Cancer Research UK written evidence: Business, Energy and Industrial Strategy Committee Inquiry on the impact of Coronavirus on business and workers

Summary

1. Cancer Research UK (CRUK) welcomes the opportunity to respond to this inquiry. We have addressed the key questions posed by the Committee in our submission below and would draw particular attention to the need for Government to urgently review the applicability of state aid guidance to the Retail, Hospitality and Leisure Grant Fund (RHLGF). This could unlock significant support for the charitable sector and support the viability and diversity of the UK high streets.

2. CRUK is the world’s largest cancer charity dedicated to saving lives through research. We support research into over 200 types of cancer, and our vision is to bring forward the day when all cancers are cured. Our long-term investment in state-of-the-art facilities has helped to create a thriving network of research at 90 institutions in more than 40 towns and cities across the UK supporting the work of over 4,000 scientists, doctors and nurses.

3. All of this is made possible by the generosity of the public, including through donations and purchases at our retail sites—an established network of over 600 shops across the UK staffed by over 1,800 people with a turnover of £90.1 million in 2018/19. CRUK charity shops contribute significantly to both their local economies and national prosperity, maintaining the vibrancy of the high street and offering almost 15,000 volunteering opportunities. Each of our shops collects on average 168 bags of donations per week—this equates up to over 5 million bags that would potentially otherwise go to landfill, at a cost to local authorities.

4. There are around 367,000 new cases of cancer each year in the UK and sadly around 165,000 deaths. However, our pioneering work into the prevention, diagnosis and treatment of cancer has helped save millions of lives; over the past 40 years survival has doubled. Cancer doesn’t stop because of a pandemic. Early diagnosis followed by swift access to the most effective treatment remains as important as it’s ever been for survival. Our concern, in relation to the work of the committee, is that the delay to cancer diagnosis and treatment will have a detrimental impact on the UK workforce, and cuts to our research funding will not only impact on patients but on the economy.

5. CRUK, like other charities, has been substantially impacted by COVID-19. We expect our income to fall by at least 25% this financial year. This has forced us to immediately cut our research funding by £44 million and we are likely to make further cuts. CRUK funds around half of all publicly funded cancer research in the UK, so this will have a damaging, long-term effect on our status as a world-leader in medical research and our collective push to improve cancer survival across the UK. On average, every £1 spent on cancer research returns 40p of benefits every year. In addition, it is estimated that charity funded medical research will fall by at least £252 million this financial year.

1 https://bmcmedicine.biomedcentral.com/articles/10.1186/1741-7015-12-99
2 The impact of COVID-19 on charity-funded medical research, Briefing from the Association of Medical Research Charities, 24 April
6. Despite our loss of fundraising income, we are committed to playing our part in this national crisis and supporting efforts to tackle the COVID-19 outbreak. We estimate that we have already spent £2.5 million on turning over our research infrastructure to support COVID-19 testing and COVID-related research efforts. This is likely to reach £3.5 million by the end of June.

7. However, we are yet to receive any financial support from Government to help mitigate our loss in income, and subsequent cuts to research, or our new COVID-19 related activities, including for testing in our labs. It seems that our work falls through the gaps of different support packages the Government has announced, such as support for charities and support for R&D businesses.

8. The charity support package announced on 8th April was an important first step, but to ensure charities can continue to provide vital services when they are most needed, the Government must now:
   a. Review the level of support for charities as the COVID-19 crisis continues, in the immediate term supporting charities alleviating pressure on the health service or providing support to people suffering from the impact of COVID-19, and help the whole charity sector stay afloat and continue operating through the pandemic.
   b. Deliver targeted emergency funding for medical research charities to address the £252 million research funding shortfall. This will ensure the UK research ecosystem is maintained by enabling charity funded research to be reinvested back into universities and for the benefit of patients.
   c. Ensure that the charity sector’s role as an employer, innovator and source of economic recovery in the UK’s vibrant civil society is recognised and supported in line with that extended to the business community.
   d. Explore innovative solutions wherever possible to give charities the best chance to survive and thrive – for example urgently reviewing the applicability of state aid guidance to the Retail, Hospitality and Leisure Grant Fund (RHLGF) as set out below.
   e. Develop and implement measures to encourage charitable giving, including tax incentives to support major giving and relaxing current rules on Gift Aid.

