Civil Society Group

Autumn Budget 2025

Submission to HM Government

About the Civil Society Group

The Civil Society Group is a collaboration of over 80 civil society infrastructure and membership organisations, which has been working since the start of the pandemic to coordinate action and engagement between civil society organisations and governments across the UK. Through our members and wider networks, we gather insights from hundreds of thousands of registered charities, community and faith groups, voluntary organisations and social enterprises.

Introduction

The UK government described their launch of the Civil Society Covenant this summer as "*a new chapter in the relationship between this government and the remarkable civil society organisations that form the backbone of our communities*."[1]. This represented a significant step in recognising the essential role civil society plays in the country's success and resilience.

However, the sector continues to face mounting challenges. Rising costs, reduced income, and growing demand for services are placing unprecedented strain on organisations across the UK. The *CAF UK Giving Report 2025* [2] found that fewer people than ever are donating to charity, while operational costs continue to climb. These financial pressures have forced difficult decisions across the sector: for example, Cancer Research UK recently announced plans to reshape its retail operations, resulting in the closure of almost 200 stores nationwide. Such developments underline the urgency of creating a supportive policy environment that strengthens civil society's capacity to deliver for communities.

Further, devolved administrations have faced disproportionate financial impacts because of increased NICs costs for public sector employees, due to the higher proportions of public sector workers in Northern Ireland, Scotland and Wales, when compared with England. The devolved nations are expected to face additional challenges again this year. The late autumn UK budget will significantly delay the publication of the Scottish Budget, resulting in uncertainty and delaying funding notifications and payments for local authorities and voluntary organisations. There is a real possibility that the Welsh budget may not pass at all this year, which would lead to an instant 25% cut of the funds available for distribution.

We recognise the fiscal constraints under which the government must operate. Nonetheless, there remain opportunities for high-impact reforms that would empower civil society to continue providing essential services and contribute to the government's missions, by:

- Encouraging greater collaboration between charities, local government and public services
- Modernising tax and fiscal incentives to promote giving and donations

[1] https://www.gov.uk/government/publications/civil-society-covenant/civil-society-covenant
[2] https://www.cafonline.org/insights/research/uk-giving-report

- Further encouraging and promoting philanthropy.
- Introducing a new fund to tackle the digital deficit amongst smaller charities
- Enabling Safe, Proportionate AI Adoption in UK Charities
- Working more closely with devolved administrations in future budgetary processes, including engaging on the impacts of Budget delays.

Civil society and government are aligned in their ambition to deliver long-term, positive change for communities across the UK. With a renewed partnership, through effective collaboration we believe that change remains realistic.

Local Government

Relationship between local government and civil society

The Voluntary, Community, and Social Enterprise (VCSE) sector delivers over £14 billion worth of public services[3] on behalf of central and local government. VCSEs are vital to the delivery of essential services, including where local authorities have a statutory duty, as well as through the provision of discretionary services that are essential for prevention – for example, by tackling loneliness or providing employment coaching[4]. The social infrastructure VCSEs provide – the spaces, places and activities that connect us – is vital to build social capital and in turn boost local economic growth[5]. A strong relationship between government and VCSEs is therefore vital for the effective delivery of quality services and the Government's Plan for Change[6], particularly driving economic growth, improving living standards across the country, breaking down barriers to opportunity, and building an NHS fit for the future.

The importance of the voluntary sector was recognised by the launch of the Civil Society Covenant, which is an agreement to build a stronger relationship between civil society and government at all levels. A key commitment is for government to work in partnership with civil society to encourage partnership working and prioritise prevention. This must be based on long-term funding and sustainability, including support for flexible, proportionate, and collaborative commissioning and procurement models that recognise civil society's inherent social value.

Reduced local government funding

The difficult financial situation currently affecting local government remains a strategically important factor for the resilience and productivity of the VCSE sector in the UK.

The Institute for Government has found that "local government 'spending power'…fell by 17.5% between 2009/10 and 2019/20" largely due to a 40% cut in central grant levels during that period. Recent House of Commons Library research found that "as of 2023/24, total local authority spending on services in England was about 23% lower in real terms than it had been in 2010/11, despite an increase during the covid-19 pandemic."

