



House of Commons

Digital, Culture, Media and
Sport Committee

**The Covid-19 crisis
and charities:
Government Response
to the Committee's
First Report of Session
2019–21**

**Second Special Report of Session
2019–21**

*Ordered by the House of Commons
to be printed 11 June 2020*

The Digital, Culture, Media and Sport Committee

The Digital, Culture, Media and Sport Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Digital, Culture, Media and Sport and its associated public bodies.

Current membership

[Julian Knight MP](#) (*Conservative, Solihull*) (Chair)

[Kevin Brennan MP](#) (*Labour, Cardiff West*)

[Steve Brine MP](#) (*Conservative, Winchester*)

[Philip Davies MP](#) (*Conservative, Shipley*)

[Alex Davies-Jones MP](#) (*Labour, Pontypridd*)

[Clive Efford MP](#) (*Labour, Eltham*)

[Julie Elliott MP](#) (*Labour, Sunderland Central*)

[Rt Hon Damian Green MP](#) (*Conservative, Ashford*)

[Rt Hon Damian Hinds MP](#) (*Conservative, East Hampshire*)

[John Nicolson MP](#) (*Scottish National Party*)

[Giles Watling MP](#) (*Conservative, Clacton*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

© Parliamentary Copyright House of Commons 2020. This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/copyright.

Committee reports are published on the Committee's website at www.parliament.uk/dcmscom and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Keely Bishop (Committee Assistant), Andy Boyd (Senior Committee Assistant), Chloe Challender (Clerk), Conor Durham (Committee Specialist), Lois Jeary (Committee Specialist), Charlotte Swift (Second Clerk), Anne Peacock (Senior Media and Communications Officer) and Gina Degtyareva (Media and Communications Officer).

Contacts

All correspondence should be addressed to the Clerk of the Digital, Culture, Media and Sport Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 6188; the Committee's email address is cmscom@parliament.uk.

You can follow the Committee on Twitter using [@CommonsDCMS](#).

Second Special Report

The Digital, Culture, Media and Sport Committee published its First Report of Session 2019–21, [The Covid-19 crisis and charities](#) (HC 281) on 6 May 2020. The Government's response was received on 5 June 2020 and is appended to this report.

Appendix: Government Response

The Government's support for charities

Challenges for charities in accessing Government support for businesses

1. The Coronavirus Job Retention Scheme and Business Interruption Loan Schemes promptly addressed an urgent need across the economy; however, with the Government consistently referring to them as a solution for charities in financial hardship, there is a clear need to ensure such measures are suited to the particular needs of the charity and voluntary sector. To that end, we welcome the exemption for charities from the 50% trading requirement under the Business Interruption Loan Scheme. This approach indicates a willingness to flex the schemes to ensure charities can benefit; however, in the longer term, charities, like many other sectors, also need clarity about the Government's intentions for the support schemes. *We recommend that the Department for Digital, Culture, Media and Sport works with the charity sector and HM Treasury immediately to review the measures in place to support businesses, and to ensure they fully meet the needs of the charity and voluntary sector. In particular, the Government should introduce a separate Coronavirus Job Retention Scheme for charities within four weeks. The scheme should enable furloughed employees of charities to volunteer for their organisations providing appropriate safeguards are met. We also ask the Government to guarantee that six weeks' notice will be given of the Coronavirus Job Retention Scheme ending so that charities can plan accordingly, and to phase the ending of the scheme to support any charities that are unable to return immediately to full capacity.* (Paragraph 21)

Reviewing the measures in place to support businesses, ensuring they fully meet the needs of the charity and voluntary sector.

The Government recognises the significant strain the charity sector is under due to the Covid-19 pandemic; many charities and social enterprises are experiencing an increase in demand for their services, while at the same time experiencing a reduction in their income because they are unable to pursue previously planned fundraising or trading activities. In recognition of such strain, the Government announced a dedicated package of financial support for charities and social enterprises working to respond to the Covid-19 outbreak, and has ensured charities and social enterprises have access to cross-sectoral business support schemes. This access will provide important support for charities and social enterprises through this period of uncertainty - particularly those with paid members of staff, where loan finance is a suitable mechanism to support cash flow needs, or if they operate within the retail, hospitality or leisure sectors. This will include many of the 6000 or so larger charities with income above £1m.

As the Committee has noted, in response to some charities facing barriers in accessing business support schemes, the Government has adjusted certain eligibility requirements. For both the Coronavirus Business Interruption Loan Scheme and the Bounce Back Loan Scheme, the latter of which enables small and medium-sized organisations to borrow between £2,000 and up to 25% of their turnover (the maximum loan available is £50,000), charities are exempt from the 50% trading income requirement. This is in addition to other business support measures that are already accessible to charities; for example charities can defer VAT payments due between 20 March and 30 June, and while charities are already eligible for 80% business rate relief via the Charitable Rate Relief, charity shops and other premises used for retail, hospitality and leisure will benefit from access to the expanded retail discount scheme at 100% relief for 2020/21.

