APPG on Charities and Volunteering: pre budget submission from the APPG

15:00-17:00 Tuesday 12 June 2018, Committee Room 19

Elizabeth Chamberlain -Head of Policy and Public Services, NCVO

- The findings from NCVO's new civil society almanac, which provides financial figures from the sector, found that in 2015/16 income and spending have continued to increase. The overall contribution to the UK economy is £15 billion which is an increase of 4%.
- While income from government has decreased, income generated by individuals has increased. Larger charities fare better by securing 75% of government funding through contracts.
- In NCVO's submission to the civil society strategy consultation we requested; a strategic approach to funding in the sector so financial sustainability can be maintained, for government to work with us to establish a tax framework that provides sustainable funding and lastly recognition that the charitable sector helps to relieve funding pressure on governmental departments
- A consultation on existing funds which could be distributed more effectively and strategically
- With this strategic framework in mind, NCVO would like; dormant assets to be identified to support local communities, an increase in community assets and a shared prosperity fund consultation to improve the way that we use skills and employment funding

Richard Bray- Vice Chairman, Charity Tax Group

- The charity tax group (CTG) is run by a group of volunteer tax experts. Over 35 years they have managed to safeguard £8 billion of tax for the sector. This has been achieved by establishing realistic goals and working with, not against, government.
- Better guidance on grants and contacts from the overstretched HMRC website is difficult to navigate and needs to become more user friendly, HMRC relies too heavily on tax payers doing their work for them. Research shows that information on gift aid is important and the 8am-5pm helpline needs to be more customer focused and operate outside of normal working hours.
- At present charity shops produce end of year letters to inform donors how much has been sold for tax purposes. A recommendation would be that a minimum of £10 would be required before a letter was sent to avoid wasting volunteer's time and annoying donors.
- Charities have to carry out trading activities through subsidiaries, which adds administrative complexity and cost. The monetary limits for this have not changed for years and should be raised.
- As the minimum contactless payment is now £30, the GASDS (gift aid small donation scheme) threshold should be increased accordingly.
- Some bigger picture ideas are:

- **Living Legacies-** Donors commit to giving money to charity and are provided with a sense of financial security, discounted tax relief and engagement with the charity. What is needed is a toolkit to make these tax efficient benefits more accessible and apparent to the public.
- **Medical Research**- while trying to make the UK internationally competitive, tax yields for research and development for charities has been overlooked. Charities have been encouraged to make RDEC (research and development expenditure credit) claims but then rejected. Incentives should exist to encourage research as it benefits charities in the long term and makes economic sense.
- **Apprenticeships levy**- many charities have to pay this levy but do not have much opportunity to use apprentices. The levy needs to be extended to cover accredited volunteer training
- **Making tax digital**- this will be introduced for VAT returns in April 2019. The main concern for charities will be the development of required software which they will have to pay for

Ed Wallis- Head of Policy and Public Affairs, Locality

Locality helps local community organisations unlock power in their communities.

- Economic role of community organisations – community organisations are an integral part of the mainstream economic strategy. In the government's current industrial strategy there is no mention of a social economy. Locality would like to see a clear signal from government that they are committed to supporting charities like they do small businesses.
- Community Ownership- Huge amounts of community owned assets have been sold by Local Authorities due to economic pressures. We know that organisations which have been more resilient have been the ones that have held onto their own assets. Encouraging community ownership would allow government to mitigate funding challenges and see local organisations more sustainable.
- UK shared prosperity fund- We are uncertain what the government will put in place of existing EU funding. From the budget, we need clear direction on what the post-Brexit economy will look like and how it will differ. The current economic model has not equally benefitted all communities and hopefully the budget will help readdress this.

Audience Q&A

Asked whether the shared prosperity fund should be matched to the current European Social fund. Ed Wallis and Elizabeth Chamberlin agreed that the funding should be matched. EC added that depending on geography, prosperous regions may benefit from a tiered approach to funding.