[3] UK Civil Society Almanac 2024 - NCVO

[4] Community and Voluntary Sector, Volume 840: debated on Thursday 31 October 2024 - Hansard

[5] The Impacts of Social Infrastructure Investment: A Report for Local Trust (June 2021) - Frontier Economics

[6] Plan for Change - Labour

Despite recent boosts to council funding from this government, by 1.1% in real terms[7], local government's 'core spending power' has only partially recovered and has not reached the level of 2010 even as council tax has increased during that period to make up some of the shortfall. Recent budgets have only partially replaced the levels of funding which were lost after 2010. At the same time, rising population, increasing demand for services (for example, in social care), and unusually high inflation have swallowed up or outpaced those increases. The Local Government Association (LGA) estimates that local government would need an additional £4 billion from 2024 to 2026 just to meet current demand[8] – not to expand provision or innovate new services.

The Government's Autumn 2024 Budget and the Spending Review announced in June 2025 did provide some relief for councils after over a decade of declining central funding, but essential services and even the financial viability of many councils remain under threat. Research conducted by the LGA in January[9] highlights that "considering the impact of the Autumn Budget and Provisional Local Government Finance Settlement, 13% of respondents were more or much more likely to need to apply for Exceptional Financial Support in 2025/26, rising to 41% for 2026/27".

The National Audit Office (NAO) has found that[10] local authority financial resilience is decreasing, due to reductions in reserves combined with increases in demand-led costs. The effect is that "since 2018, seven local authorities have issued a Section 114 report that they cannot balance their budgets, and an increasing number are requesting financial support."

Furthermore, it found that "forty-two local authorities have received over £5 billion of financial support from the government to help manage financial pressures. This support has likely helped those that had not already done so avoid issuing a Section 114 report saying they cannot balance their budgets." Such support is welcome but not a long-term solution to the local authority finance crisis.

Inadequate funding is compounded by higher costs, including the increase to employer's National Insurance Contributions (ENICs) and National Minimum Wage, which raised staffing costs, adding more pressure onto the voluntary sector and local government. While we welcome the increase to the National Minimum Wage, the Chancellor has not recognised the need to support and resource voluntary organisations to cover the full costs of employing staff. Councils were partially compensated for the eNICs increase[11] but there are concerns that external service providers will pass their increased operational costs back to councils through higher service costs. In Wales, councils received 85% of the eNIC increase covered through a combination of the funding provided by the UK Treasury and a £36m top up from Welsh Government's reserves, but that still left another £36m shortfall across all public services. While in Scotland, SCVO estimates that NICs increases will cost medium and large voluntary sector employers in Scotland over £75 million per year. Some organisations face additional costs of hundreds of thousands of pounds.[12] *Impact on civil society and communities*

[7] Spending Review 2025 document (11 June) - HM Treasury

[8] Funding gap growing as councils "firmly in eye of inflationary storm" (20 October 2023) - Local Government Association

[9] https://www.local.gov.uk/publications/local-government-budget-setting-202526

[10] Local government financial sustainability (28 February 2025) – National Audit Office

[11] https://www.gov.uk/government/publications/explanatory-note-on-the-national-insurance-contribution-compensation-2025-to-2026

[12] https://www.wlga.gov.uk/welsh-councils-welcome-additional-national-insurance-funding-from-welsh-government

The crisis hitting local authorities is having a direct impact on the provision of services for the community but also funding streams that support those services when delivered in partnership or by charities that receive grants or contracts. Research by the Directory of Social Change[13] found that "a significantly higher proportion of councils at risk of financial hardship (71.0%) reduced their annual grant spending to the VCSE sector in 2023/24, compared to those not at risk (46.0%)." The Charity Commission even highlighted[14] the sector's financial resilience and sustainability as a key current risk.

NCVO's annual assessment of the changing landscape for voluntary organisations[15] found that when looking at the sector's current economic outlook, it is still very much through the lens of the compounding effects of the covid-19 pandemic, followed by the cost-of-living crisis and rising inflation. An NCVO survey[16] reported that the grants and contracts of 44% of respondents had not covered their true costs since at least 2020, with one in ten saying that their grants and contracts have been underfunded for over a decade. WCVA points to similar figures with 43% of Welsh organisations stating that none of the public contracts or grants they deliver cover the true costs and 61% sharing they still had to supplement public contracts with charity income, despite receiving an uplift in the past year. Similarly, in Scotland 37% of organisations reported operating with a budget deficit in the Third Sector Tracker, while 81% of organisations reported financial-related challenges, an increase of 10% since spring 2023[17].