The impact of COVID-19 on Cancer Research UK

9. CRUK’s reliance on public donations means COVID-19 will have a huge impact on our research, business and workforce. Social distancing measures and people’s own changing economic situations are reducing people’s ability to give and our ability to fundraise through shops and events. We have closed all 600 of our shops and postponed all public fundraising events. We expect at least a 25% decline in fundraising income for this financial year – equivalent to around £120m.

10. These tough conditions will be replicated across the charity sector, with organisations of all sizes and all causes facing tough questions as to their future provision and even their survival. The NCVO has estimated a £4.3 billion loss of income across three months for the sector³. This comes at a time when the services charities deliver are needed most. The charity sector is made of organisations

which vary greatly in cause, but all work for public benefit and are a core part of the UK’s vibrant civil
society. From small community enterprises to major national charities, all are playing a vital part of
our country’s response to the current crisis, alleviating pressure on the health service and providing
support to people suffering from the economic and social impact of COVID-19.

11. As a result of our loss of income, our Executive Board collectively agreed to move to 80% pay
immediately, and furlough 60% of our staff to protect jobs. For staff who are delivering vital services
who cannot be furloughed, we have made the difficult decision to move to 80% time and pay
arrangements. We are in a serious situation, but we are working hard on every front to limit the
impact and protect our vital work to save lives through research.

12. However, we have had to make difficult decisions around our research funding. In the first instance,
we have cut £44m from our research budget this financial year and are likely to make further cuts.
This will mean major cuts to our national network of laboratories and grants which we will struggle
to recoup. This is not our worst-case scenario. We may have to consider further cuts as it is
dependent on fundraising income, which could reduce further.

13. As CRUK currently funds around half of the UK’s publicly funded cancer research, this will result in a
significant reduction in our national research into cancer and a serious loss of research talent
including crucial cohorts of early career researchers. Ultimately this will stall progress on cancer
survival in this country and the health and wellbeing of the nation’s workforce.

14. As outlined below, we are working hard to support the UK’s fight against COVID-19 and have
therefore decided not to cut funding for our clinical research infrastructure such as our Clinical Trials
Units and Experimental Cancer Medicine Centres as these could play a role in supporting national
COVID-19 efforts.

15. However, this will mean deeper cuts in other areas such as: our non-clinical research infrastructure;
fellowship programmes for young clinical and non-clinical academics; ability to recruit new research
teams to our institutes and centres; our live funded research projects. It will also mean cuts to
research initiatives where we have worked closely with Government, such as the recently launched
Radiotherapy research network (RadNet) programme designed to modernise cancer treatment in
the UK, and joint efforts in brain tumour research.

16. We have delayed our Spring 2020 research funding round to autumn as a mitigation. Research
projects are being put on hold to free up capacity, infrastructure, kit & clinical staff to be deployed to
the national COVID-19 effort. This will set back our progress to advance cancer outcomes through
research and may incur further financial costs in extensions.

17. In line with Government guidance, many of our clinical trials have paused recruitment, delayed set
up, or are having to find innovative ways to deliver care to patients. We anticipate our cancer drug
pipeline will reduce by about a third – impacting our interactions with industry & spin out
companies.

The impact of COVID-19 on UK medical research
18. Medical research charities are a vital component of the UK research ecosystem. In 2019, they collectively invested over £1.9 billion in UK Research & Development (R&D) and funded 17,000 researchers’ salaries across universities, the NHS and other bodies in 2018⁴. Research is a key driver of economic prosperity and productivity – every £1 invested in medical research delivers a return equivalent to around 25p every year in perpetuity⁵.

19. We support the Government’s commitment in the Spring Budget to oversee an increase in R&D spending to reach £22 billion per year – the highest investment in UK R&D for nearly 40 years⁶. Investment in science, research and education will be critical to restart the economy after this crisis and rebuild the university sector, which receives 87% of medical research charity spend and has forecast a 90% reduction of economic output this quarter⁷. It is vital therefore that our collective research infrastructure remains a focus for current and future investment. This will protect both jobs, businesses and the nation’s wellbeing to work.

