

To: Secretary of State

From: Office for Civil Society

Approved: Erika Lewis / Nico Heslop

Date: 25 March 2020

Support for the voluntary sector and community response

Summary

1. Last week, following very high level analysis, we proposed supporting the voluntary sector through a £1 billion mobilisation fund (to support the voluntary response to Covid-19) and a £1 billion stabilisation fund (to stabilise organisations delivering essential support to vulnerable communities).
2. Over the weekend, the Chancellor decided against announcing support at that time, wanting to see the market reaction to the economic support package announced last week. HMT officials recognised our case in principle but wanted more detail, including on the impact on the sector of the existing support package, our confidence in the proposed delivery mechanisms, the specific organisations we would target and whether we could repurpose existing funding.
3. Evidence from The Institute of Fundraising suggests 90% of all charities now have reduced cash flow, 45% are unable to meet payroll, and 50% are reducing services, despite 40% expecting increased demand because of Covid-19. This is a particular concern for those charities providing support for those at highest risk from Covid-19 and for the most vulnerable in society. We estimate there are 45,000 charities providing these frontline services in need of financial support. Numerous MPs and sector leaders are calling for support (See Annex C). The economic package of loans, grants, business rate relief and employment support will only support these organisations at the margins. These organisations will also be incurring increased costs to rapidly move services online; recruit, train and screen new volunteers, and cover additional volunteer expenses.
4. In light of Treasury's comments, the economic support package and other government announcements (e.g. the NHS volunteer responders), we recommend seeking funding for a smaller package now to which we could add later if needed. There is a balance between going to HMT with a number that we think they will agree and pushing for a larger number that the sector wants. We recommend that an initial package on this scale is deliverable:
 - An **initial small allocation to the National Emergencies Trust of £10 million** - matching the £10 million committed funding already received through their current campaign - to raise the profile of the campaign and test their ability to get money to where it is needed via Community Foundation Trusts. The sector supports this.
 - A larger boost of **£500 million of new money to the National Lottery Community Fund** to deliver through existing mechanisms, focusing on key organisations meeting immediate needs of vulnerable people directly and indirectly impacted by Covid-19 (annexes A and B).

5. We recommend exploring with Treasury whether additional funding could be balanced off against money due back from the Olympic Lottery Fund (i.e. allocating the cash to the National Lottery Community Fund now, against future due funding). We could also consider reallocating some of the £70 million due to be spent on the National Citizen Service this summer (although this would break contracts with significant implications for current and future programme delivery, and small front line providers). The NCS Trust is proposing to reshape current plans to directly respond to Covid 19. A further option is to use some of the 2020/21 Youth Investment Fund money, if HMT agree to add an equivalent amount to later years of the programme, or if this element is spent specifically on youth interventions. Detailed advice will follow.
6. Separately, the National Lottery Community Fund has offered to bring forward the disbursement of an additional £230 million from future proposed grants, some of which would go to organisations that would be involved in the Covid 19 response. The Fund would require an advance on its future lottery receipt income to do this. This could be a useful option and we propose to explore further with the Treasury.
7. **Are you happy for us to discuss a package on these lines with HMT?**

Context

8. **The voluntary sector plays a vital role in providing services for vulnerable people, and will be an important vehicle for the UK's Covid-19 response.** Approximately 30,000 charities are expected to support vulnerable people directly impacted by Covid-19 - a key part of the national effort, taking some strain off the NHS by providing health and social care services, practical and emotional support (Annex A). We estimate approximately 15,000 of these may need immediate financial support. An additional 60,000 charities are expected to continue providing services to vulnerable people and support general community action, but won't be directly responding to the immediate needs of people impacted by Covid-19 (Annex B). We estimate approximately 30,000 of these may need immediate financial support.
9. **We therefore expect 45,000 charities to face increased demand for their services, at the same time as extreme income disruption (c. 15,000 of which are providing direct support to individuals at high risk from Covid-19).** Evidence from The Institute of Fundraising suggests 90% of all charities (not just those directly and indirectly responding to Covid-19) have reduced cash flow, 45% are unable to meet payroll, and 50% are reducing services, despite 40% expecting increased demand. 50% of charities are already using charitable reserves to survive. On average each had c.4 months of reserves at the outset of the crisis 1-2 months ago (with 20% of small charities only holding 1 month of reserves) and as these deplete many are taking steps to cease operating or close within three months without additional support. This includes, as an example, the following charities providing frontline services, which are experiencing immediate financial distress: St Peter's Hospice (see Annex B for impacts on wider hospice movement), St John's Ambulance and Teenage Cancer Trust.
10. **The economic support package announced to date will be of limited benefit.** The 45,000 frontline charities needed for the national effort and requiring financial support may not

benefit from the job retention scheme without furloughing staff and significantly curtailing services. However, Treasury have today told us they think it should be possible for charities to bring furloughed staff back in as volunteers, which would have a larger impact, and we have asked them for urgent clarification on this point. However, regardless, staff costs form only 37% of charity expenditure on average, other costs include accommodation, purchase of goods and essential professional services. Their business models will often not allow loan finance, they don't meet the eligibility criteria for grants for small businesses, and they already receive significant business rates relief. While some will benefit from VAT deferrals, the overall impact of the government's economic response announced to date is limited.

