

The British Heart Foundation's written submission to the Public Accounts Committee inquiry on Government support for charities during the Covid-19 pandemic

Executive Summary

- The Covid-19 pandemic is undoubtedly the greatest challenge the British Heart Foundation (BHF) has faced in its 60-year history, causing significant disruption to BHF fundraising and retail operations and the medical research this funds. Between April 2020 and the end of March 2021, the BHF's retail operation lost approximately £137m (68%) of sales across our 730 shops and stores, an average of £188,000 per shop.
- The BHF is the largest independent funder of cardiovascular research in the UK funding more than half (55%) of all UK-based independent research into heart and circulatory diseases. But due to the impact of the pandemic, we had to cut our 2020/21 budget for new research by half from £100m to around £50m.
- Throughout the pandemic, the BHF has made use of Government support schemes where possible, including by furloughing 80% of our staff at the height of the pandemic. However, beyond this, support has been limited for large charity retailers and medical research funders.
- The BHF received a limited amount of funding from the Government's £750m charity support package to allow us to provide enhanced support and information for people living with heart and circulatory diseases. However, the process felt slow and it was heavily oversubscribed. There was also significant variation in how efficiently the different administrations were able to make decisions and administer funding, with the UK Government taking roughly four times longer than the Scottish or Welsh Governments.
- Furthermore, given the charity support package was largely earmarked for frontline services, it meant that we were unable to put any of this funding towards our core charitable mission, medical research, despite this being significantly impacted and left without any support elsewhere from Government. In fact, by August 2020 only 3% of medical research charities were able to claim any support from this fund.ⁱ
- To date, there have been no clear support mechanisms for charity-funded medical research. Alongside other medical research charities, we have been calling since June 2020 for Government to develop a scheme that provides a level of match-funding for future charity research, but we are yet to receive clarity from the Government about specific support for charity-funded medical research.
- Furthermore, business support measures like the Retail, Hospitality and Leisure Grant Fund (RHLGF), while welcome, have been restricted for large charity retailers like the BHF owing to the application of State Aid rules, capping the amount of support we could apply for. Although caps have recently been increased, the announcement came after months of engagement and was made with very little time left for charities to apply ahead of the deadlines for eligible support schemes. This led to a lack of clarity throughout the pandemic on how much we would be able to offset our significant losses arising from the closure of non-essential retail.
- Many of the issues facing the BHF fell outside of the remit of the £750m package and of the Department of Digital, Culture, Media and Sport (DMCS), making it difficult and time consuming to advocate for tailored support, particularly when passed between multiple departments.

About the British Heart Foundation

The British Heart Foundation is the largest independent funder of medical research into heart and circulatory diseases in the UK and, since we were established in 1961, our research has helped halve the annual number of people dying from these conditions. Today, there are more than 7 million people living with heart and circulatory diseases in the UK and these diseases still cause around a quarter of all UK deaths. Our ambition is to beat heartbreak forever, and we work to transform the detection and treatment of, and support for people with, heart and circulatory diseases.

The impact of Covid-19 on the British Heart Foundation

1. Charities have been significantly impacted by the Covid-19 pandemic at a time when their services and support has been needed the most. For the BHF, this is undoubtedly the greatest challenge we have faced in our 60-year history, one that is impacting our core mission to beat heartbreak forever.

The impact on our finances

2. The most immediate impact the crisis is having is on our finances, which will have a significant bearing on our ability to fund life saving research as we work towards a world free from the fear of heart and circulatory diseases. Even after taking into account the Government support that we have received, the BHF was losing £10m against expected revenues every month of the first national lockdown due to significant disruption to our fundraising activities and the closure of large parts of our retail network. Since the beginning of the pandemic, we have had to make difficult but important decisions to protect our income, our staff and our volunteers.
3. The BHF is the UK's largest charity retailer, with around 730 charity shops and stores. We took the early decision in mid-March 2020 to close all of our shops to protect our staff, volunteers and customers from the spread of coronavirus. Our shops were initially closed for just over 12 weeks, and during that time we were unable to sell or receive donated goods in our shops. Further lockdowns across the UK throughout 2020 and into 2021 have meant that our shops have been open for less than eight of the last 12 months. Between April 2020 and the end of March 2021, the BHF's retail operation lost approximately £137m (68%) of sales across our 730 shops and stores due to lockdowns and footfall restrictions, which is an average of £188,000 per shop.
4. Our fundraising has also been severely impacted by the cancellation of large fundraising events, such as the 2020 London Marathon and both the 2020 and 2021 flagship London to Brighton bike ride, which raised over £2m in 2019. We have also had to cancel thousands of volunteer-led community fundraising events, and we expect disruption to all street, private site and door-to-door fundraising activities to last into the foreseeable future. Even with the expected gradual return of retail and fundraising activity as lockdown restrictions ease across the four nations, we are also planning for the longer term in the expectation that net income will not return to pre-pandemic levels for some years, reflecting a combination of societal and economic disruption.
5. Since the beginning of the pandemic, we have taken numerous steps to mitigate the costs of the crisis, including negotiating with landlords and suppliers to reduce costs, cancelling the annual inflationary pay rises and freezing recruitment as well as utilising the Government's Coronavirus Job Retention Scheme (CJRS) where appropriate. However, as an organisation we've also had to make tough decisions that have impacted our workforce. In July 2020, we announced the difficult decision to consult with staff on internal changes that put up to 300 roles at risk.