Research by Lloyds Bank Foundation and NPI[18] highlights that councils have been forced to shift spending from preventative services owing to the local government funding crisis, with cuts impacting deprived communities the most. This is despite demand typically being higher in these communities and the likelihood of higher costs being generated in the future. For example, they found that preventive funding to help people stay in their homes fell by 46% between 2011/12 and 2018, while crisis spending, primarily on the costs of temporary accommodation for those who had become homeless, rose by 58%.

Continued underfunding of local government puts unsustainable pressure on the organisations delivering public services and meeting local needs. It's impacting the ability of VCSEs to operate and increasing demand, with almost three-quarters of organisations unable to meet demand for the services they are funded to deliver. This is particularly concerning for poorer areas, where charities have a smaller presence[19] and are less likely to be able to raise other funds. Where funding is available, constant competitive tendering, often with a focus on delivering the same outcomes for less, disincentives collaboration between providers[20] and creates a race to the bottom on price. Excessive processes create barriers, especially for small organisations and waste resource that would be better spent on supporting delivery. NCVO found that, as of 2024, nearly two out of five organisations (39%) are reducing services, 87% are subsidising their grants and contracts, and 72%

[13] Grants for Good: Exploring local authority grant-making to the VCSE sector (2025) - DSC
[14] How to protect your charity as the sector continues to face financial pressures (23 September 2024) - Charity Commission
[15] The Road Ahead 2025 (17 April 2025) - NCVO
[16] The True Cost of Delivering Public Services (4 March 2024) - NCVO
[17] https://wcva.cymru/views/where-is-the-voluntary-sector-in-the-draft-budget/
[18] A Quiet Crisis Local Government Spending on Disadvantage (September 2018) - Lloyds Bank Foundation and New Policy Institute
[19] Where are England's charities? (16 January 2020) - NPC
[20] Public Service for the Real World (June 2021) - Human Learning Systems

have withdrawn from public service delivery altogether or were considering doing so. WCVA reported that 69% of organisations in Wales are using reserves to sustain their operation and as of November 2024, 38% were preparing to consider major steps, including closure, in six months to a year. Similarly, in Scotland, 56% of organisations consider reserves essential to their short-to-medium-term survival[21].

If this trend continues, individuals and communities will no longer benefit from the specialist expertise, trusted relationships and innovative approaches voluntary organisations deliver. Organisations describe poor commissioning practice and late awards or payment, indicating that local government bodies lack capacity. While these issues impact across the voluntary sector, smaller organisations face particular challenges maintaining cashflow to pay for their workforce. With limited financial reserves and restricted access to affordable credit, VCSEs cannot absorb delays in the same way that larger charities or private companies might.

Implications for government

We recognise the difficult fiscal context within which government must make decisions – but not fundamentally addressing the crisis in local government finance is a false economy. It stores up more acute, and thus more costly, problems for the future and it ensures that demand for public services will continue to rise, as people's needs go unmet. The scaling back of early intervention and preventative services, many of which are delivered by voluntary organisations, diverts resources and drives demand for more expensive crisis interventions that cost significantly more in the long run – for example, emergency housing, hospital admissions, and safeguarding. Without sustained support for the voluntary sector's preventative role, government faces escalating public spending pressures, less capacity, and increasingly complex and costly issues to manage.

Chronic underfunding, short-termism, competitive approaches, and the consequent rise in demand is forcing VCSEs to hand back contracts, reduce services, or fill in the gaps, which is not sustainable. This is resulting in a less resilient market and a shrinking pool of providers, compounding the issues further through the loss of cost effective, agile, public benefit-focused providers with deep relationships with those hardest to reach. This in turn reduces quality, choice, and innovation in service provision and means people and communities are at risk of losing the services and support they rely on. These organisations have unique expertise in engaging with marginalised groups – for example, the voluntary sector delivers the majority of domestic violence and homelessness services[22]. If VCSE capacity shrinks, government loses some of the most trusted providers of frontline services resulting in poorer outcomes, gaps in critical provision, and the loss of organisations to deliver on priorities, such as halving violence against women and girls and supporting people into work[23].