The department is in continual dialogue across Whitehall about how best to support the charity sector in these incredibly challenging times. This includes ensuring that the measures of the Corporate Insolvency and Governance Bill, which will support businesses with new options for restructuring, temporary easements to insolvency law and rules governing the holding of AGMs, will apply to charities established as companies and charitable incorporated organisations.

Introducing a separate Coronavirus Job Retention Scheme

As the Committee will be aware, on Tuesday 12 May, the Chancellor announced that the Coronavirus Job Retention Scheme will be extended to the end of October 2020, and this funding level will remain in place until the end of July 2020. The scheme has been, and continues to be a lifeline to a multitude of organisations, including charities; our estimate is that, as of 3 May 2020, 164,000 jobs in the charity sector have been furloughed.

From July, the Government will introduce more flexibility to the furlough scheme so that we move out of it in a measured way that protects people's incomes and helps support furloughed employees as they return to work. During this period, employers will have more flexibility to bring their furloughed employees back to work part time whilst still receiving support from the scheme. To reflect that people will be returning to work, from August 2020, the level of government grant provided through the job retention scheme will be slowly tapered, and employers will be asked to contribute a modest share. Crucially, individuals will continue to receive that 80% of salary covering the time they are unable to work. The impact of the scheme on people's livelihoods and organisational sustainability will continually be kept under review; the Chancellor has been clear that we want to avoid a cliff edge and get people back to work in a measured way. This will help all organisations, including charities, to plan accordingly.

With regards to furloughed employees of charities being able to volunteer for their organisations, the guidance is clear that organisations cannot ask a furloughed employee to do any work that makes money or provides services for their organisation or any organisation linked or associated with their organisation. The purpose of the Coronavirus Job Retention Scheme is to help employers whose operations have been severely affected by coronavirus to retain their employees and protect the UK economy. It's focus is therefore to help those who otherwise would have been made unemployed and provide support to organisations as quickly as possible. The scheme is not designed to help charities or other organisations cut the cost of continuing to deliver essential services. Where staff

are needed in charities to provide vital services and help vulnerable people through the Covid-19 crisis, these organisations will be eligible to apply for the £750m funding package. Further, as the Minister for Civil Society, Baroness Barran, told the House of Lords (which the Committee noted) these restrictions are in place to prevent fraudulent claims and protect individuals too—if the Government allowed workers to volunteer for their employer, the employer could ask them to effectively work full time whilst only paying them 80% of their wages.

The Government recognises the pivotal role volunteers are playing in the Covid-19 response and their contribution to broader charitable causes; furloughed employees can take part in volunteer work, provided that it does not provide services or generate revenue for their employer. The scheme has been carefully set up to encourage employees who are not required to work for their employer to take up a unique opportunity to support the frontline delivery of essential support services.

A dedicated package of support for charities: concerns about the level of support available

2. We welcome the £750 million of support for charities delivering frontline services and assisting vulnerable people during the Covid-19 outbreak. Difficult decisions are being taken about which charities should benefit from Government support at this time, however, as the level of financial assistance announced to date falls short of the sums the sector says it needs, the Government must not assume that the problem has been solved or that the crisis facing charities will not grow as reserves are depleted. The Department for Digital, Culture, Media and Sport must demonstrate that it is making the ongoing case to HM Treasury for the charity sector to get the support it needs. *We back the charity sector's calls for a stabilisation fund to secure the long-term financial health and organisational diversity of the sector. It also needs to be recognised that some organisations may take time to recover following the ending of the crisis and may need support beyond that point to get to a sustainable position. In addition to the support that has already been announced, the Government should establish further funding to assist charities and voluntary organisations to stay afloat throughout the Covid-19 crisis. This should be available to organisations facing financial pressures, even if they are not involved in the frontline response to Covid-19. We request that the Secretary of State updates us, preferably via an oral hearing as well as in the Government's written response to this Report, on what progress has been made in securing additional support for charities and tailoring the business measures to them, as well as the Department's plans for monitoring the ongoing impact of this crisis on the charity sector's financial resilience. Given the urgency of the matter, we request that we receive this update by Friday 5 June.* (Paragraph 24)

Securing additional funding for charities

Whilst the government is aware of the long term financial needs of the sector as a whole and its importance in rebuilding society post-Covid-19, the £750m package of support for the sector is focused on targeting short term needs of those organisations playing a role in Covid-19 response, supporting vulnerable individuals and relieving pressure on public services. It is important to strike the right balance between supporting the sector's

important work and ensuring its ongoing independence and sustainability. This is vital to safeguard key aspects of charity work, such as advocacy on behalf of beneficiaries, and prevent potential conflicts of interest.

The £750m funding package, together with the cross-sectoral economic support measures announced by HM Treasury, provides an extensive support package for charities which is not available to other sectors. Charities and social enterprises should make use of all measures available to them wherever possible.

In addition to the cross-sectoral economic support measures and the £750m targeted funding package, on 20th May the Secretary of State announced that DCMS has unlocked a further £150 million from dormant banks and building society accounts to help charities, social enterprises and vulnerable individuals. This will be released through existing channels, including Youth Futures Foundation and Big Society Capital.