The impact on our research

6. The BHF is the largest independent funder of cardiovascular research and the third largest charitable funder of medical research in the UK. We fund the majority (55%) of all non-commercial research into heart and circulatory diseases in the UK, more than UK Research and Innovation (UKRI), the National Institute for Health Research (NIHR), and other public funders combined.ⁱⁱ
7. But the impact of the pandemic means we've had to halve this year's research budget (2020/21) for new grants from £100m to around £50m. To put this into context, the BHF was only able to make awards totalling £15.6m in April to September 2020, compared to the equivalent period in 2019 when it funded awards totalling £45.1m. In an effort to maintain funding for the very strongest applications, all our funding schemes have remained open but with new prioritisation processes in operation. Regrettably, this means that many highly rated applications with genuine potential for driving

impactful progress towards better understanding, prevention, detection and treatment of heart and circulatory diseases are not being funded. We are in the process of finalising our research funding budget for 2021/22, but predict it will take several years to return to pre-pandemic levels of funding.

8. Over the past 60 years, BHF funding has contributed to some of the biggest advances in the understanding, prevention, detection and treatment of heart and circulatory diseases. This includes paving the way for pioneering technology and treatments such as pacemakers, heart transplants and statins. Since the BHF was established the annual number of deaths from heart and circulatory diseases in the UK has fallen by around a half.ⁱⁱⁱ We've come a long way, but every three minutes, someone in the UK dies from a heart or circulatory disease. Our mission is to see a world free from the fear of heart and circulatory diseases and we can only get there with more research. Any reduction in BHF's research investment therefore puts at risk much of what we exist to achieve.
9. Our reduced budget caused by Covid-19 has had an adverse impact on all types of research we fund – basic, clinical, and translational – across the spectrum of heart and circulatory diseases. This places the major role we play in sustaining the cardiovascular research ecosystem in the UK at risk and presents a direct threat to our ability to support future research, which has the potential to improve outcomes for patients. If our funding continues to decline, we could risk losing a generation of researchers and, given the size of BHF's contribution, endanger the future of UK cardiovascular research.
10. The impact is just as stark across the rest of the charity medical research sector. The Association of Medical Research Charities (AMRC) predict an average 41% decrease in research spend across their membership this year, leaving a £310 million shortfall in UK medical research spend for the 2020/21 financial year. They estimate it will take 4.5 years before charity spend on research in UK universities fully recovers to pre-pandemic levels.^{iv}

The effectiveness of Government support

There is currently no clear support mechanism for charity-funded medical research

11. Medical research, which is the BHF's core charitable activity, did not fit the eligibility criteria for the Government's £750m support package for charities^v, announced in April 2020. The same can be said for the additional £150m unlocked from dormant funds^{vi} that was announced in May 2020. This means there are currently no clear-cut support mechanisms for medical research charities within the Government's existing support schemes, despite the significant impact on the BHF and the wider sector as outlined above.
12. The Government's ongoing commitment to science and research, at a time when it has never been more important, particularly given the success of the vaccine programme, is welcome. Specifically, the BHF was pleased to see the Chancellor's £14.9bn Spending Review commitment to research and development, including the £11.4bn for the Department for Business, Energy and Industrial Strategy (BEIS). However, we are concerned that charity-funded medical research is being overlooked despite charities playing a unique and vital role in the UK's research and development (R&D) ecosystem and in contributing to the UK's national effort to tackle Covid-19.
13. There has been some support announced since the outbreak of the pandemic which recognises the impact the cuts to charity-funded research is having, including:
 - a. The Sustaining University Research Expertise (SURE) package^{vii} which focused on bolstering university-funded research and innovation in the short term. The guidance suggested that "some universities will want to use this funding to protect areas of medical research that have been developed in part with support of charities".