11. **It is not possible for organisations to increase their fundraising efforts to meet their financial needs.** In 2019, Comic Relief's Red Nose Day campaign raised £64 million, with months of preparation and many face-to-face fundraising events. In addition, a major public campaign seeking public donations framed around income disruption and risk of closure could lead to a significant public and voluntary sector backlash against the government for failing to put in place appropriate support for charities, in line with that being provided to businesses.

DCMS proposal

12. **If charities are forced to close, or mothball their staff, the additional strain will be felt in the NHS at a time when it can least absorb it.** We therefore developed a proposal for a £1 billion stabilisation fund to support these frontline charities, and a £1 billion mobilisation fund to coordinate the volunteer response to Covid-19 in communities. The Chancellor considered this proposal over the weekend, and decided not to endorse it at that time. HMT officials recognised our case in principle, but wanted more detail on the impact of the existing economic support package, the delivery mechanism, the charities we would be targeting for support and whether we could repurpose any existing funding.
13. **Given the scale of the economic announcements made last week, and the significant fiscal impact, we understand HMT's caution in confirming additional support until that package has played through.** However, as above, we expect it to have very little effect on the frontline charities we are looking to protect. We therefore still think a package is needed, but have tailored our original proposal so that: a) it is smaller - allowing a quick, initial injection of support which could be built upon subsequently if needed, allowing us to test delivery mechanisms and need; b) it is more directly targeted on those charities most important in the national effort (annexes A and B); and c) reflects the NHS volunteer responders announcement yesterday and the money that has gone directly to local authorities. We also understand that Treasury may agree that furloughed staff can be brought back into charities as volunteers, we are seeking urgent clarity on this point. Taking into account these factors we propose:
 - a. **A small initial allocation of £10 million to the National Emergencies Trust** - matching the £10 million committed funding received through their current campaign - to raise the profile of their campaign and test their ability to get money to where it is needed via Community Foundation Trusts. The sector would support this.

- b. **A larger boost to the National Lottery Community Fund of £500 million of new money** to deliver through existing grant mechanisms - this would be an initial commitment to key organisations meeting the immediate needs of vulnerable people directly and indirectly impacted by Covid-19.

14. **The National Emergencies Trust would distribute £10 million through the UK-wide Community Foundation network, previously used to distribute funding for disaster relief efforts such as the Grenfell disaster.** Each Community Foundation would administer the funding locally, to best meet local need. The Community Foundation would be linked in with local government mechanisms, including through Local Resilience Forums, to ensure a coordinated response. The 46 Community Foundations predominantly have county-wide or city-wide coverage. There is a single community foundation for each of Scotland, Wales, and Northern Ireland. The Trust has significant expertise in distributing small grants, have existing connections with small community organisations and already deliver grants successfully for DCMS and Home Office.
15. **The National Lottery Community Fund has a UK wide funding infrastructure, through which they deliver around £500 million of grants to local charities each year, with significant local knowledge, relevant expertise and robust fraud prevention measures.** They would distribute £500 million to those directly supporting vulnerable people affected by Covid-19 and those supporting vulnerable people in other areas (annexes A and B). The Fund would accept short applications from organisations, and base their decisions based on the following considerations (where possible, from information identified through audited accounts and registered charitable purposes):
 - Organisational focus - targeting support on those organisations that directly or indirectly support vulnerable people or groups most affected by Covid-19 e.g. health and social care charities, hospices, disability groups, vulnerable young people. This would also cover support for national household brands where they are in financial difficulty, including the British Red Cross, the Royal Voluntary Service and Barnardos.
 - Decrease in income - organisations would be expected to show that a significant proportion of their income is 'at risk'.
 - Levels of financial reserves - an organisation would need to show some levels of reserves to show a reasonable level of financial resilience in 'usual circumstances', to ensure we are not funding unsustainable organisations.
16. **The Treasury has also asked us to look at reallocating existing funding - we are doing work across the department on this, building on the spending review savings exercise and will provide further advice.** A few possible early options include:
 - a. We could consider reallocating the £70 million due to be spent on the National Citizen Service this summer, although this would break contracts with significant implications for current and future programme delivery, and the supply chain (including small youth sector organisations). The NCS Trust is proposing to reshape current summer plans to directly respond to the current Covid 19 challenge. Separate advice will detail the options.

