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Public Accounts Committee

Oral evidence: COVID-19: Government support for charities, HC 948

Thursday 15 April 2021

Ordered by the House of Commons to be published on 15 April 2021.

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Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Peter Grant; Mr Richard Holden; James Wild.

Gareth Davies, Comptroller and Auditor General; Lee Summerfield, Director, National Audit Office; and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-99

Witnesses

[I](#): Sarah Healey, Permanent Secretary, Department for Digital, Culture, Media and Sport, Helen Stephenson, CEO, Charity Commission, and John Rose, Interim Chief Executive, National Lottery Fund.



Report from the Comptroller and Auditor General

Investigation into government funding to charities during the COVID-19 pandemic (HC 1236)

Examination of witnesses

Witnesses: Sarah Healey, Helen Stephenson and John Rose.

Chair: Welcome to the Public Accounts Committee on Thursday 15 April 2021. Before moving on to today's business I wanted to say a few words about the sad loss of our colleague, Dame Cheryl Gillan, who succumbed to a long illness during the Easter recess. Cheryl had a long and distinguished parliamentary career. In fact, she was one of only three Conservative female MPs elected before 2005, leaving only two remaining now, and she was, of course, the first woman to be Secretary of State for Wales. My memories of her will be of her forensic and intelligent analysis of any issue that came across her desk. Even in her illness, she worked harder than many Members of this House. That is not to denigrate other Members of this House, but she worked incredibly hard and was always over the subject, particularly on HS2. I think that one of her legacies on this Committee will be that we will be applying the Dame Cheryl rigour to High Speed 2 Ltd and all that work as we move forward.

Cheryl was also a great friend. We may have been from different political parties, but she would be great fun and candid privately—always there with wise advice, but never forcing it on me, and great and candid in private. The bit you saw in Committee was that bright brain. Probably most people will not have seen the fun side of Cheryl, and I am going to miss her enormously. I pursued her to join the Public Accounts Committee, and her loss is particularly sore for this Committee. I am going to ask Sir Geoffrey Clifton-Brown to say a few words as well.

Sir Geoffrey Clifton-Brown: Thank you, Chair, for those kind words. I knew Cheryl extremely well. We came into the House together and we became firm friends, and we did lots of things together throughout our long parliamentary careers. She was a huge champion of a number of causes, particularly the autism cause, on which she introduced a private Member's Bill in 2009. As you say, Chair, she was one of the hardest working Members of Parliament. Her work on this Committee proved that. I knew probably better than anybody else how ill she really was when she was making those contributions in this Committee, and you would not have known that from the bravery and fortitude with which she fought her illness, which sadly eventually overcame her.

She was one of the most genuine people in the House. She always looked after those who were in any form of trouble and gave them wise advice. As I said in my tribute in the House, people who come into politics for the most genuine of reasons, like Cheryl did, are rare indeed, and she will be very sadly missed, not only by this Committee, where she worked and played such a full part, but by the House as a whole, and particularly by



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her constituents in Chesham and Amersham.

Q1 **Chair:** Thank you very much, Sir Geoffrey. It feels like a big hole in this Committee, but we will do our best, Cheryl, to live and work in your spirit.

Today, as Cheryl would want, we will move on to discussing with the Government—in this case, the Department for Digital, Culture, Media and Sport and other bodies, which I will introduce in a moment—the support that the Government provided to charities during the covid-19 pandemic’s early stages. The Government set up a £750 million package in April 2020, which was aimed at organisations, charities, voluntary groups and social enterprises that were providing vital services to the most vulnerable people. We will be looking today at how that went, at what changes took place to that fund, which we will go through in this Committee, and also, now that we have reached the end of that financial year, what tracking is being done of how that money has been spent, and any money that may have been returned to the Treasury.

In the end, it was the Department for Digital, Culture, Media and Sport that was responsible for distributing and overseeing £513 million of that £750 million package, and that is the main focus of our session today. We are looking generally at the health of the sector. I want to thank the many organisations that sent in written evidence to this inquiry to this inquiry for their time when I know they are busy dealing with other things. That has been very helpful.

I would like to introduce our witnesses. We have Sarah Healey, the permanent secretary at the Department for Digital, Culture, Media and Sport—a warm welcome to you, Ms Healey, and thank you for your time; I know you are very busy organising His Royal Highness the Duke of Edinburgh’s funeral, or helping with those arrangements.