- b. The £10m UKRI Specialist Institutions Fund^{viii} which recognises the “specialist nature of these institutions has left them hit by a loss of charity funding”.
- c. The 1st April announcement of an extra £250m to help pay for UK association membership to the European Union’s R&D programme, Horizon Europe.

Although the intent behind these announcements is largely positive, we have seen little evidence to date that this funding will in any way mitigate the shortfall in charity-funded research.

14. Alongside the AMRC and Cancer Research UK (CRUK), we had been calling on Government from the start of the pandemic to protect charity-funded research by introducing a scheme such as the Life Sciences-Charity Partnership Fund^{ix} to preserve the distinct contributions of charities to the UK’s research base. Although we have had ongoing engagement with the relevant officials within BEIS and HM Treasury for a number of months, to date these calls have not translated into any concrete action from Government, and we expect limited, if any, financial support for charity-funded medical research. It is disappointing that there has been no clear recognition of the impact of the loss of charitable funding would have on the research ecosystem, despite the well-demonstrated and significant value medical research charities add to science and society.

The £750m package was welcome, but as a whole did not go far enough

15. The Government’s support package was an important first step in mitigating some of the most extreme effects of the crisis on the sector. However, this fell far short of the £4bn ‘stabilisation fund’ that NCVO and the wider sector had been calling for.^x Early insight predicted an estimated £12.4bn shortfall in income across the sector in 2020 alone, which further highlights the gap between the impact and the support measures put in place.^{xi} Furthermore, the length of time it took to secure this deal as well as the lack of speed in which it was allocated and distributed, was of particular concern, leading to restricted application and spending windows for charities.
16. The support package was also provided on the assumption that specific sub-sectors within the charity sector were in more need than others due to an increased demand on services. However, this did not take into account the repositioning that many non-frontline charities had to undertake to provide for beneficiaries. While the BHF primarily funds medical research, we also support patients through evidence-based, tailored content. Within the context of the Covid-19 pandemic, and with people with heart and cardiovascular diseases disproportionately affected, we needed to create content to help patients through this period. For example:
- a. Since the beginning of March 2020, we have had more than 14m interactions with our coronavirus information hub, providing information and support to those living with heart and circulatory diseases, including 22,960 calls to our Heart Helpline.
 - b. We allowed our researchers to pivot their research to contribute to the national research effort to tackle Covid-19, and answer some of the biggest and most urgent questions on Covid-19 and cardiovascular health. For example, within weeks we established the NIHR-BHF Cardiovascular Partnership, which brought together research leaders to identify and prioritise the delivery of projects addressing urgent research questions on Covid-19 and cardiovascular health. In the first three weeks of operation, 13 research proposals were submitted for consideration; following rigorous peer review, seven were selected as National Flagship Projects.

We did all of this despite seeing our income fall drastically, working with reduced capacity while colleagues were furloughed, and we continued to advocate for both patients and research in a time of huge uncertainty. While the charity support package helped us to expand our information and support for people living with heart and circulatory diseases (details below), it did not provide support for our core mission of funding lifesaving medical research.

17. In early November, the Prime Minister stated that Government would ‘be doing much more over the winter to support the voluntary sector’.^{xii} This implied that another tailored support package may be forthcoming, and that it was acknowledged in Government that the sector still needed support beyond the £750m package. Disappointingly, there has been no sign of an additional sector-specific package despite having two fiscal opportunities to announce further support in the Spending Review and the Budget, and a further sector-wide campaign for emergency funding which highlighted how charities are Never More Needed.^{xiii} It was confirmed by the Civil Society Minister in February 2021 that there were no plans for “another dedicated package”.^{xiv}