The discussion turned to creating a coalition of small groups like churches, village halls and community groups to act as one to maximise assets. EW said their members would consider these options. SEJ added that text donations which have gone through a period of change should be extended to include text donations.

SEJ asked about the sustainability and long term strategy of government funding being routed not just to big charities but smaller local charities too. EC stated that dormant assets going to CFs can as local grant givers. EW agreed and said in terms of public services, the tide may be turning in terms of big contracts in the wake of the Carillion collapse. Local authorities may look to smaller local providers to improve efficiency.

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Peter Lewis- Chief Executive, Institute of Fundraising

- Favours a joined up approach within the sector. This will be helpful when sculpting how the treasury and HMRC engages with the sector
- Greater support is needed for smaller charities and their approach to fundraising. Skills required for training volunteers should be embedded into small charities instead of using external consultants.
- Government needs to do more to support legacy giving. Legacy giving should be encouraged across all areas of the charitable sector. Solicitors can help to encourage legacy giving, work with the Behavioural Insights Team found this can make a big difference when deciding how much people leave in their wills.
- Simple tax tweaks could include VAT exempt gifts which could nudge people when it comes to writing their wills. This would be a small cost to the government, with a possibility of making a big difference.
- Using the terminology, 'living legacies' is problematic and can cause confusion. Using the word, 'gift' could work better as it could encourage donate.
- Agree with CTG, in that the apprenticeships levy should have more flexibility into how they use this.

Geetha Rabindrakumar- Head of engagement, Big Society Capital

Context- BSC's purpose is to help charities use social investment as a tool to raise funds.

- As a funding tool, social investment has grown to £1 billion which is available to the sector. A wider range of organisations, including smaller charities have been able to secure investment.
- The current government agenda has been around increasing impact investment culture. There is an increased trend of investors wanting to prioritise a social good, however this cannot be achieved without strengthening the sector.
- We should not take for granted the existing provisions being made to allow social investment, in particular SITR (social investment tax relief) which encourages investment in small charities. The potential for this initiative is huge, an estimate of 30,000 organisations could benefit from this relief. The government needs to make sure that it is used to its full potential and see restrictions loosened.
- The Special Purpose Fund (SPF) needs clarity and direction about how they are going to be used and how the sector can be involved. In the social sector there is lots of evidence which shows how we can support communities and bring in social investors.
- There needs to be an improvement in the environment for PS commissioning. This was encouraged by Matt Hancock MP's speech on unlocking more local funding

- The life chances fund should be built upon. Overcoming commissioning barriers does not do this in silo a lot of value goes back into the different government departments.

Andrew O'Brien- Director of policy and engagement, Charity Finance Group

- Strategic View- The government needs to decide what it wants from civil society – why we called for the biggest shake-up in tax since the Victorian era. Government shouldn't just think about the return on each pound, and as some of social benefits will be impossible to quantify, need to rethink values and principles.
- Money is passed around through gift aid and it goes around in circles which in return makes things more expensive.
- Government needs to think about what they want tax to do as it is currently counterproductive. Withdrawing from business rates relief as this relief is countered by increases in Insurance premium tax.
- The apprenticeship levy does not cover a wide range of training or volunteering. The government is too bogged down in detail, there needs to be cross party support for a tax reform agenda.
- Tax reliefs need to be looked at by parliament, as getting bogged down in government, as the Treasury Committee has suggested.
- Regulatory Policy Committee needs to be beefed up to so parliament can scrutinise regulatory impact.

Audience Q&A

Asked whether the Civil Society Strategy (CSS) would make a difference, Andrew would have said no in the past but is now more optimistic. Matt Hancock and Tracey Crouch have started to engage in the right way, but we are still unsure as to if they have the power to make that change in government. Geetha added that business rates reliefs are better communicated to than SITR to charities, there is potential for CSS to be much bigger.

Andrew added that the government has lost sight of social investment- some in government have become preoccupied by the idea of social investment as opposed to what it does.

SITR bought up the issue of wider tax reform, the government trusts that if they reduce the tax burden the economy will grow, however there seems to be a general mistrust of charities.