To: Secretary of State, Minister for Civil Society, Permanent Secretary

From: NR and NR
Contact: NR
Office for Civil Society
Date: 18/03/2020

COVID-19 - Financial support package for VCSE sector

Issue

1. This submission provides an assessment of the economic impact of Covid-19 on the voluntary, charity and social enterprise sectors and proposes a package of measures to ensure organisations can continue to deliver in the coming months, including for vulnerable people impacted by Covid-19. This package includes support to stabilise the sector in the short term, and mobilise the voluntary response to meet support needs of people social distancing.

Timing

2. Urgent today

Recommendation

3. That you review the proposed approach and agree to:
    a. Request from HMT the £2bn funding necessary to deliver the proposed package of support:
        i. **£1 billion UK Community Mobilisation Fund** to ensure mission critical parts of the voluntary sector are able to respond to this emergency.
        ii. **£1 billion Stabilisation Fund** to prevent large scale closures of charities that provide direct support for the most vulnerable people in our communities, such as hospices.
4. That you note the issue around existing grant funding to the VCSE sector, and encourage HMT and Cabinet Office to take a flexible approach to our current grants to the VCSE sector.

<u>Value and Contribution of these Sectors</u>

5. The voluntary, community and social enterprise sectors make a significant contribution to the UK economy. We estimate there are 100,000 social enterprises with a turnover of £60bn and 167,000 charities with a turnover of £50.6bn[1].

[1] Source: NCVO Almanac and Social Enterprise UK (SEUK). NB: there is a small risk of double-counting across these two data sets as 10% of SEUK members are also charities

Charities employ over 870,000 people and social enterprises 2m, equivalent to 2.7% and 6% of the UK workforce respectively.

6. The economic contribution of these sectors is a significant underestimate of their overall contribution to society, as they provide enormous value through their services, which is very difficult to quantify:
    a. **they deliver crucial public and social services**, over 37,000 charities work in the health and social care sectors, and thousands of others support vulnerable people and communities facing a range of challenges. These include services such as mental health support, hosipices and suicide prevention.
    b. **it is able to mobilise the voluntary effort** through the delivery of services to people in need due to social distancing measures. It can coordinate volunteers on the ground, and support them to volunteer safely, to meet the increasing demand over the coming months. This can include practical support (such as food distribution and dropping off medication and shopping), and emotional support (such as online and phone befriending to prevent social isolation for those limiting their social contact).

Mobilisation Fund

7. Government guidance on social distancing is going to lead to significant increase in demand for voluntary services. Estimates are that almost 18 million people are in the vulnerable groups which should be social distancing. Of which we estimate that at least **1.8 million** will not have access to a wider social network of support based on Community Life Survey statistics. However, the scale of need is likely to be much higher, given the likelihood of extended networks self-isolating or social distancing.

8. This will lead to a dramatic increase in practical and emotional support needs for those at home. In order to maximise adherence with these interventions and limit pressures on the health and care system, additional public and voluntary sector support needs to be deployed to meet the needs of those social distancing. Other government departments are looking to DCMS to provide a package of funding to support the VCSE response.

9. A Community Mobilisation Fund should be established to provide funding to ensure mission critical parts of the voluntary sector are able to respond to this emergency:
    - Providing funding for coordination of the VCSE response at a national and local level to link in with the Local Resilience Forums (e.g. funding for Team

Rubicon and the Voluntary Community Sector Emergency Response Partnership)

- Supporting the VCSE sector to mobilise rapidly on the ground, working with wider system players (Local Authorities and health bodies) to set up and scale support packages for those in need, for example a) funding for national organisations like British Red Cross to mobilise on the ground and b) local voluntary organisations

10. A **fund of £1 billion would allow support to be provided to those in need for 16 weeks**: people undertaking social distancing measures due to vulnerability to Covid-19, without support from family and friends, whose practical and emotional needs can be met by the voluntary sector.

11. The table below sets out the number of people we expect to be in need of support and the costs of providing this for either the minimum of 12 weeks, or a slightly extended period of 16 weeks, which is a more realistic estimate of the impacted period and longer-term support needs which are likely to manifest.

Possible percentage of people in need (%)	Approximate number of people in need	Approximate Total Cost - 12 weeks	Approximate Total Cost - 16 weeks
15	2,694,000	£678,888,000	£905,184,000
20	3,592,000	£905,184,000	£1,206,912,000
25	4,490,000	£1,131,480,000	£1,508,640,000

12. A break-down of the calculations underpinning this can be found at **Annex A**.

Stabilisation Fund

13. The sector is at significant risk as a result of Covid-19 because:
    a. £27bn[2] of annual income for charities comes from sources that are now considered to be at significant risk (public fundraising, trading and investment income). Health and social care charities rely predominantly on income from these sources. The table below breaks this down.

[2] Source: NCVO Almanac - public (donations and trade) and investments

	Income per annum	% of income
Total annual income for Charities	£52bn	
- Income from public fundraising and events	£11.5bn	22.5%
- Income from trading with the public	£11.5bn	22.5%
- Income from investments	£4.1bn	8%
Total income at risk	£27bn	52%
Total income for charities providing health and social care services	£16.8bn	
Total income at risk for charities providing health and social care services	£8.1bn	48%

b. The business models of these organisations mean they are highly susceptible to economic shocks, with limited ability to withstand a downturn in income.
c. Demand for services in some areas is expected to increase, for example we expect to see pressures on hospices, social care, mental health support, health provisions and other crucial services vulnerable communities rely on.

