

Rt Hon Justine Greening MP
Secretary of State for Education
Department for Education
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

30 March 2017

Dear Secretary of State

We are writing following the Department for Education's decision to cap Apprenticeship Levy transfers at 10%.

Charity Finance Group has engaged with the BEIS, DfE and the SFA throughout the development of the Apprenticeship Levy and has consistently highlighted that charities will be unable to spend their levy in full. For more detail, we enclose three case studies to illustrate the steps that charities have taken to adapt to the levy and the scale of the impact on them.

Officials have made clear that employers are not expected to spend their levy in full, thereby freeing up resources that government can use to subsidise apprenticeships in the private sector, and industry in particular. Whilst we can sympathise with the government's desire to support business, we do not believe that this is an acceptable use of charitable funds that have been generated to deliver public good.

In CFG's discussions with the then Skills Minister, Nick Boles, the solution put forward to prevent charitable funds being redirected to the private sector, was a transfer mechanism that would allow employers to transfer *all* unspent levy funds. This is not a perfect solution, but one that would allow charities to at least transfer funds in a way that furthers their charitable objectives and builds skills with our sector, particularly in small charities.

By capping the amount that charities can transfer at 10%, the government is effectively exploiting the charity sector by using it as a 'piggy bank' to advance its other policy objectives.

The principle that money given for public benefit should not be taxed has been the foundation of many of the reliefs and exemptions, such as gift aid and non-domestic business rate relief for charities. It is our view that by allowing charities – who will count for just 6% of the £3 billion that government expects to raise from the levy – to transfer 100% of their unused funds, is a small adjustment that will mitigate the serious consequences of the levy for our sector.

This move would be supported by the public. Polling commissioned by Charity Finance Group and carried out by ComRes shows that 46% of people believe that unused Apprenticeship Levy funds from charities should only be transferred to other charitable organisations, or should not be transferred at all. Furthermore, only 14% of people believe that charities should pay the apprenticeship levy at all – this is compared to 58% who believe private companies should be subject to the levy, and 44% who believe public sector organisations should pay. The public understands, as do we, the precious nature of charitable funds and the need to ensure that they are targeted at delivering public benefit.

It is vital that government listens to the charity sector and reforms the Levy, before it is too late. Otherwise there is a risk that the Levy could harm charities at a time when they are being asked to do more to support our communities.



Yours sincerely,

Caron Bradshaw, CEO, Charity Finance Group

Andrew Whitehead, Director of Finance, Marie Curie

Beccy Speight, CEO, Woodland Trust

Alex Beard, CEO, Royal Opera House

William Howarth, Director of Finance and IT, YHA (England and Wales)

Javed Khan, CEO, Barnardos

Robert Hardy, Executive Director of Operations, WWF UK

Peter Hepburn, CEO, Cats Protection

Jamal Uddin, Head of Finance and Facilities, Mind

Andrew Hope, Finance Director, Jewish Care

Diana Jupp, Interim CEO, Bloodwise

Sarah Woolnough, Executive Director, Policy and Information, Cancer Research UK

Ann Kiceluk, People Director, RSPB

Judi Rhys, CEO, Arthritis Care

Jose Hulsenbek, Head of Human Resources, Médecins Sans Frontières – UK

Kerry Smith, Director of People and Organisational Development, British Heart Foundation

Tina Lewis, Director of People and Legal Services, National Trust

Robert Rowe, Acting Chief Executive, Brandon Trust

Caroline Mason, CEO, Esmée Fairbairn Foundation

Alan How, Group Director of Finance, Avenues Group

Fiona Evans, Human Resources Director, Zoological Society of London

Peter Robson, Executive Director, Corporate Resources, Action on Hearing Loss

Bijal Shah, Head of HR, World Animal Protection

Tom Beardmore-Gray, Director of Finance, The Girls' Day School Trust