- b. We could also look to spend some of the first year funding for the Youth Investment Fund (currently c. £70 million) - not all of which we expect to be able to spend on current proposals in 2020/21 - in return for Treasury commitment to add this amount to later years of the Fund. This element could be reserved for youth interventions.
- c. We do not currently recommend diverting existing funding from other Office for Civil Society programmes (c. £35m) which will likely be under greater pressure post immediate Covid pressures. The allocation of this resource will be reconsidered at a later stage.

Alignment with other interventions

17. **Separately, the National Lottery Community Fund has requested additional support from Treasury.** They ask to a) bring forward the disbursement of an additional £230 million from future proposed grants, requiring an advance / guarantee on future lottery receipt income; b) release funds from the Olympic Lottery Fund and absorb any future loss or gain on land sale; c) reduce / remove lottery duty temporarily; and d) match loan funding for the sector. These options would provide cash and reduce the required reserves usually held by the Fund, and allow organisations supported by the Fund to continue to operate effectively. We propose discussing these options in more detail with the Treasury.
18. **We will ensure our proposal fits with funding and programmes from other government departments.** For example, £1.3 billion will be used to enhance the NHS discharge process so patients who no longer need urgent treatment can return home safely and quickly - it is currently unclear whether NHS will use charities to provide additional support, but we will ensure our funding is only directed at those in financial need (and therefore not those receiving NHS funding). The NHS 'Voluntary Responders Programme' will provide distinct support to the NHS, enhancing - not duplicating - the work of the charities sector. We expect the £1.6bn announced by the Communities Secretary for local authorities to respond to Covid-19 pressures to be spent primarily on meeting the increased demand for adult social care and additional support for social care providers. While this is unringfenced funding, which is at the discretion of local authorities, we know there are limits to the reach of local authorities, and there is a key role for the voluntary sector in providing services to those that are not in contact with the state.

Annex A: Category 1: Organisations directly responding to Covid-19 impact

We have worked with the National Lottery Community Fund (the Fund) to categorise organisations impacted by Covid-19. Numbers of organisations in each category are estimated based on data on applications to the Fund. We have applied assumptions drawn from Institute of Fundraising evidence (that 50% of organisations are already using reserves, and have an average of 3.8 months of reserves from outset of this epidemic) to take a judgement on the level of immediate need in each category. Category 2 is set out in Annex B.

Category 1: Organisations providing direct support to people who are at high risk from Covid-19: Organisations providing services for vulnerable people impacted by Covid-19 and self isolation and social distancing measures. This includes:

- Organisations who connect with older people
- Organisations who connect with disabled people
- Organisations who provide advice and support to people who are pushed into crisis
- Organisations providing essential items directly to families who are hit hardest
- Organisations who support people who experience loneliness and social isolation

Estimated total number of organisations in Category 1 - c.30,000

Estimated number of organisations in need - c.15,000

We would expect the following organisations to receive money under this category, depending on their current financial situation:

- **Good gym**, who have partnered with British Red Cross to repurpose their volunteers. They are using their platform and 'mission request process' to support older people who do not have cash and are not online to get food and are delivering food parcels for the BRC.
- **The Cares Family** who are transitioning their face-to-face volunteers to an "army of phone volunteers", working on food deliveries to doorsteps, creating online social clubs e.g. online dance parties, yoga, gigs and recognising that digital is not enough, they are starting to facilitate connection by post, such as through weekly packs including messages, stories, poems, colouring in and puzzle books from younger people.
- **Feeding Britain** is an independent charity currently working with local authorities, schools, caterers and voluntary organisations on contingency planning to prepare for the 1.3 million children in England who would lose access to free school meals during school closures. According to the Guardian, "In some areas, a core group of schools will aim to offer hot meals for parents to collect and take home, while others will offer a cold food service. Where schools cannot offer a collection service, food will be transported to a community centre as an alternative collection point. For the most vulnerable families who might not be able to collect their own food, Feeding Britain is trying to initiate a home delivery service."¹

¹ https://www.theguardian.com/education/2020/mar/19/volunteers-mobilise-to-ensure-children-get-fed-during-school-closures?CMP=share_btn_tw

Annex B: Category 2 - Organisations working with other vulnerable groups indirectly impacted by Covid-19 and supporting community response

Category 2 includes organisations working with vulnerable people which will be indirectly impacted by Covid-19, but which are less likely to be involved in the direct response, and organisations supporting community action locally.

