# appg on charities and volunteering

The challenges of charity property

13 December 2023

## Minutes

Baroness Pitkeathley (Chair) introduced the two speakers, each of whom was invited to speak for five minutes.

### Antonia Swinson, chief executive at Ethical Property Foundation (EPF)

* Property issues affect every charity because every charity needs some premises, but for some charities their property is directly linked to their mission.
* Recent disruptions include hybrid working post-pandemic and soaring energy bills. Our Charity Property Matters Survey 2022 provides a recent overview.
* DCMS asked if we could reanalyse the survey data prior to the launch of government’s VCSE Energy Efficiency Scheme. This scheme only supports charities with less than £1m turnover.
* In terms of energy efficiency, the widest range of EPC ratings is seen with smaller voluntary organisations renting with insecure tenancies.
* Using the NCVO’s Civil Society Almanac 2023 data on non-charitable spend, we estimate £1.5bn is spent on rent.
* Landlords won’t pay to upgrade the efficiency of rented buildings and it’s very hard to obtain grant funding.
* In this context, net zero is just a nice to have.
* £20 on LED lights is an issue, let alone destratification fans and other more expensive upgrades.
* Capacity in local grids is also a barrier to charities electrifying, from ovens to shuttle buses.
* Full cost recovery is rare. Grants won’t cover the cost of builders, plasterers, electricians etc.
* We want to see proper education for the sector to understand property. We need a designated trustee for property.
* We would also like to see amendments to the Charities Act 2022 so there is a legal requirement to take professional advice when buying a property, not just selling.
* We are also keen to work with NCVO and other research organisations on insecure tenancies at will (TAWs).
* We recently held a briefing on the results of our FOIs on TAWs and there are many in London and across the country. Charities spend funds upgrading buildings they don’t own, then get kicked out and can’t recoup the money.

### Sally-Ann Beaver, sales director at Utility Aid

* Our clients are experiencing higher energy and building maintenance costs.
* This is especially challenging for charities managing listed buildings like churches that have higher standards of compliance and no energy efficiency.
* You can spend money on new heating systems, but if there’s no insulation then you can’t heat the building.
* We agree with Antonia that education for charity trustees is key because trustees are not property specialists.
* We need energy training and energy champions.
* A high proportion of organisations are in buildings they have no rights over.
* There are fears and worries about the net zero targets and what these mean for charities.
* The net zero targets have changed and could change again, but these are communicated in policy jargon and the implications for charities are not clear.
* Electricity is still 4 times more expensive than gas, which is a significant barrier to net zero.
* Charities also struggle to get grants because they can’t afford the initial baseline studies.
* Energy costs will remain high for the foreseeable future, with costs going down from 2030.
* But costs will only go down with investment in new energy infrastructure.
* It’s a very fragile market, with the UK relying on different countries for its energy sources.
* The recession is also having a further impact, with energy suppliers adding risk premiums to charity energy contracts because they know donations are falling.
* Charities with portfolios need to ask difficult questions about whether they need buildings.

### Q&A

Baroness Barker shared the example of Liverpool City Council setting up an office for architects and the voluntary sector to help charities apply for planning permission. This could be a model for solving some of the problems facing charities now.

Baroness Barker also made the point that with churches, the National Trust, and theatres, the majority of historic buildings in the UK are under the stewardship of the voluntary sector. This means reaching net zero will fall disproportionately on the sector, but the government could play a convening role to support the sector.

Antonia Swinson commented that it has been very hard since 2018 for EPF to secure grant funding to train trustees on property or to get charities to pay for such training. Antonia also highlighted that small actions could make a big difference, particularly with the community spirit that exists in the charity sector.

Baroness Sater asked what government can do to help charities feel more confident about property, given that people are understandably frightened by the liabilities of property. Antonia responded with EPF’s proposed amendments to the Charities Act 2022. Baroness Barker added that the Act would also need to make it a requirement for trustees to seek professional advice when offered a property as a donation.

Deborah Clarke from ACRE shared the work ACRE is doing to educate village halls and similar rural community buildings which are mostly held freehold on trust. A lot of this work has been done with the support of Utility Aid, particularly around energy audits. ACRE are working with an architect and will be releasing a comprehensive guide to assist with 'retrofitting' these types of buildings which will be released in March 2024.

Carol Hattersley, a trustee, agreed that there is a real lack of property knowledge both at trustee and executive leadership level. Carol said EPF are amazing and need to expand so they can continue to support charities in an area that is fraught with legal and financial risk.

Baroness Pitkeathley shared that she once ran an organisation that owned its building which was valuable but at the same time they were desperate for running costs. Should charities sell in these circumstances? The panel agreed that selling is now a minefield as well, with a falling commercial property market. The panel again stressed that trustees need more knowledge and training and shouldn’t rely on advice that isn’t relevant to charity property specifically. There needs to be genuine engagement between the sector and both local and central government.

Alex Wells from Community Southwark suggested that social lenders could prioritise property. NCVO said it would follow-up on this idea. Alex also shared that he is in a new role as Premises and Policy Officer where they are trying to match charities to affordable space based on the land commission.

Baroness Barker asked what is currently happening with community asset transfers and what the impact of PFI contracts ending could have on charities. Antonia commented that asset transfers are often community *liability* transfers. They have at least a 30% failure rate with burnout among trustees and are then flogged off to developers.

Emily Berry from Utility Aid mentioned issues with submetering in churches that rent to nurseries. How can churches calculate rentals without submeters? Antonia added that these churches also need to become VAT registered, which is a considerable expense.

Sally-Ann shared the work they have been doing to push back against risk premiums being added to charity energy contracts now because of the recession and the cost-of-living. Experian have put the whole sector in a high-risk category because of falling donations. These charges are not transparent and the information is held on the supplier side. 6.5p per kwh was added to risk on leisure and hospitality because of the pandemic and it will be similar for charities now. Security deposits would be preferable because at least you get them back after a period of on-time payments.