

**The House of Lords Select Committee on Charities' call for evidence
Cancer Research UK's submission - August 2016**

1. Cancer Research UK is the largest fundraising organisation in the UK. We receive no Government funding for our research and our ground-breaking work is therefore only possible because of the generosity of the public. Last year we spent £432 million on research in institutes, hospitals and universities across the UK, funding over 4,000 researchers, clinicians and nurses. This figure includes our £28 million contribution to the building of the Francis Crick Institute. Our ambition is to accelerate progress to see three in four patients survive cancer by 2034.
2. In order to achieve our charitable objectives, we need government policy to promote a favorable environment for charitable giving in the UK and to also support the UK's world-class science base. Over recent years the sector has experienced pressures that are challenging our ability to effectively spend funds – donated by our supporters - in a way that maximises their impact in our fight to beat cancer. We welcome the committee's inquiry which aims to review these pressures and identify solutions that will help us to meet our objectives by optimising charity governance and fundraising operations. In addition to outlining some of these pressures and opportunities, our response addresses the importance of ensuring best practice and building public trust for the future sustainability of the sector.
3. Our key recommendations are:
 - The Charity Commission is well placed to ensure that a consistent standard and level of training and support is provided to trustees across the sector so they are equipped to fulfil their responsibilities.
 - To enable this, Government needs to provide more funding to the Charity Commission so that it has the necessary resource to effectively support trustees.
 - This committee should look into the sustainability of the trustee role; including any new measures that may be needed for charities of all sizes to continue to recruit Trustees and effectively support them in undertaking their important statutory duties.
 - The new Fundraising Regulator should work to promote best practice and build public confidence in fundraising organisations. It should develop a Fundraising Preference Service that meets public expectation and effectively communicate this service to the public.
 - The Financial Secretary to the Treasury should look at a range of measures that would help ensure the future financial sustainability of the sector, including:
 - Maintaining Government's commitment to protect business rates relief for charities.
 - Safeguarding charities' contributions to the Apprenticeship levy so these can be spent developing skills truly needed in the sector.
 - Reviewing VAT rules on sharing of facilities in light of Brexit, so that these better enable innovative collaborations between research charities and industry in the UK.
 - The Minister for Universities and Science should commit to grow the Charity Research Support Fund, which provides targeted support for the investment medical research charities make in English universities.

Ensuring best practice and building public trust

4. As the largest fundraising charity in the UK we rely solely on the generosity of the public. Although Cancer Research UK is still the most trusted charity in the UK, it is still a significant concern to us that overall public trust in the sector is in decline¹. Only through ensuring effective charity governance, achieving best practice for fundraising, and communicating the changes effectively, can we secure public confidence.

¹ <https://www.gov.uk/government/news/public-trust-in-charities-has-fallen-reports-charity-commission>

Charity governance and leadership

5. Cancer Research UK is committed to good governance and aims to operate to the highest standards of best practice. We welcome the Charity Commission's recent changes and clarification of the role and responsibilities of trustees. We believe these changes will ensure greater oversight of charity operations across the sector to ensure best practice. However, the increased accountability of trustees has raised questions for charities and regulators alike, including whether greater support and training of trustees is needed.
6. **The Charity Commission is well placed to ensure that a consistent standard and level of training and support is provided to trustees across the sector so they are equipped to fulfil their responsibilities. To enable this, Government needs to provide more funding to the Charity Commission so that it has the necessary resource to effectively support trustees.**
7. The increased expectation and accountability of trustees raises concern, particularly among the larger charities, that these voluntary roles will become increasingly difficult to recruit for. **It would be valuable for this committee to look into the sustainability of the trustee role; including any new measures that may be needed for charities of all sizes to continue to recruit Trustees and effectively support them in undertaking their important statutory duties.**

Fundraising regulation

8. We are supportive of the new Fundraising Regulation and believe that recent changes in the system of self-regulation of fundraising organisations will help deliver the improvements needed to rebuild public confidence. The goal should be to ensure a proportionate regulatory framework and culture for fundraisers which:
 - Addresses public, political and media concerns around fundraising practices.
 - Creates a long term framework for maintaining public trust in the sector.
 - Allows charities to continue to fundraise effectively.
9. Cancer Research UK is committed to best practice and creating a positive experience for all of our supporters. We have moved to an opt-in system for all our fundraising communications to new supporters to put their wishes at the heart of what we do; we will move to an opt-in model for existing supporters from April 2017.
10. We support the development of a Fundraising Preference Service (FPS) that enables the preferences of the public, in respect of the fundraising communications they receive, to be upheld. In particular, we hope that this service will protect the most vulnerable in society. **To enable the FPS to further build and maintain public confidence, the Fundraising Regulator should ensure this service meets public expectation and its remit and function is effectively communicated to the sector and public.**