Organisations supporting vulnerable people and likely to face increased demand and challenges as a result of the COVID-19 crisis, but less likely to be providing direct response:

- Organisations providing end of life care
- Organisations who support people who experience health inequalities, in particular Gypsy, Roma, and Traveller communities and BAME communities
- Organisations who support people who experience poor mental health
- Organisations who support children and young people to achieve their potential

Organisations with the potential to support communities responding to Covid-19:

- Organisations supporting local community activity, including volunteering, and community organising
- Organisations supporting community and sector infrastructure, including public information
- Organisations supporting digital, data and technology capabilities

Estimated total number of organisations in Category 2 - c.60,000

Estimated number of organisations in need - c.30,000

We would expect the following organisations to receive money under this category, depending on their current financial situation:

- **Hospices** - Hospices support around 225,000 people with terminal and life-limiting conditions every year, including cancer, motor neurone disease, dementia, and Parkinson's. Adult hospices receive around a third of their costs from the Government and children's hospices around 17%. The remainder comes from fundraising, charity shops, and investments. 42% of hospices hold less than six months of expenditure in reserves. Anecdotal evidence suggests that fundraising incomes began to fall 4-6 weeks ago, meaning that almost half of the sector may already have drawn down on between 1-2 months of reserves.
- **Citizens Advice** - demand for services has quadrupled and they are "trying to do a digital transformation in a few weeks, which would have usually taken a few years".
- **With You** - With You (formerly Addaction) are working to continue to provide help and support to anyone who is experiencing issues with drugs, alcohol or mental health throughout the coronavirus (COVID-19) outbreak. They face the particularly urgent challenge of a client group who is extremely vulnerable and at high risk of death.
- **Law Centre Network** are receiving 300 emails an hour
- **Mind** - 120 Local Mind's are currently going through rapid transition from face to face to remote working. They are very concerned about their most vulnerable clients and how to provide continuity. They have some service design and digital resources, but not enough.

Annex C: Requests for Support from MPs

Political requests for sector support

- **Letter from 100 MPs and Peers to the Chancellor** urging “urgent action to be taken on supporting charities, voluntary organisations and social enterprises, given the unprecedented situation and their ability to play a crucial role in the national response to Coronavirus” and highlighting that these organisations “offer crucial support to many parts of our society every day, and in the coming months will be vital in tackling the spread and impact of Covid-19. Many can help alleviate pressure on our NHS and social care services and provide support to people suffering from the economic and social impact of the pandemic”. 21st March
- **Letter from Rt Hon Julian Knight MP, Chair of the DCMS Select Committee**, highlighting “the help being provided by charities and volunteers across communities is invaluable. However, at this time of increased demand, charities are also facing multiple sources of financial pressure, which is putting some at risk. We urge the Department to ensure no charity is forced to stop its work as a result of financial losses due to the coronavirus outbreak.” Letter to DCMS SoS 20th March
- **Letter to the Daily Telegraph from Rt Hon Ian Duncan Smith MP; Rt Hon Kevin Brennan MP; and Rita Chadha, CEO, Small Charities Coalition, signed by 165 small charity leaders** urging the government to “save the small charitable sector from collapse...These charities face almost certain collapse through restrictions placed on movement and the impact of these on vital fundraising efforts. The small charitable sector supports millions of our poorest communities. Many small charities have few if any reserves and without the ability to hold fundraising events will be close to collapse in a matter of weeks.”
- **Opposition Day debate 25th March (now cancelled);** Jeremy Corbyn, debate title “That this House recognises the importance of those who deliver our public and essential services and the valuable voluntary contributions made by individuals to their local communities; agrees that we are far more united and have far more in common than that which divides us; and notes that a society is only as strong as its most vulnerable members and that at times of crisis we must do all we can to look after one another.”
- **Ministerial letters:**
 - **Tom Hunt MP (Con)** for Ipswich; “it is essential that the Government provides financial support to charities throughout this outbreak, so they can be a strong part of our national effort to combat coronavirus as well as an important part of our town’s recovery from this outbreak”. Letter to MCS 18th March.
 - **Rt Hon Sir Oliver Heald QC MP (Con)** for North East Hertfordshire: “I have recently visited the new service in Letchworth halting substance abusers and I was impressed with their work. I would be grateful to know if financial help for small charities delivering such services is being considered.” Email to SoS 20th March

- **Various parliamentary oral and written questions from e.g. Rachel Hopkins, Stephen Doughty, Wes Streeting, Tracy Brabin.**