

# Coronavirus and voluntary sector resilience

March 2020

## A. The impact on the voluntary sector income

**Trading:** Voluntary sector organisations are already starting to see an impact in trading. Bookings for accommodation, training and services are being cancelled. If further social distancing measures are put in place, we will see reduced footfall in charity shops; charity shops may be required to close.

Example: Youth Hostel Association (YHA)<sup>1</sup>

90% + of YHA annual income comes from trading youth hostels, which are largely shared spaces relying on domestic and international travel. YHA is already seeing a downturn of c10-20% just in the last two or three weeks, even with a largely 'business as usual' message.

**Fundraising:** The fundraising income streams that will take the biggest hit are community fundraising and sponsorship. Some of this income will be deferred (for example if events are postponed to later this year), but much of it will be lost income. Meetings with prospective funders (for example trusts and foundations) are being cancelled. Voluntary organisations are also considering whether to cancel face-to-face or door-to-door fundraising activities.

Example: Last year the London marathon raised £66 million for charities. Most sponsorship income is raised in the weeks immediately before and after the event. If cancelled, we estimate at least two-thirds of sponsorship income will be lost.

**Wider economic impacts:** Voluntary sector investment portfolios have already been impacted by the fall in the stock market. This includes charitable foundations, which will have smaller funding pots available to charities in the medium term.

Like businesses, voluntary sector organisations have pre-existing expenditure commitments. Not least staff payroll, but also outlay on events and other activities that may now not take place and bring in associated income. Insurance premiums are unlikely to cover COVID 19. As a result, cash flow is going to be a serious issue for voluntary sector organisations in the coming months. Lower levels of income will also mean lower levels of charitable activity, with a knock-on impact on communities. At worst we may see organisations that society and government depend on face closure. Some voluntary sector organisations are fortunate in that they hold reserves. This is what reserves are for. Many good organisations do not.

1. Note figures taken from initial modelling, not yet shared with YHA Trustees.

## B. Our ask to government

Commitments made in the budget yesterday will help but are unlikely to provide the necessary support required to support charities manage cashflow through the coronavirus crisis (See appendix 1 for commitments that may support charities). There are a range of additional measures government could put in place that could support charities to manage cashflow in the short term:

1. Establish an emergency grant fund. We recommend the mechanism for doing this most effectively would be the National Emergencies Trust (NET). NET has well established links with the Community Foundations, which in turn have established mechanisms for grant distribution to community organisations.

We have done some modelling to estimate the quantum required for an emergency grant fund (See appendix 2 for tables). We have used the following assumptions:

- Applicable to charities with a total income of under £1m
- To cover 3 months income
- Excluding income from government grants and contracts
- Excluding income from voluntary sector grants
- Charities with no reserves.

**=£0.41bn**

Further assumptions that could be applied include the type of activity a charity is providing.

2. Deferral of NICs and VAT payments.
3. Either through the banking system or directly via government, a loan guarantee offer for charities that need overdrafts to cover cashflow. Banks will not be confident lending to charities in this climate. One mechanism to do this could be to make the business interruption loan scheme apply to all charities (see appendix 1).
4. Pressing the insurance sector to cover COVID-19 under business interruption cover. Could government defer insurance premium tax to underwrite this?
5. Explicitly extend other support offered to small businesses to cover charities. For example, the £2.2bn pot for 'Small business grant funding' will provide £3,000 to around 700,000 business currently eligible for Small Business Rate Relief.

## Appendix 1. Budget commitments relating to coronavirus that may provide support to the voluntary sector

**Statutory sick pay** - of up to 14 days for organisations with fewer than 250 employees, including those who self-isolate and people caring for them. **We have assumed that charities that are employers will benefit from this support.**

**Hardship fund** - A £500m 'hardship fund' for councils to support economically vulnerable people and households. The government expects most of it to be used to provide more council tax relief, either through existing local council tax support schemes, or through complementary reliefs. **Precise details of how the fund will operate were not provided in the budget document. We'd like to know more.**

**Business interruption loan scheme** - A temporary coronavirus business interruption loan scheme, initially worth up to £1bn. It will guarantee 80% of the value of relevant loans worth up to £1.2m to give lenders further confidence in lending to small and medium-sized enterprises (which may in practice include some social enterprises). **We understand that only charities that get more than 50% of their income from trading will be entitled to the support - awaiting confirmation from HMT.**

## Appendix 2. Data tables

The total number of charities (excluding non-general charities) below £1m was 160,933 in 2016/17.

2016/17 (£bn)	Annual	3-month
Total income	9.3	2.3
Total income excl govt grants and contracts & voluntary sector grants	6.7	1.7
Total income from trading only	1.0	0.3

We estimate that just over 24% of charities with an income under £1m have no reserves. Note that this does not cover the whole sample: only charities with an income of more than £500k have to submit a figure for their total assets to the Charity Commission.

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