Pressures and opportunities

11. Over recent years there has been an upward pressure on our costs in a number of areas. For example:
 - Environmental costs associated with recycling, landfill tax and the carbon reduction energy efficiency scheme
 - Introduction of the national living wage
 - Pension regulations & national insurance increases.
 - Introduction of the Apprenticeship levy (May 2017)

12. These are important policies that we support and as a large employer it is our responsibility to implement in full. However, unlike businesses, charities do not pass these increased running costs onto consumers and are therefore left with less of the money donated by supporters with which to spend on meeting their charitable objectives. There is therefore a need for Government to introduce policies that can help compensate for the increased financial pressures that charities are experiencing and that support innovation in order to ensure sustainability of the sector.

Protecting business rates relief for charities

13. Business rates relief for charities supports fundraising shops on the high street and helps charities to reach their objectives by reducing operational costs. For Cancer Research UK, this means that more of our funds can be spent on research into the causes and treatment of cancer.
14. Cancer Research UK has over 570 charity shops that make a valuable contribution to British society. Alongside fundraising for our life-saving research, our shops provide volunteering and job opportunities, raise awareness of our campaigns and provide information about cancer. The donated goods sold in our shops benefit the environment and provide affordable clothes for the UK public. The services and items Cancer Research UK shops provide stimulate visits to the high street and fill empty shops that otherwise might have stayed vacant.
15. We estimate that the value of business rates relief to Cancer Research UK was approximately £8.1m in our accounts for the year to 31 March 2015. Of this figure, £5.6m relates to our charity shops and £2.5m for our other buildings including research laboratories.
16. **We have welcomed Government's firm commitment^{2,3} to protect the 80% mandatory rates relief that charities receive in England and Wales. This commitment will help safeguard the sustainability of charity shops; an important fundraising stream for many charities, which also bring many direct benefits to society.**

Ensuring the Apprenticeship levy can be used to develop skills needed in the sector

17. The Apprenticeship levy, which will apply from May 2017, will add around £500K per year onto the cost of our payroll. Overall, it is estimated that 1200 charities will be subject to the levy, collectively costing an estimated £70m⁴.
18. Although we support the Government's aim to increase skills, a number of challenges currently limit the ability of charities to use their levy contributions to grow skills that are needed in the sector. For example, volunteers - who are the lifeblood of the charity sector - will not qualify as apprentices under the current proposals set of by the Department for Education. For many, in addition to the valuable contribution they make, volunteering is also a way to get into the workforce by building confidence and learning valuable skills. Government should allow charities' levy contributions to support accredited volunteer training and associated expenses.
19. The lack of existing training schemes, capacity and investment means that many charities are unlikely to be able to spend their levy contributions on training in the immediate term and there is a risk that they will be unable to do so before the funds expire. It is a serious concern to us that this could mean some of our supporters' generous donations will be spent on unused levy contributions that will then fund the apprenticeship schemes of other organisations they have not donated to.

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510798/DCMS_The_Culture_White_Paper__3_.pdf

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510497/PU1925_Business_rates_review.pdf

⁴ Charity Finance Group evidence to Sub-Committee on Skills, Education and the Economy inquiry on Apprenticeships.

20. To build capacity will take both time and additional funds. **Government needs to support the sector to identify key skills gaps and develop apprenticeship standards that would help address these. The Financial Secretary to the Treasury should work with the Apprenticeships and Skills Minister to allow charities more time and resource to do so, by delaying the expiry date of funds held in their digital account, and enabling some of their funds to be spent establishing apprenticeship schemes that will truly deliver the skills needed in the sector.**