A depleted voluntary sector due to loss of funding erodes the infrastructure that connects residents to opportunities, health support, and civic participation and the social capital it builds that is needed for trust, belonging, and resilience in communities. This affects the potential for social capital to fuel economic growth, especially regionally where it is associated with higher levels of economic growth.

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[21] https://scvo.scot/research/scottish-third-sector-tracker/wave-10

[22] https://assets.publishing.service.gov.uk/media/625ecdd7d3bf7f600d4056a4/UK_Public_Sector_Procurement_through_VCSEs.pdf

[23] https://labour.org.uk/change/take-back-our-streets/

Frontier Economics estimates[24] that a £1 million investment in social infrastructure in a deprived area delivers £2 million of economic and social benefits, including improved health and wellbeing, and £1.2 million in fiscal benefits over 10 years. This potential is lost without the social infrastructure provided by VCSEs, which undermines the government's aims to improve public health and break down barriers to opportunity – instead, entrenching inequalities and weakening long-term economic growth.

Policy recommendations

Civil society must be valued as an equal, strategic partner whose expertise is sought as a voice for local communities and marginalised groups, amplifying their concerns to local authorities for meaningful integration into decision-making and the co-production of community-focused services. Local government should be sufficiently funded to support partnership working arrangements with the voluntary sector, and fulfil the commitments set out in the Covenant.

Collaborative approaches between VCSEs, public bodies and service users should be encouraged, with a focus on impact, so instead of 'buying' from suppliers, local government must 'make' services in long-term partnership with a diverse range of VCSEs and communities. As a minimum, Government should work with experts on people-focused services (including academics, innovative public bodies and VCSEs) to review the impact of competitive approaches and develop guidance on how to use flexibility and collaborative approaches under current regulation, and grant funding to organise people-focused services. Guidance should address overly conservative, risk-averse interpretations to make it clear to authorities what steps they can currently take under the Act when organising people-focused services. This guidance should encourage broad view of 'value for money' beyond cost-saving considering long-term impact and prevention. It is vital that funding flows to public bodies in a timely manner to ensure they can award and allocate funding to voluntary organisations, ideally in advance rather than arrears, to support their cashflow.

The move to multi-year funding settlements from 2026-27 is welcome as it will allow for stability and long-term planning and resourcing for both local authorities and the VCSEs who provide services for them. However, this must be coupled with **sufficient funding for local government and the service** areas provided by VCSEs to meet the true cost of delivery, reflecting the Government's commitment in the Civil Society Covenant to support "collaborative commissioning and procurement models, recognising the inherent social value civil society brings, offering flexibility to achieve outcomes, ensuring proportionate monitoring and providing adequate funding to achieve the required outcomes".

We also recognise that the government is working to address these issues in England through the Fair Funding Review[25], which seeks to consider the different types of demand, population and other characteristics within council areas that may affect what level of central support they need.

The Fair Funding Review should also consider the relative strength and capacity of the VCSE sector in different areas. Demographics, levels of deprivation and the local council tax base are not the only indicators of what level of support particular communities can rely upon. They also depend on the

[24] https://localtrust.org.uk/wp-content/uploads/2021/07/Frontier-Economics_the-impacts-of-social-infrastructure-investment.pdf
[25] Fair Funding Review 2.0: the impacts on council funding across England (7 August 2025) Institute for Fiscal Studies

number, type and capacity of VCSE organisations which are not evenly distributed across council areas.

Philanthropy

The UK's philanthropic potential remains largely untapped and could be unlocked through stronger government leadership. By promoting a culture of giving and leveraging available measures, the government can support charities and communities more effectively. While some progress has been made in recognising philanthropy within the impact economy, a more holistic, cross-government approach is needed to create an enabling environment for greater giving.

Setting up an Office for the Impact Economy

The government's current engagement with the impact economy is fragmented, under-resourced, and poorly coordinated, limiting its ability to collaborate effectively with philanthropists. This is a major missed opportunity to mobilise additional resources, spur innovation, and accelerate the delivery of the missions.

Wealth advice

Financial advisers should be equipped to discuss philanthropy with clients. Research by the Charities Aid Foundation indicates that high-net-worth individuals (HNWIs) want this advice but are not currently receiving it. While training for advisers is being developed, the next crucial step is ensuring widespread adoption.

