated, clear [guidance for charities](#) on how trustees can respond to common challenges or situations that have arisen because of the pandemic. For example, the guidance covers the use of reserves to manage financial difficulties and gives advice on holding AGMs during the pandemic. We have also launched a campaign aimed at helping trustees, who are making difficult decisions often at pace, to be 'certain in uncertain times'. This promotes new 5-minute trustee guides that provide simple and easy to understand information on the governance basics all trustees need to know.
8. 'Being open for business' was a key priority for the Commission in 2020-21, and central to that was the provision of the effective and continuous service offered by our Contact Centre. Within days of the initial lockdown, we were able to move our Liverpool-based Centre to a fully remote-working arrangement. This meant that the service has remained open, answering calls and providing support and advice to charities, every working day since the pandemic hit. Since the pandemic started, we have received 51,865 calls of which 2,448 (4.7%) were specifically about

COVID-19. We have answered 97% of calls first time, ensuring busy volunteer trustees receive the advice and support they need, when they need it.

9. From the outset of the pandemic, we have prioritised – and will continue to prioritise – applications for registration as a charity from organisations responding to the pandemic. Of the 7,491 registration applications we received in 2020, 138 were directly related to the pandemic (77 of which were registered). Among these are:
  - The Captain Tom Foundation – A charity which supports causes that were close to the late Captain Sir Tom Moore’s heart, such as combating loneliness, championing education and equality, and supporting the NHS.
  - Exovent – A charity which creates ‘negative pressure breathing support devices’ that can help people with diseases that affect their breathing, such as COVID-19.
  - General Trust – A charity to help support NHS staff, volunteers and care workers in the fight against COVID-19
10. By way of context, only 60% of applications result in successful registrations, having met the test Parliament has set down for what properly constitutes a charity. Our Registration team has been timely and efficient in considering applications. This is demonstrated by a halving of the volume of cases actively under consideration at any one time, from 1771 at the start of 2020, to 860 at the end of 2020.
11. Our Permissions team has dealt swiftly with case work, such as requests to change a charity’s objects in its governing documents (40% of all permission requests), where that is needed to help a charity respond to the pandemic.
12. Overall, at the end of February 2021, 99% of all applications for registration and permission or requests for advice were assessed and responded to within 10 working days.

### **Impact of COVID-19 on the sector**

13. To date, we have not yet seen significant numbers of charities closing, nor has there been an abundance of requests to consider charities merging with other organisations or a sudden increase in the number of charities being removed from the Register<sup>1</sup>. We have, however, seen indicators that there are financial shocks in the system and that the sector’s financial resilience is weakening. For instance, the number of charities with an income over £500,000 that have no - or negative - free reserves has increased from 9% in April 2020 to 28% in February 2021.
14. In the period April 2020 to February 2021 there were 624 ‘Matters of Material Significance’ reported to us by auditors, which was a 25% increase on the previous year. The main issue reported has been insolvency or financial difficulties. Whilst the percentage increase is undoubtedly significant, the rise can be attributed both to the impact of COVID-19 on the financial resilience of the sector, but also to an ongoing programme of work to ensure that independent examiners and auditors are properly reporting any issues to the Commission.
15. Since the pandemic began we have received 2,920 Serious Incident Reports (RSIs)<sup>2</sup> from charities. Of these, 425 related specifically to COVID-19, with the most common issue being concerns about long-term financial sustainability.

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<sup>1</sup> It should be noted that there is always a lag between charities ceasing to operate, for example due to financial pressures, and them being removed from the Charity Register.

<sup>2</sup> Charities are expected to make a serious incident report (RSI) to us where there is an adverse event, whether actual or alleged, which results in or risks significant harm to people, loss of money or assets, damage to property or harm to the charity’s work or reputation