Enabling innovative collaboration between charities and industry

21. The UK public gave £9.6 billion to charities in 2015 and medical research charities received the highest proportion of total donations⁵. In 2014, this enabled charities to fund over a third of all publicly funded medical research⁶.
22. Cancer Research UK's ambition is to accelerate progress and see three in four cancer patients survive their disease by 2034. Research is at the heart of our plan to reach this ambition and see cancers diagnosed early and treated well. Government and the NHS is also committed to improve cancer outcomes through research as set out in the Cancer Strategy in England⁷ and the NHS' Five Year Forward View⁸.
23. One of the strengths of the UK's research base is the diversity of funders and their collaboration. Two thirds of cancer research publications in the UK in 2011 that acknowledged external support, relied on multiple funders, while just under half benefited from overseas funding and a fifth were also supported by industry⁹.
24. It is becoming increasingly important to draw together scientists from different disciplines, countries and sectors to solve today's biggest health challenge. Research funders need to work together to achieve this. Partnerships provide funders with the opportunity to leverage additional support and enhance progress through shared knowledge, resources and capabilities. The Francis Crick Institute (Case Study 1) is an exemplar of this concept.
25. However the extent to which charities, including universities, and industry can collaborate is hindered by current VAT rules on sharing of facilities, equipment and buildings. The Dowling Review¹⁰ acknowledged that levying of VAT on shared facilities is a significant disincentive to collaboration. It further highlighted this as an area where government policies act at cross purposes: researchers from universities/public institutes are encouraged to collaborate with business, but the tax system imposes significant costs if this is done at any scale. **The Financial Secretary to the Treasury should review these VAT rules and amend these to ensure that they better support important and innovative collaborations between research charities and industry.**

⁵ https://www.cafonline.org/docs/default-source/personal-giving/caf_ukgiving2015_1891a_web_230516.pdf?sfvrsn=2

⁶ http://www.amrc.org.uk/sites/default/files/doc_lib/Medical-research-charities_investment_innovation_impact.pdf

⁷ http://www.cancerresearchuk.org/sites/default/files/achieving_world-class_cancer_outcomes_-_a_strategy_for_england_2015-2020.pdf

⁸ <http://www.england.nhs.uk/ourwork/futurenhs/>

⁹ OHE and SPRU, 2014, Exploring the interdependencies of research funders in the UK.

¹⁰ <http://www.raeng.org.uk/policy/dowling-review/the-dowling-review-of-business-university-research>

26. Case Study 1 – The Francis Crick Institute

The Francis Crick Institute will be a world-leading biomedical research centre in central London. The partnership forged to develop the Francis Crick Institute includes Cancer Research UK, the Wellcome Trust, the Medical Research Council, University College London, King's College London, and Imperial College London.

The organisations in the consortium will invest a total of around £650 million to establish the Institute. When it is fully operational in early 2017 it will employ 1,500 staff, including 1,250 scientists, and have an operating budget of over £130 million per year.

The core of world leading researchers and cutting edge technologies within the Francis Crick Institute will be a magnet for the brightest and best scientists from around the world. In addition, through these founding partners the institute will build upon existing strong relationships with research centres across the globe, laying solid foundations for international collaboration.

Supporting research charities' investment in English universities

27. Government provides vital, targeted support to charities by covering the indirect costs of their research, such as buildings maintenance, insurance and administrative functions. This is because charities are committed to covering only the direct costs of the research they fund. This ensures that the money donated to them, most often by the generosity of the general public, is spent on reaching their charitable objectives. Government covers the indirect costs of charity research through the Charity Research Support Fund (CRSF), which is the charity support element of Quality-Related research funding. Money from this fund is allocated directly to English higher education institutes (HEIs) that are successful in winning charity research grants.
28. Government's investment through the CRSF provides crucial support to institutions that are successful in winning charity grants and ensures that universities are incentivised to seek charity investment. In 2013, Government's £198 million investment through the CRSF leveraged £833 million¹¹ investment by charities in English universities.
29. Since 2010, the real terms decrease in the CRSF has put pressure on universities to cover an increasing proportion of the overhead costs. This has been more keenly felt by those universities that specialise in medical sciences, which are strongly supported by charity funding. Many charities, including the Wellcome Trust and Cancer Research UK, are looking to increase their investment in research. To support this growing contribution from the charitable sector, the CRSF needs to increase in line with charity investment so that universities successful in attracting charity grants can continue to cover the overhead costs associated with this research.
30. Government made an important commitment to protect BIS' science budget in real terms at the 2015 Spending Review. In line with this commitment and to provide long-term confidence in Government's support for charity investment, **the Minister for Universities and Science should commit to protect the CRSF in real terms and further increase the fund in line with any increases in charity investment.**
31. *For more information please contact Dr Hollie Chandler, Policy Manager, on 0203 469 5337 hollie.chandler@cancer.org.uk*

¹¹ Actual investment made in 2013, taken from HEFCE's annual funding allocations and the excel spreadsheets outlining QR charity support funding awarded in 2015/16 <http://www.hefce.ac.uk/funding/annalocns/>