Match funding

Match funding can incentivise philanthropy and attract social purpose capital to support specific places or causes. These schemes lower costs and risks for charities and local or central government, while motivating philanthropists to direct their giving toward targeted areas. As such, match-funding can be a powerful tool to channel investment more effectively.

Modernise and preserve fiscal incentives for giving

The fiscal incentives that encourage giving are valuable and support the charity sector to do its important work by encouraging and incentivising giving and boosting the value of that generosity. We ask that the Government use this Budget to unlock opportunities to encourage more giving, and to ensure that the new measures do not create additional barriers to giving.

Reporting of charitable giving by larger companies

In the 12 years since the Companies Act was amended in 2013 to remove the requirement for corporations to report their donations to charity, there has been a stagnation in giving from companies. Research shows that donations to charity from the FTSE 100 fell by 34% in real terms in the decade following the change. While it is not possible to demonstrate conclusively that there is a causal relationship, there is clear evidence that those FTSE 100 companies which make use of a framework (such as B4SI) to track and report their giving, do give more, contributing critical investment into their communities.

Policy Recommendations

An Office for the Impact Economy We propose that the government should create a clear "front door" and coordination hub for government departments and external partners. This would provide a single-entry point and centralised structure.

Mandate philanthropy training: The government could instruct the Financial Conduct Authority (FCA) to use its powers to incorporate philanthropy into continuing professional development (CPD) requirements and the curricula of industry qualifications.

Embed impact capital into regulated financial planning conversations: The government could require the FCA to mandate that impact capital and philanthropy are incorporated into regulated financial planning frameworks, building on the Sustainability Disclosure Requirements and product-labelling framework.

Modernise Gift Aid. The Gift Aid system is generously designed and provides essential income to charities; however, it is under-utilised due to complexity and lack of understanding of how it works. In 2023-2024 HMRC conducted research as part of its review of Gift Aid, however we understand that no proposals will be taken forward at present. We ask that the Gift Aid system is modernised and plans to do so are baked into the future digitisation of HMRC's systems. In the interim we ask that HMRC identify simplification strategies to ease the burden of administering and processing Gift Aid, freeing up time for charities and making it simpler to claim the relief.

Preserve higher rate relief. Higher rate relief, which enables higher and additional rate taxpayers to claim tax relief on Gift Aid donations is a valuable incentive which encourages donations to charity. Some have called for the cost of this relief to be re-allocated. However, it is important to stress that higher rate relief is an incentive and removing it would change behaviour, meaning that the potential revenue unlocked by this change would inevitably be reduced. Furthermore, higher rate relief is a particularly significant incentive relating to major donor gifts. There is a risk that the £820m that this relief costs being withdrawn would put at risk the £3-4bn of income to charities that this relief represents.

Provide clear guidance around Inheritance Tax. Coming changes to inheritance tax will impact the landscape of legacy giving. There is a need to inform people about the changes and how they will work, and to ensure that the consequences for charitable giving are understood.

Allow authorised lump sums from pension pots during lifetime. Under current rules it is not possible for an authorised payment to be made directly from a pension pot to a charity during a donor's lifetime. The opportunity that is created by the amendments to the Inheritance Tax framework should be seized, and options to make payments to charity from unneeded pension pots should be unlocked, allowing charities the opportunity to create relationships with living donors, and allowing people to bring forward gifts to charity.

Match funding for places and causes. When the government identifies specific places or causes that will contribute significantly to the delivery of its missions, it should provide match funding to demonstrate its commitment and attract further philanthropic investment.

Reinstating reporting requirements would require a simple level of reporting from larger businesses and could be delivered as part of the government's ongoing non-financial reporting review. This would shed light on giving practices and standardise the items that need to be reported making it easier for companies to benchmark their giving practices against peers. As previously suggested by the CSG, giving could include financial donations, donations of goods, time volunteered by staff and

using purchasing power to support the social sector, which could be done in line with the National Themes, Outcomes and Measures Framework for Measuring Social Value.

