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The Rt Hon Grant Shapps MP
Secretary of State for Business, Energy and Industrial Strategy
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
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23 November 2022

Dear Secretary of State,

Energy Bill Relief Scheme extension and the inclusion of voluntary organisations

We are writing to urge you to include charities struggling with their energy bills in support measures that replace the Energy Bill Relief Scheme beyond March 2023 and offer our support as officials develop recommendations. Our organisations represent and support the 165,758 charities across the UK.

The Energy Bill Relief Scheme is an ambitious intervention that is easing some of the pressure on the voluntary sector's costs over the winter. We welcome the inclusion of voluntary organisations in the scheme, but for many this support needs to continue for them to keep providing vital support to communities.

Charities at risks means communities at risk

Charities are supporting people and communities who are struggling the most with the cost of living. They therefore cannot pass on rising energy costs, as beneficiaries cannot afford it. Many voluntary organisations are providing energy intensive services, for example heating hospices, care homes, accommodation, shelters, refuges and nurseries. Reducing their energy use would jeopardise the health and wellbeing of the people they support. Furthermore, many charities operate out of buildings that are not energy efficient, such as village halls or community centres, which are increasingly being used as warm banks within communities.

Charities across the country are particularly vulnerable to rising energy costs. Electricity prices for very small non-domestic consumers increased by 23% between Q1 2019 and Q2 2022, while gas prices for these organisations increased by 29%. Prior to the introduction of the EBRS, some charities were expecting their costs to increase by 200% from 2022 to 2023. Some charities reported concerns that their energy costs would rise by as much as 1,000%. It is currently impossible for charities to know, and therefore budget and plan for, their energy costs in 2023/24. These organisations are facing a cliff edge if they receive no further support past 31 March 2023.

Charities are not able to adapt their income sources to meet rising costs: they may be at the limit of what they can fundraise, particularly given the impact of rising costs on disposable income. We also know many charities delivering services for government via contracts or grants are not receiving uplifts in line with inflation. Even before this crisis, two thirds of charities delivering contracts were subsidising with other income to cover the true cost of delivery. 1 in 4 charities used their reserves during the pandemic, leaving them in a financially precarious position. Charities are using their reserves again now to meet rising costs. It is not sustainable or financially responsible for charities to keep using their reserves for day-to-day operations.

The social and economic contribution of charities

If charities struggling with their energy bills do not get support, communities will suffer.

Charities are an essential part of the public services ecosystem. They provide efficient, high-quality services across a range of areas, including (but not limited to) health and social care, employment support, support for disabled people, domestic abuse, criminal justice, and children's services. Charities warn that rising energy costs mean services are becoming unsustainable to run. If services close, in addition to the adverse impact on life outcomes, other public services will face high demand and pressures on resource.

Without support, communities will not benefit from the economic value charities offer. When volunteering is accounted for, charities contribute an estimated £200bn per year to the economy.[2] Charities employ 3% of the workforce – over 952, 000 people. Research shows that every £1 generated by a community organisation creates £2.50 for the local economy. [4]

Charities want to support people through the cost of living crisis but need to be able to cover their delivery costs including energy. There is abundant and growing evidence that more people than ever are seeking support from charities, including food banks[6] and Citizens Advice[7]. Our members are seeing significantly higher demand compared to six months ago. Two out of three charities have told us that they will be responding to these pressures by restricting access to their services, cutting services, or closing altogether.

Support for charities

The government's commitment to mitigating the impact of rising energy costs is commendable. Overlooking the unique needs of the voluntary sector when making decisions about the future of this scheme will have serious long-term implications for communities, local economies and public services.

We are therefore keen to work collaboratively with your officials to ensure that the needs of the voluntary sector are met when the EBRS ends. The risk factors that make voluntary organisations more vulnerable to rising prices must be central to plans for providing ongoing support. The mechanism to distribute ongoing support needs to be accessible and quick for charities, learning the lessons from previous schemes during the pandemic. Next year will be a difficult one for communities, but even more so if the charities that they rely on are no longer around.

We look forward to working in partnership with you and your officials to ensure that charities can continue doing what they do best: working with and for communities.

Yours sincerely,

Sarah Vibert, Chief Executive, The National Council for Voluntary Organisations

Jane Ide, Chief Executive, Association of Chief Executives of Voluntary Organisations

Paul Streets, Chief Executive, Lloyds Bank Foundation for England & Wales

Katie Docherty, Chief Executive, Chartered Institute of Fundraising

Caron Bradshaw, Chief Executive, Charity Finance Group

Maddy Desforges, Chief Executive, National Association for Voluntary and Community Action

Kathy Evans, Chief Executive, Children England

Debra Allcock Tyler, Chief Executive, Directory of Social Change

Carol Mack, Chief Executive, Association of Charitable Foundations

Tony Armstrong, Chief Executive, Locality

Rosalind Oakley, Chief Executive, Association of Chairs

Richard Quallington, Executive Director, Action with Communities in Rural England

Robin Osterley, Chief Executive, Charity Retail Association

Ed Mayo, Chief Executive, Pilotlight

Rhidian Hughes, Chief Executive, Voluntary Organisations Disability Group

Indy Cross, Chief Executive, Agenda Alliance

Ruth Marks, Chief Executive, Wales Council for Voluntary Action

<u>Case studies</u>

Poverty relief charity, operating in the south east

We have seen a 70% rise in requests for support with food, school uniforms, other essentials, advice and support on emotional wellbeing, parenting and finances (based on the same time period the previous year). The requests for support have also become a lot more complicated and situations a lot more desperate. For example, women are coming to us asking us to help them access sexual health services because they have been using sex work to supplement their income in order to pay bills, but they don't want to go to their GP.