20. However, we are concerned that the Government’s pre-COVID ambitions for research could be lost. For example, the Association of Medical Research Charities (AMRC) estimates that there will be at least a £252 million shortfall in medical research charity sector investment in UK R&D in 2020-21 due to the impact of COVID-19 on charitable income. To ensure medical research progress that benefits patients is not significantly diminished, and that the UK maintains its position as a global hub for the life sciences, we are working with the AMRC and speaking to BEIS and DHSC about the need for financial support for medical research charities.

21. Specifically, we require Government support to make up the £252 million research funding shortfall due to collapse of fundraising income through a targeted emergency funding package for AMRC member charities. This will allow research to restart and ensure the UK research ecosystem is maintained by enabling charity funded research to be reinvested back into universities and for the benefit of patients. This funding should reflect the substantial additional costs that will be required for restarting research projects, such as those that have already been considerably disrupted because they rely on longitudinal data collection, tissue sampling, or involve animals.

22. We are also asking Government to reduce the detrimental impact of the current pause and protect research talent across the whole research ecosystem, by:
   - Publishing guidance from BEIS/UKRI that provides explicit clarity that the Coronavirus Job Retention Scheme applies to researchers within universities whose salaries are funded by charities.
   - Ensuring any emergency support package includes direct funding from BEIS/UKRI to cover cost extensions for PhD students funded by medical research charities. This will ensure this cohort of researchers and students are not disadvantaged and will help protect the long-term health of the UK’s life science base.

⁴ https://www.amrc.org.uk/our-sectors-footprint
⁷ https://obr.uk/coronavirus-reference-scenario/
• Committing to ensure that staff costs for those seconded to the NHS will be straightforward for medical research charities to recoup from the NHS in a timely manner.

Supporting the national effort – up to £3.5m of repurposed funding

23. While beating cancer remains our top priority, we are committed to playing our part in this national crisis and supporting efforts to tackle the outbreak, including:

• Leading the effort to establish the Francis Crick Institute as a Covid-19 testing hub for London;
• Making our research centres and lab kit available for use;
• Releasing our clinical research workforce to return to the NHS frontline;
• Funding new research to understand the impact of COVID-19 on people with cancer; and
• Collaborating with other cancer charities to provide the best support and advice to cancer patients.

24. However, to date, we are yet to receive any funding from Government to support our loss in fundraising income or our new COVID-19 related activities, including for testing in our labs. It seems that our work falls through the gaps of different support packages the Government has announced, such as support for charities and support for R&D businesses. We would urge Government to reconsider this, especially where charity income is being redirected away from core purpose to support the national COVID-19 effort.

25. Our initial estimates are that we have already spent between £1.5 million and £2.5 million on turning over our research infrastructure to support COVID-19 testing and COVID-related research efforts. We estimate this could reach up to £3.5 million by June, with these measures costing around £500,000 a month. These estimates do not capture a substantial portion of our response, including our Cancer Nurse Helpline that has seen a significant volume of calls related to COVID-19 from concerned cancer patients and their families.

26. We believe that, as the Government turns its attention to the resilience of our businesses from industry to high street, it is imperative it does all it can to ensure that charities, and the critical services they provide, can continue without interruption during this crisis. It should:

• Review the level of support of support for charities as the COVID-19 crisis continues, in the immediate term supporting charities alleviating pressure on the health service or providing support to people suffering from the economic and social impact of COVID-19, and helping the whole charity sector stay afloat and continue operating through the pandemic
• Ensure that the charity sector’s role as an employer, innovator and source of economic recovery in the UK’s vibrant civil society is recognised and supported in line with that extended to the business community
• Explore innovative solutions wherever possible to give charities the best chance to survive and thrive – for example urgently reviewing the applicability of state aid guidance to the Retail, Hospitality and Leisure Grant Fund (RHLGF) as set out below.
• Develop and implement measures to encourage charitable giving, including tax incentives to support major giving and relaxing current rules on Gift Aid

Supporting Charity Retail in response to COVID-19 Pandemic – the Retail, Hospitality and Leisure Grant Fund (RHLGF)

27. Major charity retailers play a core role on the high street and in communities across the UK, and the temporary closure of charity retail outlets has the potential to significantly impact their longer-term viability. Charities have a responsibility to spend their supporters’ donations wisely on their charitable causes. Where fixed costs such as rent remain for closed charity shops, charities such as CRUK are having to make challenging decisions on whether maintaining their full retail networks is possible.