Tax and Gift Aid

Policy recommendations

Increasing tax thresholds in line with inflation. Many tax thresholds and limits that apply to the charity sector have remained static since they were first introduced. This did not have much of an impact on charities' finances while inflation remained below (or close to) the Bank of England's 2% target. However, since the high levels of inflation that occurred in the aftermath of the pandemic the value of these limits has eroded significantly. For instance, the cap on the amount of top-up that can be claimed under the Gift Aid Small Donation Scheme (GASDS) is £8,000 per tax year (and up to £8,000 for each community building). If this limit had kept pace with inflation when many of the rules for GASDS were changed in April 2017, it would now stand at £10,785. Other limits which have not increased with inflation and have remained static include:

- The maximum of the total donor benefit is Gift Aid, which currently stands at £2,500
- The limits for the maximum permitted small trading turnover, which currently stands at £8,000 for charities with gross income under £32,000, and £80,000 for charities with gross income annual income over £320,00

VAT relief on donated goods to charity, to encourage greater donations. We encourage the government to press ahead and introduce a targeted VAT relief for goods that businesses donate to charities, for the charities to distribute free of charge to people in need. This would also incentivize businesses to donate goods that would otherwise be destined for landfill, supporting the circular economy. This follows the consultation earlier this year, where the introduction of such a relief was widely supported by both the charity sector and the business community, including the CBI and the British Retail Consortium.

Extend charitable rate relief to wholly owned charity trading subsidiaries. We are calling for Charitable Rate Relief to be extended to wholly owned charity trading subsidiaries. The current legislation on business rates means that charities can lose vital business rates relief if they organise their activities through a wholly owned subsidiary. Many charities opt to operate specific activities, such as charity shops, through wholly owned subsidiaries as this is an efficient means of ring-fencing funds and managing risk. This is consistent with Charity Commission guidance on protecting charity assets. However a charity structures its fundraising activities, the purpose is to generate funds to further its charitable purposes and the application of rules on Charitable Rates Relief should not inadvertently penalise charities seeking to reduce risk. An amendment to Section 43 of the Local Government Finance Act 1988 should be considered. There are currently variations between local authorities applying the discretionary element of business rate relief that results in some wholly owned charity trading subsidiaries being denied Charitable Rate Relief for premises that otherwise meet the test of being wholly or mainly used for charitable purposes. This is a particular issue for charity shops where most receive Charitable Rate Relief.

Clarify Gift Aid solution for membership charities as it relates to the DMCCA. HMRC should ensure that charities can continue to claim Gift Aid while complying with the Digital Markets, Competition and Consumers Act (DMCCA) and related consumer contract legislation. HMRC should present its proposed amendments to the Gift Aid legislation as soon as possible to allow charities time to consult on these changes prior to the Act's commencement. Any changes required to accommodate

the new subscription regime must be agreed and in place before it begins, with sufficient lead-in time for system changes, training, and supporter communications.

AI and the Digital Divide

Introduce a new fund to tackle the digital deficit amongst smaller charities

Digital technologies – including automation and remote working applications – have a wide range of uses in the charity sector and are proving instrumental in creating a more efficient and resilient civil society. As such, we are asking the government to create a new fund to support small charities' digital transformation journeys.

Smaller charities (income <£1m) are at risk of being left behind digitally due to a lack of funding and skills. Recent findings from the Charity Digital Skills report reveal that financial constraints (72%) and finding funds to invest in infrastructure and tools (68%) are the top two barriers to digital progress amongst this group. What's more, nearly half (44%) of small charities do not have someone with digital expertise at board level, although 47% of them acknowledge this would help them progress digitally.

At a time when digital engagement is fast becoming the norm amongst donors, volunteers and beneficiaries, it is vital that smaller charities have the tools and resources they need to keep pace with the changing needs of their communities. This will in-turn enable them to fundraise independently and improve outcomes for beneficiaries, alleviating pressure on statutory funding and public services. We therefore believe now is the ideal moment to introduce a fund that offers small grants for the following:

- Infrastructure and hardware (CRMs, website development or remote working applications);
- Digital skills training for small charity fundraisers (digital strategy or social media engagement);

Enabling Safe, Proportionate AI Adoption in UK Charities

AI has the potential to reshape service delivery across the charity sector and the economy. To ensure benefits reach people and places most at risk of being left behind, and to improve productivity in services people rely on, charities (especially small to mid-sized organisations) need targeted support to adopt AI safely, proportionately, and at pace. The Charity AI Task Force's submission to the AI Opportunities Action Plan points to rapid sector uptake, with early findings indicating that 76% of charities are now using AI (up from 61% in 2024 and 35% in 2023), with a strong appetite despite skills and capacity constraints.