The application process for charity support was slow and highly competitive

18. The BHF successfully bid for and received £99,658 in support of our Patients First programme, a suite of support services aimed to ensure people affected by heart and circulatory diseases could access accurate and relevant resources in the context of the coronavirus pandemic.^{xv} This included our Heart Helpline, staffed by cardiac nurses, an online information Hub as well as peer support. This funding covered a period between 2 November 2020 and 2 February 2021 and was a combination from Government and Lottery funding from the Coronavirus Community Support Fund (CCSF) and distributed by the National Lottery Community Fund (NLCF).
19. It was widely reported in the charity sector press^{xvi} that there were issues throughout the process, with delays in getting funding out to the organisations responsible for distributing it and from them to beneficiary charities, as well as an initial lack of clarity from Government on what the funding was for and who was eligible, and a lack of knowledge within DCMS of how much of the fund had been distributed and to whom. Any future Government funding of this kind must be delivered more quickly to the organisations that need it, with greater clarity on who can apply and more transparency about how much money has been allocated and to what.
20. The application process followed the usual Lottery application process, but perhaps due to additional oversight from DCMS, the process was quite slow and was heavily oversubscribed. The BHF was, however, pleased with the administration of the grants which was well managed by named individuals who we were able to respond to queries on progress at all stages. After Government funding was announced in early April, the CCSF opened to applications from the 22nd May. The BHF submitted our first stage application in early July 2020, then supplied additional financial and project information in late July and again in September. We received an offer in October 2020, with funds then paid in November 2020.
21. This was a much longer process than our experience of Scottish and Welsh Government funding. For example, the BHF also received £100,000 in support for our Patients First programme from the Scottish Government Wellbeing Fund, which was one of the earliest schemes to open, and one of the most flexible and straightforward application processes we experienced. We applied in the second round of funding, which opened on 8th May 2020, submitting an application via an online form on 21st May and receiving a decision on 5th June. The UK Government took, on average, around four times as long to accept our application and administer the funds.

Business support measures have had varied success for large charity retailers

22. The BHF has made use of Government support schemes wherever possible throughout the pandemic, including furloughing around 80% of our staff through the Coronavirus Job Retention Scheme (CJRS) at the height of the first national lockdown. Furthermore, researchers whose posts were directly funded by the BHF, including fellows and chairholders, were, at their discretion, able to devote their time and the time of any support staff that we fund in their award to Covid-19 research, until they were able to return to their normal research activity. The announcement that this will be extended

until the end of September 2021 was welcome while our shops remain closed and our retail teams are unable to work, allowing us to apply a phased reopening of our full retail estate across the UK.

23. The RHLGF was also welcome, however, there were significant barriers to accessing this to its full potential and in a timely manner. Prior to the end of the UK's Transition Period for leaving the EU, EU State Aid limits were applied to these grants, which only allowed retailers to claim £25,000 per property up to a maximum of €800,000 (around £700,000). This meant that in the first national lockdown we were only able to claim support from the RHLGF for around 30 of our then 750 shops and stores. This equated to an average of around £1,200 per shop at a time when closures meant that we were losing around £96,000 per shop.
24. Together with several other large charity retailers and representative groups, the BHF sought legal advice on the issue of EU State Aid and were advised that, because charity shops do not 'compete' across border and that any measures put in place to support charity retail would not have any meaningful impact on cross-border trade, nor give them unfair advantage. On this basis, we wrote to the then Business Secretary, Alok Sharma MP, putting forward a strong case outlining why charity retail should be exempt from EU State Aid rules. Disappointingly, we received a response from officials in September which confirmed they would not be increasing the limits applied to the grants.
25. Subsequent grant schemes including the Local Restrictions Support Grants (LRSRG) and the one-off grants of up to £9k announced on 5th January, had the potential to mitigate some of the impact of the 2021 lockdown. However, despite the Transition Period having ended, officials from BEIS confirmed that these were still subject to State Aid rules under the previous guidance. Concerningly, this meant that despite having to once again close all of our shops due to the lockdowns in place across the whole of the UK, the BHF received no further support as we had already reached the €800,000 State Aid cap.
26. Thankfully, on 4th March 2021, the UK Government announced that State Aid rules would be disapplied from support schemes, and new caps set at £1.9m per economic actor for Covid support grants (up from the previously stated €800,000), as well as a £9m cap to cover uncovered fixed costs subject to an organisation meeting certain conditions (up from €3m). This was a welcome announcement and has enabled the BHF to increase claims against lost revenues and uncovered fixed costs. However, the impact of shop closures due to the pandemic means that even with these new, higher caps in place, we are still unable to maximise the available support as we are eligible for far more than these caps allow. Moreover, the time lag on the UK Government announcing this change in cap left very little time for organisations to make claims prior to deadlines on existing schemes, some of which closed to claims as early as 31st March, less than four weeks after the announcement. This has been exacerbated by a lack of consistency across local authorities, whereby central Government guidance and deadlines have been applied inconsistently which has resulted in applications being rejected unnecessarily, and an increased administrative burden as a result.
27. Although charities with large retail networks, such as the BHF, have benefited from the furlough scheme for retail staff and the comprehensive business rates holiday, many significant overheads still needed to be covered, such as rent and bills for amenities such as water and electricity. Although the new limits on subsidies go some way to addressing this gap between income and expenditure, there is a limit of 70% on the uncovered fixed costs that can be covered. Beyond this, our uncovered fixed costs must still be covered, which ultimately affects our bottom line. Much of the Government's business support has been relatively short-term, seemingly taking the view that once our retail operation is able to reopen and begin trading, the need for support diminishes, which, as outlined above, is not the case as the losses incurred from long-term closures have already been felt, and restrictions affecting footfall and opening hours are still in effect.

