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The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
Horse Guards Road
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Via email: CEU.enquiries@hmtreasury.gov.uk and the Budget 2021 Representations Portal

14 January 2021

Dear Chancellor

Re: Budget 2021 – A budget which must deliver for social change organisations

We were delighted to hear the Prime Minister confirm at the end of last year that much more would be done to support charities and social enterprises as the country faces the second wave of this COVID crisis, and to hear you state in your Economic Update just a few days ago, on 11 January 2021 that *“Throughout this crisis the Government have always been pragmatic. When changes must be made, we have made them, and when help has been justified, we have always provided it”*.

As we now find ourselves in a further national lockdown, and in advance of the Budget 2021 where the government has committed to setting out the next phase of its plan to tackle the virus and protect jobs, we ask you to deliver on your claim to make changes when necessary to ensure that this Budget delivers for social change organisations and the unique role they occupy in our economy to deliver public benefit. Our sector is essential both to the immediate response to Covid-19 and to the medium and longer term ambition to level up and build back better. Our nation needs our charities and social change organisations to play their part and your Budget must enable them to do so to.

We also have joined with 26 other organisations representing the charity and voluntary sector, to make a separate representation to this Budget to recommend to you our Five Point Economic Plan and to urge you to deliver a renewed package of dedicated support measures for the charity sector which recognizes our unique status and is tailored to our legal imperative to deliver public benefit.

Developing policy interventions through the lens of private enterprise routinely means that due consideration is not given to the fundamental differences of the charity sector legal and operating status, leading to unintended and perverse consequences which can severely penalize charity and social change organisations delivering for the public benefit and the millions who rely on them. We stand ready to work with you and your officials to help ensure that lessons are learned from the mistakes of the past and that this Budget delivers for charities as well as private enterprise.

In your Budget for 2021 we urge you to:

- Ensure that there are measures which reflect the elongated nature of this crisis, including delaying the repayments on loans offered under the Coronavirus Business Interruption Loan Scheme (CBILS) loans for a further year to 2023. Many organisations who have applied and received loans did so on the basis that their full income



generating activities would be able to resume and not be further hindered by renewed closure and lockdown.

- Recognise that the unique nature of charities and social change organisations do not warp markets and do not compete across international borders and that therefore the limits of State Aid should not apply. This would allow charity retailers with over 30 shops to be able to claim business rate reliefs on each of their retail outlets, which individually contribute to their local communities and to the charitable cause of the organization.
- Amend existing business support schemes where necessary to be fit for purpose for charities and social change organisations including specifically the Coronavirus Job Retention Scheme but also including the Apprenticeship Levy and Kick Start schemes, which were designed primarily with private enterprise in mind.

A Coronavirus Job Retention Scheme which is fit for purpose for social change organisations

The CRJS is an exceptionally generous scheme which was welcomed by the sector and which charities and social enterprises have availed themselves of. However, as a scheme designed predominantly with private enterprise in mind, it has the perverse effect of incentivising mothballing of provision and not mobilisation. We wrote to you with these proposals in November with the support of over 150 organisations and individuals from both nonprofit and business sectors.¹

Charities and social enterprises have already depleted their reserves, started to reduce their workforces and many are facing a critical dilemma; ensure the sustainability of their organisations through making use of a scheme that helps to conserve funds spent on salaries but which incentivizes the cessation of activity when it is never more needed, or risk financial collapse in the near future so that beneficiaries are supported over the second lockdown. History tells us that it will continue to be the latter choice they exercise.

It is to help support those most in need that a simple amendment to the CJRS is proposed, to enable those social change organisations who are facing financial distress to support the salaries of staff to continue to deliver public benefit. It is specifically the concept and mechanism of furlough which is not applicable to social change organisations, who face increasing demand for their services and support while facing financial distress.

Whilst allowing an employee to choose to volunteer back for their employer in a different role to their contracted role is one example of a mechanism that could be employed to achieve this aim, it one of multiple approaches and we reiterate our offer to work with officials to examine the options. The Australian job keeper scheme, for instance, allows employees of not-for-profits to continue to work while receiving payments, and the DfE have taken similar steps in respect of adoption services to support practitioners' income while continuing their work with families.

We propose a number of qualifying criteria for a potential amendment to ensure that concerns regarding eligibility and fraud are addressed such as;

- restricting eligibility only to organisations which deliver public benefit as defined under charity law, are registered with the Charity Commission, are a registered CIC

¹ https://www.cfg.org.uk/mobilise_not_mothball_campaign



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- or Social Enterprise with an asset lock, and have audited accounts or independently examined accounts;
- that organisations will be required to self-certify that they have been adversely impacted by coronavirus and that their financial deficit cannot be covered by reserves (as is required for the CBILS loan scheme)
 - *(if a volunteer back mechanism were adopted it should be the explicit choice of the staff to volunteer for the employer)* employers are required to top up salaries to 100% for any staff who chose to volunteer for their employer
 - that the measure is time limited to the end of CJRS scheme.

Although it is clear from data that all parts of the sector are suffering financial hardship, and all parts of the sector are needed to support critical short and long terms effects of the crisis, if further targeting were needed we could work with officials to ensure the parts of the sector most in need of support could be targeted. It is counterproductive to be paying for a charity or social enterprise employee to stop working when our citizens so desperately need helplines, advice, support and guidance; whether on mental health, unemployment, homelessness or loneliness and isolation that the ongoing pandemic will impact.

We are further conscious of the additional pressures on volunteering more generally, as a result of the second wave of COVID-19, that threatens the capacity of social change organisations to continue to deliver public benefit over the winter months. It is essential that action is taken rapidly in this respect before organisations take decisions which could see those in most need left unsupported.

Taken together, these measures would ensure a Budget which reflects understanding of and appreciation for the essential work of charities and social change organisations in our economic and social fabric.

Yours sincerely

Caron Bradshaw
CEO, Charity Finance Group

About Charity Finance Group

Charity Finance Group (CFG) is the charity that inspires a financially confident, dynamic and trustworthy charity sector. We do this by championing best practice, nurturing leadership and influencing policy makers. www.cfg.org.uk