We are planning to open a warm bank, which will provide a place of warmth as well as an important place for families to access a wealth of local support in our community, as part of a community response to the cost of living crisis, which we are part of leading. This will cost approximately £60 000 over the winter to deliver. We are probably going to have to reduce the geographical area in which we can support, due to the increased demand on our services, without being able to increase our staffing levels or resources. We thought the pandemic was the perfect storm of rising demand and falling income - it turns out that was just the warm up event to this cost of living crisis.

In order to fully meet the demand for our services we will need an additional £80k over the next six months, in six months' time we anticipate that we will need an additional £120k to meet the extra demand.

We are very concerned about the effect on our staff team of the cost of living crisis - inflation means that their pay will not be going as far, ideally, as an anti-poverty charity, we should be able to increase their pay or [provide a] one-off cost of living payment in line with inflation.

The cost of items we purchase for families (i.e. mattresses for beds) has risen by up to 40%, which has a knock on effect on how much we can actually afford to purchase and supply to families.

We will not be able to support everyone who needs it during this crisis. This will mean that families will be forced to live in destitution, without the essential support we offer. Secondly, if we can no longer afford the increasing costs we will have to reduce our outgoings, or - worst case scenario - close our doors, as we will not be able to operate viably.

Children's services charity, operating nationally

We are a children's services charity delivering over 440 services across the UK which last year helped over 671,000 children, young people and families through a workforce of over 4000 dedicated staff. We are supporting the most vulnerable children, young people and families through the impacts of Covid and now the Cost of Living Crisis.

As part of the care sector with historically low rates of pay, we are facing significant challenges of staff recruitment and retention in a tight labour market. Rates of inflation at 10% are putting even greater pressure on our staff and our ability to recruit and retain staff particular in highly demanding environments with unsocial hours. We are supporting our staff by paying the Real Living Wage and are having to stretch to meet increasing pay challenges. As a contracted service provider to local authorities, we know that they will also be under pressure and there is little scope to renegotiate contract terms to cover these unprecedented levels of inflation.

The element of our costs which is now causing us very great concern is our energy bill. Amongst are services are those for young children and residential services for disabled children so our scope to reduce consumption is limited. Our energy contract came to an end in September and we were unable to find any provider willing to offer us a supply contract apart from our current provider at a rate 400% higher than our previous contract. The support to the sector over the winter is very welcome, but if the current rates continue as they are we face a £3m incremental energy bill for the next financial year starting in April. This would be in addition to a £3-4m cost of increasing salaries. This combined impact presents a significant challenge but a risk particularly in relation to energy as we cannot say when it will improve and have so little control over it – there is very little mitigation we can undertake.

Alzheimer's charity, operating in the south west

We have seen an average of 20% increase in referral rates into The Dementia Adviser service. Home support team (visit to those diagnosed) is also about a 20% increase in demand, and we are at capacity in terms of availability - we have waiting lists in 4 of the 7 geographical teams. We have had to cap the amount of visits we can deliver to any one client, so that we give care to as many as possible. For the first time in our 30-year history we have to say 'no' to some clients, or to the request for increased support. Community activity groups are full to capacity and also many have waiting lists.
My salary bill will have increased by over £50 000. The training of new staff (specialised and many of the roles regulated by CQC so mandatory) will cost an additional £60 000 at least, in training hours and specialist instructors. Venue hire, consultants and operating costs for Community Services will increase by about £30 000.

Mainly we need some support financially to help recruit and retain staff. The Care industry is hugely undervalued and underfunded. I need to be able to offer a wage increase to all staff, and as a charity I don't have the ability to do that unless I raise prices for services - and therefore potentially make them inaccessible to the people we are trying to support. Wages are a major factor in why staff leave and move to other jobs. They can earn more in Lidl for example.

So, valuable and dedicated staff are leaving, new staff can't afford to join us, and there is a huge crisis on the horizon where we can't meet the ever-increasing demand, due to lack of capacity.

Our electricity costs have increased by over £10k this year so far. As our current contracts end and we have to renew on tariffs often 4x the cost, we anticipate another rise of at least another £20k. Our energy costs will total over £45k during 2023. Having financial support to meet this, or a cap on charities tariffs would make a huge difference in our ability to meet this.

As we are a not-for-profit charity, we have to find all additional costs from our income. This is difficult, as we keep prices for services low, to enable the accessibility for them to client users. We rely heavily on fundraising, (about 40% of our income stream) but as the cost-of-living hits harder, people don't have the surplus to donate to charities. Grants and Foundations fundraising is also much harder to achieve since Covid.

The very sad answer is that we will have to cap and cut services. Those who live alone and are self-funding will be hit hardest. Dementia is an isolating disease, so being unable to access social stimulation will result on a rapid deterioration in their health. Covid proved that not accessing the support they need resulted in an accelerated progression of the disease, and they died or went into full time care much faster. Carers were unable to cope and the levels of stress and deterioration of their own health was horrifying.

In summary, I am extremely concerned for the future. I can see my ability to look after staff will be compromised, and the capacity to meet the continually increasing demand for services is unlikely without a serious and sustained injection of financial assistance.