How Government has engaged with the sector

28. After some initial engagement with the Civil Society Minister, both with the BHF and in the wider sector, engagement with the sector and facilitation of cross-departmental work has more recently waned.
29. Furthermore, many of the issues facing the BHF do not fall within the remit of DCMS, and therefore it was more difficult and time intensive to advocate for further or more tailored support. When we were initially highlighting the impact of the pandemic on medical research charities and calling for a Life Sciences-Charity Partnership Fund, for example, we drafted written parliamentary questions aimed at BEIS, which is the department responsible for supporting medical research. However, these were instead directed towards the Health Secretary as they were interpreted to be about concerns around health. There were other occasions where influencing efforts were directed to DCMS, who would simply refer back to the £750m package, which we had already explored and could not utilise to fund our medical research.
30. Throughout our engagement with Government departments during the pandemic, we faced an uphill battle to gain traction on presenting issues and to allow us to highlight the current impact on research and the wider charitable environment. Moving forward, there needs to be stronger communication between Government departments to ensure that cross-cutting issues for charities can be addressed quickly and effectively with clear lines of communication to relevant officials. In particular, DCMS could be more effective in communicating on behalf of charities across other departments. As highlighted above, the issues we have faced throughout the pandemic have not necessarily fallen within the remit of DCMS, but their support in helping us to make contact with officials in other relevant departments would likely have helped to gain engagement on issues more quickly.

For more information, please contact Nick Greenwood, Policy Manager (Charity Environment) on greenwoodn@bhf.org.uk.

ⁱ <https://www.standard.co.uk/news/health/labour-says-medical-research-funding-plunged-a4518806.html>

ⁱⁱ UK Clinical Research Collaboration (2018), *UK Health Research Analysis 2018*,

<https://hrcsonline.net/reports/analysis-reports/uk-health-research-analysis-2018/>

ⁱⁱⁱ <https://www.bhf.org.uk/-/media/files/research/heart-statistics/bhf-cvd-statistics-uk-factsheet.pdf>

^{iv} <https://www.amrc.org.uk/covid-19-the-risk-to-amrc-charities>

^v <https://www.gov.uk/government/news/chancellor-sets-out-extra-750-million-coronavirus-funding-for-frontline-charities>

^{vi} <https://www.gov.uk/government/news/government-unlocks-150-million-from-dormant-accounts-for-coronavirus-response>

^{vii} <https://www.gov.uk/government/publications/support-for-university-research-and-innovation-during-coronavirus-covid-19/university-research-support-package-explanatory-notes>

^{viii} <https://www.ukri.org/news/10m-to-alleviate-research-institution-charity-funding-shortfall/>

^{ix} <https://www.amrc.org.uk/Handlers/Download.ashx?IDMF=1cf57b61-5794-46ff-b3a6-0814bc6e9127>

^x <https://www.ncvo.org.uk/about-us/media-centre/press-releases/2748-every-day-counts-as-charities-still-wait-for-government-support>

^{xi} <https://www.cfg.org.uk/userfiles/documents/Policy%20documents/Policy%202020/Coronavirus%20Impact%20Survey%20Report%20-%20June%202020.pdf>

^{xii} <https://www.thirdsector.co.uk/government-will-much-more-support-voluntary-sector-winter-pm-pledges/policy-and-politics/article/1698942>

^{xiii} <https://nmn.org.uk/>

^{xiv} <https://www.civilsociety.co.uk/news/minister-confirms-there-will-be-no-more-emergency-funding-for-charities.html>

^{xv} <https://www.bhf.org.uk/what-we-do/news-from-the-bhf/news-archive/2020/april/patients-first-we-are-here-for-you>

^{xvi} <https://www.thirdsector.co.uk/spending-watchdog-investigates-governments-emergency-funding-sector/policy-and-politics/article/1700334>