14. The Chancellor has announced significant measures to support the economy. Based on conversations with HMT and BEIS to date we believe that while the majority of social enterprises will have access to these measures, the majority of charities will not. The average trading income for charities is 5%, meaning loan finance is not a suitable capital mechanism[3]. Therefore, specific **emergency measures need to be put in place to ensure the short-term survival** of the sector.

15. **A £1bn stabilisation fund** is proposed to ensure financial resilience of charities which are not able to access the £350bn which has already been made available to businesses. This figure is based on the estimated cost of topping up the reserves of charities in crucial sectors to 6 months (£1.8bn total cost) and applying some assumptions about the reduced need of the largest charities (which may be able to rely on existing lending relationships with banks) and the smallest charities (which often have lower overhead costs and are able to 'hibernate' temporarily).

[3] Source: Charity Finance Group research

16. We are working to assess the accessibility of the £350bn support package already announced to support businesses to social enterprises, and to facilitate access where possible. Big Society Capital are exploring playing a part in this using dormant assets.

DCMS as a flexible funder

17. National Lottery Community Fund and London Funders (leading a growing alliance of national funders) have released statements in light of the Covid-19 outbreak and the impact on charitable organisations. Both statements pledge to offer support to VCSE organisations affected by the outbreak, acknowledging the need to be flexible with regards to current grants, particularly on timelines and allowing organisations to use money differently to meet organisational and critical local need, and not adding pressure at this time to meet reporting deadlines.

18. We have a number of grant funding arrangements with VCSE organisations, particularly within the Office for Civil Society. There is a growing demand for us to clarify our position, particularly as we reach the end of the financial year. These organisations are looking for assurance that DCMS will not seek to reclaim funding where it can no longer safely be spent on the original planned activity within the financial year, thus freeing them to either pivot to activity which is more urgently needed by their community, or pause planned activity until the outbreak is no longer a risk.

19. DCMS Finance are already taking up this issue with HMT and Cabinet Office, as this decision needs to be taken across Government. A degree of flexibility on current grants would be a key part of our wider support package for the VCSE sector; enforcing repayment of unspent funds where planned activity cannot be completed in time would place undue additional pressure on the sector at a crucial time.

Media handling: Funding of this scale and scope will be of great interest to the national media. Subject to No 10 approval, we will work to prepare an integrated announcement, to be briefed to national, regional and sector media outlets, backed up by supportive quotes from relevant sector leaders who attended the Minister for Civil Society's recent roundtable event and digital media activity.

Clearance: David Knott, Director OCS

Copy list: Special Advisers, Strategy and Performance Director General, Andy Shields DCMS COVID-19 team, OCS SMT, OCS COVID-19 team, Tracy Lee, Laura Jackson

List of Annexes
Annex A: Slides on Community Mobilisation Fund
Annex B: NLCF statement

Annex B: NLCF statement

Updated statement from Dawn Austwick, CEO, The National Lottery Community Fund: COVID-19
Published: 17 March

We know that many charities and community organisations across the UK are facing increasing challenges as a result of COVID-19 and we want to support those we fund as far as is possible at this difficult time.

Following the latest government guidance we have asked our staff to work from home and they are all equipped to do so. Our plan is to continue to deliver our services to applicants, grant holders and communities across the UK as normally as we can.

We have already started to shift application deadlines for some of our funds that were due to close soon. We also want to be flexible where grant-holders get into difficulty or see problems on the way.

We are however in uncharted territory and things will occur that we hadn't expected and we will get things wrong. Please bear with us if we do, let us know, and we will be as helpful as possible as the situation unfolds.

At the moment our priority is to keep money flowing to support people, communities and the organisations.

Being flexible

We will support you to support your communities – we trust you to know what is best. This means that:

We will be flexible with regards to your current grant: for example,
- accommodating changes to timelines
- accommodating changes to activity to respond to the current climate and critical local needs

We will support you and your teams through this crisis: for example,
- continuing to pay staff salary so that you can support existing staff who need to be off sick, self-isolate or have caring responsibilities
- considering any requests for support if you experience particular financial pressures as a result of the situation

We don't want you to worry about deadlines and reporting: for example,
- we will be flexible with regards to reporting
- if you record any changes you are making to your project, we can reconcile it all later.

Getting in touch
Our funding officers can answer questions you might have, do get in touch with them if you need to. However, to avoid delays, we trust you to focus on supporting your communities.

We are currently testing new capability to service our advice lines so that they can operate remotely. For the next 24 hours you can use the email addresses on this page to contact us.

Following that the Advice Line will be fully operational again.
All details can be found here: www.tnlcommunityfund.org.uk/contact

Next steps
Given the unprecedented nature of the situation, we have been considering what else the Fund can do to support people and communities.

We are reaching out across our network of grantees, partners and stakeholders to understand how they are already responding to COVID-19 and what we can do to support them in the short and longer term. We will keep you posted as our response continues to develop.

Finally, I want to say at this very challenging time how moving it is to see people coming together to support each other.

Yours

Dawn Austwick
CEO, The National Lottery Community Fund