There is also the ability within the charity sector to partner with government to help deliver public benefit; and for VCSE organisations to help deliver multiple recommendations in the government's AI Action Plan (e.g., skills, sensing harms, inclusive data, local growth).[26]

To help deliver this we propose that the Budget should signal the government's intent to partner with the charity sector to co-design delivery of these services.

Policy Recommendations

[26] Response to the AI Opportunities Action Plan from the Charity AI Task Force - CAST

- ***Recognise parity for the Charity AI Task Force***
  Confirm, in the Red Book or an accompanying statement, that government will engage the Charity AI Task Force on an equal footing to the SME AI Task Force, ensuring VCSE needs are included by design in AI adoption programmes.
- ***Back a sector delivered AI skills and adoption offer***
  Build on existing programmes in the devolved nations and for areas where those do not exist, signal intent to co-design with charity infrastructure bodies a light-touch, proportionate package focused on:
    - Training pathways for staff and trustees (governance, assurance, safe use and data fundamentals).
    - Practical adoption support (templates, model Data Protection Impact Assessments and procurement guidance).
    - Open knowledge hub alignment (VCSE-tailored curation of the AI Knowledge Hub; support open-source where it fits charity use cases).
    - Ensure equitable investment across the whole of the UK, addressing the unique needs of voluntary sector organisations. Including the need for a fully bilingual provision in Wales.
- ***Proportionate assurance and safe experimentation***.
  Endorse 'test and learn' with lightweight assurance for smaller organisations (model policies, simple risk controls, and opt-in evaluation partnerships with charity regulators), enabling adoption while guarding against harm.
- ***Structured engagement with the sector.***
  Commit for HMT, DSIT and DCMS to meet with charity representatives (Charity AI Task Force and partners) to co-design delivery and align with existing government initiatives (AI Opportunities Action Plan).

We argue that this should be UK wide by default, respecting devolved competencies and building on existing programmes while ensuring parity of opportunity across all nations through co-design with sector bodies operating in each nation. The processes should be kept simple and proportionate for small organisations; leveraging trusted intermediaries, including charity infrastructure bodies, to minimise administrative burden and maximise uptake. It should use existing government infrastructure where possible (procurement frameworks, knowledge hubs) to reduce cost and duplication.

To help progress our proposed approach we call on HMT, alongside DCMS and DSIT, to convene an initial meeting with representative charity bodies and the Charity AI Task Force to shape this skills adoption package.

This submission is on behalf of the Civil Society Group. The following members have aligned around this Budget submission:

Debra Allcock Tyler, Chief Executive, Directory of Social Change

Tony Armstrong OBE, Chief Executive, Locality

Matthew Brown, Deputy Chief Executive, Wales Council for Voluntary Action (WCVA)

Brian Dalton, Chief Executive, Irish in Britain

Maddy Desforges OBE, Chief Executive, National Association for Voluntary and Community Action (NAVCA)

Katie Docherty, Chief Executive, Chartered Institute of Fundraising

Warren Escadale, Chief Executive, Voluntary Sector North West (VSNW)

Anne Fox, Chief Executive Officer, Clinks

Anna Fowlie, Chief Executive, Scottish Council for Voluntary Organisations (SCVO)

Will Haydock, Executive Director, Collective Voice

Rick Henderson, Chief Executive, Homeless Link

Dr Rhidian Hughes, Chief Executive, Voluntary Organisations Disability Group (VODG)

Jane Ide OBE, Chief Executive, Association of Chief Executives of Voluntary Organisations (ACEVO)

Saskia Konynenburg, Executive Director, National Council for Voluntary Organisations (NCVO)

Deborah Layde, Chief Executive, The Seafarers' Charity

Carol Mack OBE, Chief Executive, Association of Charitable Foundations (ACF)

Clare Mills and **Sarah Lomax**, Co-Chief Executives, Charity Finance Group

Robin Osterley OBE, Chief Executive, Charity Retail Association

Lisa Pearce, Chief Executive, Pilotlight

Paul Roberts OBE, Chief Executive, Consortium of LGBT+ Voluntary and Community Organisations

Rose Marley, CEO, Co-operatives UK

Fiona Sandford, Chief Executive, Visionary – linking local sight loss charities

Donal Watkin, Chief Executive, Association of Charitable Organisations (ACO)