16. We know from our emerging data and conversations that many charities have seen demand for their services increase, just as they are having to make difficult decisions to reduce their offer, or suspend their work entirely as they grapple with significant reductions in income. However, the financial impact of COVID-19 on the sector has been uneven. Reporting indicates that an additional £800m was given to charities in the first half of 2020, compared to the same period in 2019<sup>3</sup>. This mainly seemed to benefit NHS charities, with other sectors reporting reductions. Overall, donations to charity did reduce after this peak and many charities, reliant on traditional fundraising methods, have seen their income reduced significantly. That said, the use of the Government's furlough scheme has been widespread in the sector and there is no doubt that it, alongside the £750m package of support from Government, has been a lifeline to many charities.
17. We know that charities are having to make difficult decisions – with strategies being reshaped, workforces reduced and service offers being redefined. For example, of the RSIs submitted to the Commission during the pandemic, which were COVID-19 related, 24% say a common issue is the disruption or closure of services, and 70% say a common impact is the suspension of a charity's activities.
18. In the midst of the crisis we have also seen clear examples of good practice. The Commission met with a number of household name charities to understand the impact of COVID-19 and saw evidence of robust planning, clear Board involvement and a collective desire to manage charities through the crisis. What has guided these charities through has been a focus on their purpose, their beneficiaries and the reason they were set up. We have also seen examples of innovation in the sector, of charities coming together to work in partnership, and of the way in which the crisis has significantly accelerated digital approaches to both fundraising and service delivery.

### **Working with others**

19. In March 2020, we provided DCMS with data on charities that may be able to provide support to vulnerable individuals self-isolating. DCMS shared this data, along with data from the sector, to help Local Resilience Forums (LRF) identify potential sources of help in their communities. This data helped LRF planners in delivering support to those most in need.
20. In April 2020, we worked with DCMS on the development of the Corporate Insolvency and Governance Act 2020 and its applicability to Charitable Incorporated Organisations (CIOs) as well as charitable companies. The Act helped ensure that these incorporated charities were able to hold AGMs digitally during the COVID-19 pandemic when it was difficult to meet in person, and it allowed incorporated charities an extended period to hold their AGMs. The Act also introduced certain temporary and permanent changes to UK insolvency law to enable companies and CIOs in financial difficulty to continue trading. These were intended to provide a breathing space for these organisations to explore options for turnaround and/or rescue.
21. Throughout the pandemic the Commission has met regularly with representatives from umbrella bodies in England and Wales. We wanted to understand, and share intelligence, about the issues we saw facing the charity sector. As a result, we regularly updated guidance and FAQs for trustees. Whilst less frequent than the weekly meetings held at first, those meetings continue today.
22. We have also continued our work with UK Community Foundations and DCMS to release, since the pandemic began, over £21 million from dormant accounts of inactive or ineffective charities, which exceeded our target of £10m for 2020/21. This 'Revitalising Trusts' programme has ensured funding has been directed to charities that are supporting their communities during this heightened time of need. In March 2021, we extended this scheme to Wales, with support from the Welsh Government.

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<sup>3</sup> From Charities Aid Foundation: <https://www.cafonline.org/about-us/publications/2020-publications/uk-giving-2020>

## **Preventing and tackling wrongdoing and harm**

23. Since the beginning of the pandemic, we have worked directly, and with partners, to respond to new risks of harm and wrongdoing facing charities.
24. In April 2020, we issued a regulatory alert, raising charities' awareness that the pandemic had created environments enabling charity fraud, and to offer advice to trustees on protecting their charity from falling victim to opportunistic fraudsters. We have also worked with Action Fraud and the Fundraising Regulator to provide advice to the public on ensuring their donations reach genuine registered charities.
25. We have seen a small number of pandemic-related regulatory concerns in individual charities. For example, in August 2020, we opened a statutory inquiry into a church charity that had been promoting fake COVID-19 protection kits.

## **Conclusion**

26. At this time, the Commission's data is only able to give an early picture of the ways in which COVID-19 is affecting charities, rather than being able to offer definite conclusions. It will be months or years before the full impact of the pandemic on the shape and size of the sector is understood. However, it is clear that charities, and voluntary action more widely, have been a key component of the nation's response to the crisis, and clear too that charities' work and finances have been heavily impacted.
27. Over the past year, the Commission's focus has remained constant: to protect the public interest by supporting charities to navigate the challenges brought about by the pandemic, giving them the tools, advice and guidance they need to operate effectively and respond in these difficult times. We have taken robust action where wrongdoing has occurred. We will continue this approach in the period ahead, helping charities to operate effectively to earn public trust and confidence in the way they go about their work.

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