Through national fundraising campaigns, British people and businesses have also contributed hundreds of millions of pounds to help charities and front line organisations respond to the current crisis with millions also being raised at a local level. The Government has match funded the generous public donations to the BBC's Big Night In. With Government match funding, the total is currently £70 million. £20 million of this match funding will support local community foundations via the National Emergencies Trust. The remaining balance will be split equally between Comic Relief and Children in Need.

Other financial support is also available to charities and social enterprises. This includes the National Lottery Community Fund accelerating up to £300m of lottery funding to address the current crisis. This is not new money, but it will get funding quickly to frontline organisations to support communities and individuals affected by Covid-19. The National Emergencies Trust has raised over £89m and distributed over £37m so far through community foundations to support small, local charities to support people affected by Covid-19.

On 11th May the Government published its plan to rebuild: The UK Government's COVID-19 recovery strategy. The aim of the plan is to return to life as close to normal as possible, for as many people as possible, as fast and fairly as possible in a way that avoids a new epidemic, minimises lives lost and maximises health, economic and social outcomes. As we move into this next phase of the pandemic, DCMS is working closely with the charity and social enterprise sector to plan ahead for the safe relaxation of restrictions, including the reopening of charity shops as part of the non-essential retail sector, and proposals for the phased resumption of fundraising activities.

The Government is committed to ongoing, regular and in depth engagement with the charity and social enterprise sectors during the COVID-19 pandemic. We will continue to work closely to assess how we can support charities and social enterprises in doing their important work. We are working with the sector on potential recovery scenarios and will continue to assess the needs of the sector and how we can best support it.

Tailoring business measures to charities

Response provided under recommendation 1.

Monitoring the ongoing impact of this crisis on the charity sector's financial resilience.

DCMS is continuing to monitor the health of the sector, its contribution to the nation's Covid-19 response and the financial impacts on charities and social enterprises, and is establishing mechanisms to collate robust and ongoing insights, including a new DCMS-led YouGov Survey.

As the Committee will be aware, the extent to which Covid-19 has a long term effect on the charity and social enterprise sectors will depend on how long social distancing provisions remain in place, given the impact on public funding streams to charities and social enterprises, which include income from social events, fundraising activities and trading revenues. DCMS is currently undertaking analysis to prioritise and direct policy responses for this next phase.

A dedicated package of support for charities: concerns about eligibility and how to apply

3. **Some two weeks after HM Treasury outlined £750 million of support for charities, the Secretary of State was still unable to provide sufficient detail or clarity about the eligibility criteria for allocating that funding. An announcement of support is of limited benefit if charities facing imminent closure and workforce pressures are unclear whether they are eligible or how to apply. While we recognise that the Government is working under considerable pressures to deliver support to charities at speed, we are concerned that £360 million is being allocated through conversations between Departments, rather than clear engagement with the sector. The onus should not be on individual charities to make their needs known to Departments, and there remains a lack of clarity at sector-level about how the Government is determining which charities should receive support. It seems inevitable that this lack of transparency means deserving charities will miss out on much-needed support. *We urge the Department for Digital, Culture, Media and Sport and the National Lottery Community Fund to publish clear and comprehensive guidance about the criteria that will be used when allocating support, and how organisations can apply for it, without delay. Going forward, such guidance should be published to coincide with the announcement of public funding to minimise uncertainty within the sector.* (Paragraph 28).**

Following the Chancellor's announcement of an unprecedented £750 million package of support for charities during the coronavirus outbreak we worked rapidly, across government, to identify the funding need and the best mechanisms to enable the funding to reach the frontline as quickly as possible.

I am delighted to inform the Committee that we have published clear and comprehensive guidance on the £750 million and how organisations can apply for it.¹ This guidance will be updated frequently. The guidance covers the announced funding, including:

- **£360m** from individual government departments to charities in England based on evidence of service need. Of this £200m is to directly support hospices

1 <https://www.gov.uk/guidance/financial-support-for-voluntary-community-and-social-enterprise-vcse-organisations-to-respond-to-coronavirus-covid-19>

- **£310m** for smaller, local VCSEs working with vulnerable people in England, including the £200 million Coronavirus Community Support Fund, which will be distributed by the National Lottery Community Fund
- **£60m** in Scotland, Wales and Northern Ireland to support thousands of charities on the frontline helping vulnerable people affected by Covid-19
- A further **£150** million announced from dormant bank and building society accounts to be unlocked to help charities, social enterprises and individuals
- The Government has match funded the generous public donations to the BBC's Big Night In. With Government match funding, the total is currently **£70** million. £20 million of this match funding will support local community foundations via the National Emergencies Trust. The remaining balance will be split equally between Comic Relief and Children in Need
- Further sector specific funds including the: Arts Council England Emergency Response Package, Historic England Emergency Relief Fund, National Lottery Heritage Fund Emergency Fund, Resilience and Recovery Loan Fund and Sport England Community Emergency Fund, and
- The package of support from HM Treasury, including the: Coronavirus Job Retention Scheme, deferral of the next quarter VAT payments for firms and the Business Loan Interruption Scheme.