28. The cascading effect if charities were compelled to close retail outlets would be significant. Shop closures would mean vital jobs and important economic activity would disappear from the high street. CRUK alone employs more than 1800 working in or directly supporting our shops, and there are 26,000 people full time equivalent roles across the charity retail sector. It also means a drop in rental income for hard-pressed local landlords who are unlikely to be able to let those premises in the foreseeable future. Volunteering opportunities would also be lost, with 233,000 people volunteering across the UK’s 11,200 charity shops every year. The £295 million raised for a range of charitable causes from medical research to environmental initiative in charity shop would also be at risk, alongside the vital role outlets often play as key social hubs in the community.

29. The Retail, Hospitality and Leisure Grant Fund announced by the Government could help resist this trend and provide some much-needed assurance on our future on the high street. The RHLGF offers cash grants of up to £25,000 per property to certain businesses with a rateable value of less than £51,000. The rateable value cap guarantees that the fund, and any extension, retains its social purpose of helping small high street retail outlets, which play such a vital role in local communities, survive their current closure.

30. However, the RHLGF in its current form could unintentionally disadvantage the viability of small retail premises like ours on every local high street across the UK. Though all support for retailers is welcome, the practical value of this measure is limited because it is currently understood to be subject to EU State Aid rules under Article 107(3)b as clarified in the Temporary Framework to support the economy in the current COVID-19 outbreak. This would mean the full total support package for any individual retailer under the Fund would be limited to €800,000 (roughly £700,000). This would see retailers with hundreds of outlets unable to access millions in support for their high street outlets. For CRUK, we estimate we would lose out on around £10 million in support. In contrast, franchise businesses who can claim for every store as separate undertaking will receive significantly larger grants. This needs to be addressed as a matter of urgency since it especially penalises the charitable sector.

31. We consider that any support offered specifically to charity retailers under the RHLGF should not be considered State Aid and so not be limited by the €800,000 cap. For a measure to be considered State Aid, an entity must have been advantaged by the State or through State resources and meet all three of the following conditions:
   1. There must be economic activity taking place in an undertaking;
   2. Competition has been or may be distorted;
   3. The intervention is likely to affect trade between Member States.

32. We have received legal advice that as support for small retailers the RHLGF is very unlikely to affect trade between European Union Member States, and so the question of infringement of State Aid rules does not rise. For charity retailers, in-store transactions average just £4.46 – often for more than one item – and trade in second hand stock donated and sold within the UK. Charity shops are not intended to ‘compete’ across borders in the sense State Aid regulations intend to address. In the immediate term, there is a significant curtailment of cross border trade due to controls on population movement across Europe. This means measures to support UK charity retailers would not have any meaningful impact on cross-border trade. Further, as the RHLGF is time-limited, any support would likely be confined to this period of controls on movement.

33. In addition to the reconsideration of the State Aid issue, there are extra measures that Government could put in place to ensure that any RHLGF extension benefits only those most at need. This could include only applying any extension of funding to those outlets that temporarily closed due to the lockdown, limiting benefit to those that are impacted by the current temporary closures.

34. We also understand other countries have developed schemes to compensate specific companies or sectors for damages directly caused by exceptional occurrences under Article 107(2)b of the Treaty on Functioning of the European Union. Here, State Aid is limited to the cost of damage rather than a fixed amount. For example, the EU Commission has approved a €5.4 billion business support package proposed by the Danish Government. Under the terms of the Danish scheme, businesses that can demonstrate their activities have been adversely impacted by COVID-19 can claim up to 80% of fixed expenses up to €8 million.

For more information please contact Matt Sample, Policy Adviser (Charitable Environment):
matthew.sample@cancer.org.uk