Amendments to Covid-19 support measures for voluntary organisations

Background

The government has provided a comprehensive stimulus package to help the UK economy deal with the Covid-19 emergency. Most businesses, workers and the self-employed are being supported while social distancing measures prevent them from generating an income. The clarification that charities are also eligible to make use of these measures is welcome. However, most measures that have been introduced include design features that restrict the extent to which charities can access financial support.

This briefing identifies the key challenges for the voluntary sector with the existing package of COVID-19 support measures, alongside some proposed solutions. If implemented, these changes would enable voluntary organisations to make better use of these schemes, ensuring they achieve their stated aim.

Addressing the issues below will be particularly important for supporting those organisations that are ineligible to apply for any of the £750m charity support package announced by government earlier this month.

Coronavirus Job Retention Scheme

Key challenges

- Service delivery charities that are on the frontline helping individuals and communities during Covid-19, need to be mobilised, not mothballed. Yet, many charities are facing a perverse incentive to furlough staff at a time when supporting the most vulnerable in society is needed more than ever.
- Staff that have been furloughed are not permitted to volunteer for their own charity. This means that people with skills to volunteer in roles that can directly support with Covid-19 are not able to undertake these vital tasks. This renders otherwise helpful resources of little practical use.
- The scheme is not available for charities receiving public funding to deliver public sector contracts, making it difficult for organisations whose staff are partially funded by public sector contracts to determine eligibility.

Potential solutions

- Relax the volunteering rules to enable charity workers with specific skills, and employed in certain functions that support wider society, to be redeployed within their charity as a volunteer without undermining eligibility.
- Government could enable not-for-profit groups that cannot furlough staff but which have suffered a reduction greater than 30% of income to qualify for payment under the scheme. This could be done through a mechanism akin to those claiming under self-employment (loss of income based on last three years' accounts - and budget for current financial year) or through paying 80% of staff salaries - based on the model adopted in Canada.
- Allow furloughed employees to check in one day a week so organisations can be prepared for when operations restart. This will also be helpful where there is a need to maintain properties and do securing checks.
- Provide more clarity on 'public funding' criteria, particularly where staff that are partially funded by the public sector are concerned.

Coronavirus Business Interruption Loan Scheme

Key challenges

- This scheme was designed with the private sector in mind, meaning the current criteria is not suitable for many charities.
- Feedback from charities that have applied to the scheme is that even if they meet all the eligibility criteria they have still been refused finance from multiple accredited lenders under the scheme. It has also been reported that many private sector organisations have been refused loans by many lenders operating under the scheme, with take up to date falling well below the government's initial expectations.
- Many charities' financial models preclude them from taking on additional debt finance at such a precarious time. Saddling organisations that do not generate profit like private sector organisations with unsustainable debt accrued to see them through the crisis would hugely hamper their financial sustainability and ability to deliver public benefit when the country emerges from the Covid-19 emergency.

Potential solutions

- Government should underwrite 100% of loans, as has been done with the Bounce Back Loans scheme. A number of other countries, including Switzerland and Germany, have pursued this option and it has been far more successful in encouraging lending.
- Interest rates for charities should be capped after the initial 12-month period of the interruption loan is finished.
- There should be separate guidance for charities on whether loans are a suitable method of finance, and if they are eligible to use the scheme.

Small Business Grant Fund

Key challenges

- The small business grant of up to £10,000 would be beneficial to charities – particularly those that cannot use the other government schemes such as CBILS or are not eligible for funding through the government's £750m support package - at a time when a lack of liquidity is their primary concern. However, as charities receive charitable business rates relief (80% mandatory, with 20% discretionary from the local authority) rather than small business rates relief, or rural rates relief, they are not eligible.

Potential solution

- Allow small charities that would otherwise qualify for the small business rate relief (if they were not claiming charitable reliefs) and cannot access other support measures or funding though the £750m package to claim small business grants. Local authorities may have to make a repayment to central government as the £12bn allocation for grants seems unlikely to be spent in full (currently £7.6bn from a £12.3bn allocation). Including small charities under the Small Business Grant Fund would help target unspent funding towards supporting smaller charities that are unable to benefit from the other business support measures being provided by government. Further details on this proposal can be found here.

Retail, Hospitality and Leisure Grant Fund (RHLG)

Key challenges

- Although the Retail, Hospitality and Leisure Grant Fund does benefit certain types of charities, such as charity shops, art galleries theatres, museums, sports clubs and several others, this is a relatively small part of the overall charity sector.
- The practical value of the scheme will be limited because the Government considers it to subject to European Union State Aid rules which restrict support payments to €800,000 (roughly £700,000) per undertaking. The €800,000 cap will have a distorting effect where franchise businesses will receive the grants, whereas retail networks structured as one undertaking will not. This creates an unlevel playing field

and may be particularly damaging for charities or businesses reliant on income from a larger retail network, where the current support package may only benefit up to 30 outlets despite having hundreds of shops.

Potential solutions

- Government should reconsider whether the Retail, Hospitality and Leisure grant fund should be regarded as state aid, on the basis that the beneficiaries of the funding are unlikely to distort competition between traders in European Union Member States. A large national charity has received legal advice that there is an arguable case to this effect. This would not only benefit charities but would also support struggling High Streets.
- The definition of eligible Retail, Hospitality and Leisure properties, as outlined in the Expanded Retail Discount guidance, should be expanded to include community buildings that are required to close during the lockdown such as community centres.

PAYE and NICs deferral

Key challenges

- It is possible for charities to request a deferral of payments of PAYE and NICs, if they are encountering difficulties in making payments due to COVID-19. However, deferred payments incur an interest rate of 2.6% from HMRC. This creates additional financial challenges for organisations already struggling with cashflow. Anecdotal feedback from charities suggests that the HMRC helpline has not been stating clearly that interest is chargeable and this is also not in the official guidance, causing uncertainty and potential for unexpected charges in the future. This is an issue of concern for all organisations, not just charities.

Potential solution

- Automatically grant all businesses and charities the option of deferring PAYE and NICs payments and remove the interest payable to bring it in line with the VAT deferral.

About Charity Finance Group

Charity Finance Group (CFG) is the which seeks to inspire a financially confident, dynamic and trustworthy charity sector. We have over 1,450 charities in membership and our members manage over £22bn of funds, a third of the entire UK charity sector's income

About NCVO

The National Council for Voluntary Organisations (NCVO) is the largest representative body for charities and voluntary organisations in England. NCVO has over 15,000 members ranging from large 'household name' charities to small community organisations. NCVO is also the national body for volunteering in England.

About CTG

The Charity Tax Group (CTG) has over 700 members of all sizes representing all types of charitable activity in the United Kingdom. The organisation was set up in 1982 to make representations to charity taxation and it has since become the leading voice for the UK charity sector on this issue.