

# Age UK Evidence to the Treasury Select Committee

## *Is the Government's financial response to Coronavirus sufficient?*

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# Is the Government's financial response to Coronavirus sufficient?

## Background

The covid-19 pandemic is having an unprecedented impact on all areas of life across the country. The voluntary sector has been a lifeline in providing care and support to older and vulnerable groups during the crisis. Given the scale of the challenge facing the country and the widespread social and economic impact, the help they can provide at this time is invaluable. However, charities are suffering financially for many of the same reasons as other forms of organisation are too. Because of this **the voluntary sector needs simple, substantial, emergency financial support now.**

The specialist knowledge and expertise of Age UK and our local partners will help people in need to respond and adapt to the impact of coronavirus – either directly by supporting the health and social care system or indirectly by supporting those affected by the enormous economic and social consequences of coronavirus.

Age UK's network consists of over 130 local independent charities, each of them differ in size, capacity and service provision. The network is part of a sector that is experiencing exceptional increased demand due to the impact of covid-19, including hospices, care homes, domestic violence shelters, food poverty organisations, family support, meals on wheels and other forms of community transport, and mental health charities.

The response the voluntary sector has had from the public for support has been phenomenal, but it does not make up for the financial losses incurred through immediate loss of fundraising and other income. In addition, demand for our vital services has increased rapidly and we need urgent support now. This is a 'perfect storm' and it means charities are taking difficult decisions already; for example, to close some services just when they are most needed.

## Key recommendations

In coalition with the charity sector, Age UK has three key asks for the Government to provide a substantial, simple and swift emergency package of support:

1. Additional funding must be allocated to bolster and mobilise organisations that are working on the front line and directly contributing to tackling the impact of the coronavirus.
2. Government must provide a 'Stabilisation Fund' to enable charities to stay afloat and continue operating during the course of the pandemic.
3. As employers and service delivery organisations facing business interruption, charities must be eligible to benefit from the measures announced by the Chancellor for businesses.

## **1. Immediate additional funding**

Additional funding must be allocated to bolster and mobilise organisations, like Age UK and its partners, that are working on the front line and directly contributing to tackling the impact of the coronavirus.

- 1.1 Local Age UKs are already seeing significant falls in income and an increase in demand due to the Covid-19 pandemic. Some are facing an immediate cash flow crisis; this is what makes it so urgent for Government to respond.
- 1.2 The position Age UK finds itself in nationally is not as dissimilar as you may suppose. This may be a surprise to some committee members who presume that household name national charities are resilient against adversity. However, the scale and suddenness of this financial shock, caused by the closure of Age UK's 400 plus charity shops plus loss of investment income, is quite exceptional.
- 1.3 Charities, like businesses, operate payrolls and pay mortgages and rent and other taxes. Just like small businesses, we need similar support and relief at this time.
- 1.4 Around one quarter (24%) of charities have no reserves; some are facing imminent closure. Even charities with reserves are seeing these rapidly depleting and they are already worth less because of the fall in the markets.
- 1.5 Age UK is by no means alone in finding the current financial climate exceptionally threatening: many household name charities are reporting having just three to six months left before cash will run out. Funds are often held in investments and property which cannot be quickly released.
- 1.6 The charity sector needs immediate additional funding to allow it to continue and scale up the response it is coordinating to the Coronavirus crisis. Our sector has a unique role to play in responding on the ground in local communities and we would like the Government to release immediate additional funding to the sector to underwrite our immediate costs.
- 1.7 The charity sector's actions are relieving pressure on the NHS and often avoiding acute crisis for individuals. We need our frontline services and workers to be protected.

## **2. A Government Stabilisation Fund**

Government must provide a 'Stabilisation Fund' to enable charities to stay afloat and continue operating during the course of the pandemic.

- 2.1 A stabilisation fund needs to be established to support the voluntary sector. A stabilisation fund will allow charities to keep their doors open and stabilise their resources during this crisis.
- 2.2 The fund needs to be broad enough to allow charities to support their front line costs and underwrite charities where they are diverting charity staff from their usual work to areas which require immediate new capacity (such as retail staff being redeployed to making phone calls to vulnerable clients).

### **3. Ensuring Government support reaches the charity sector**

As employers and service delivery organisations facing business interruption, charities must be eligible to benefit from the measures announced by the Chancellor for businesses.

- 3.1 The voluntary sector has over 870,000 people working in it. The Treasury and DCMS need to work together to provide a dedicated unit and helpline to work to support the voluntary sector with queries and information.
- 3.2 Statutory sick pay needs to be extended for the 12 weeks self-isolation period to give front line workers the time to recover from illness without any financial implications.
- 3.3 There also needs to be clarity about which staff providing front line services for charities will be deemed essential workers.
- 3.4 Many local Age UKs want to divert their staff capacity into other services or community outreach work and they need to cover their wages. There is no obvious way for them to do so at present.
- 3.5 The extent to which charities may be able to benefit from the financial support set out by the Chancellor to help furloughed staff is currently unclear since unlike say in the retail sector, charity contracts of employment do not usually contain provisions allowing the employer to lay off staff.

#### **Local Government and NHS Commissioners**

- 3.6 The national Government needs to negotiate and underwrite assurances so that Local Government business continuity plans will be sufficiently robust to ensure that contractual payments to charities that provide services they commission are maintained throughout the crisis.
- 3.7 Local authority and NHS contract providers need to be flexible about delivery, targets and outcomes and not impose financial penalties for non-delivery by the voluntary sector.
- 3.8 Local relief funds are also urgently needed to respond to some of the most vulnerable people in communities.

#### **Pension schemes**

- 3.9 Charities as members of pension schemes have strict payment schedules which cannot be deferred. The Treasury should work with The Pensions Regulator to agree that Pension Trustees can permit a slowed down or deferred payment scheme to allow charities to manage their pension liabilities over a longer time period, to permit them more flexibility in meeting their scheme obligations.

#### **Insurance**

- 3.10 The Government needs to challenge insurance providers to ensure that business disruption insurance is actually paid out to charities who are claiming it during the COVID19 crisis; at present we hear of examples where insurance companies are trying to evade their responsibilities.

3.11 As charities have in some cases 'chosen' to close their retail operations in order to be responsible employers and traders, rather than being obliged to close, insurers are not likely to pay out on business interruption insurance. The Treasury could negotiate with the insurance industry to improve their responsiveness where charities have had to close down normal business operations despite not being ordered to do so.

### **Business Interruption Loans and small business support**

3.12 All small business support should be immediately extended to small charities. Currently charities are only able to access this if over half of their operation is trading. This is unfair and risks destabilising small charities just at the time when they should be focusing on front line service provision.

3.13 The charity sector needs access to the relief measures already announced on existing loans, overdrafts and mortgage repayments.

3.14 We need clarity about accessing Government's business interruption loan to support primarily small and medium-sized businesses to access bank lending and overdrafts.