Helen Stephenson is the chief executive of the Charity Commission. A warm welcome to you, Ms Stephenson.

John Rose is the interim chief executive of the National Lottery Community Fund, which distributed a large portion of the £513 million.

Before we go into the main session, Ms Healey, the National Audit Office Report investigation only went up to 19 February and we have now gone beyond 31 March. Could you give us an update on what has happened since then? Has any money been returned to the Treasury that didn’t get spent?

Sarah Healey: Thank you, Chair. Thank you for the opportunity to come and discuss the work that we did to support charities over the course of the last year.

As you would expect, we are still going through an end-year reconciliation process on the funds that we distributed. It is very close to the end of the financial year, so we won’t have final figures for spending or underspend at this stage. What I can tell you is that since the NAO Report was



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published, we have continued to allocate and disburse funds to charities. To give a quick summary on that, there have been several hundred thousand pounds more disbursed as part of the Coronavirus Community Support Fund. Around £4.5 million further has been disbursed via the funding that went through other Government Departments. On the community match challenge funding, almost £8 million more has been disbursed since the NAO Report.

Two of the funds, loneliness and youth, were intended to meet winter pressures, and certainly in the case of youth, was anyway always intended to be paid in arrears, so the gap there is significantly larger than what was published in the NAO Report. At the time of the NAO Report, on the loneliness funding, we had disbursed £295,000, and now it is almost £6 million. On youth, at the time of the NAO Report, the figures were that we were yet to disburse any of the funding. We have now disbursed £2.6 million.

It is worth reflecting that, in terms of the specific organisations that are involved, they will be as interested in funding that we have allocated as in funding that we have disbursed, because that gives them a promise that that funding is coming; then it is simply a process of going through the stages we need to go through before we can actually send the money out the door. So, for instance, on youth, at the time of the NAO Report, we had not yet made any awards, but we have now made £14.6 million of awards out of a total fund of £16.5 million. That money has not actually all gone physically to the relevant organisations yet, but it is on its way and has been awarded.

As for your question on underspends and returns to the Treasury, it is obviously quite normal not to be able to land these kinds of funding packages precisely on a penny to the amount that was originally allocated to us by the Treasury, and I am afraid we won't have a final underspend figure until we have gone through our full accounting process, but we are anticipating that a very low percentage of the overall value of the fund will end up being underspend. We are not expecting a significant underspend on this package.

Q2 Chair: I imagined that might have been the answer. On your normal accounting processes, a number of Departments were held up last year. Would you be hoping to get those accounts through to the NAO and laid before the summer recess?

Sarah Healey: We are working very closely with the NAO on timescales and we'll meet whatever is agreed, as is normal, with them, as we always would. As you say, last year everything ended up being a bit later, but we have learned more about how to do this remotely now, so we are not anticipating any unusual delay.

Chair: We want to move on to understanding some of the thinking behind how the fund was allocated and managed. I ask Richard Holden to kick off on that.



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- Q3 **Mr Holden:** Thank you very much indeed, Chair. I would like to associate myself with both your and Sir Geoffrey's comments about Dame Cheryl Gillan, with whom I worked recently on her second private Member's Bill to successfully traverse the House of Commons. I know that the thoughts of a lot of Back Benchers are with her, given her work on the 1922 Committee as well.

Ms Healey, going on to the big picture of what we are looking at here, we know that there was a £750 million total package of which essentially £200 million went to the DHSC and £60 million went to the devolved nations. That roughly left you with £513 million to support the sector. Was that enough, and how did you arrive at that figure?

Sarah Healey: You are right that that was the amount that we had after sending some Barnetted funds of £60 million to the devolved Administrations, and indeed after hospices, which were obviously part of the charitable sector, were supported via the DHSC. It might be helpful for me to explain how we arrived at the £750 million figure. It is important as context to remember that this was one of the earliest announcements of financial support to any sector affected by covid-19. The first full national lockdown was, I think, 23 March, and we announced this package on 8 April, so it was extremely rapid work to put it together. Therefore, there was inevitably a certain amount of uncertainty and assumptions that we were having to make about what might be a sensible package to support charities.

We were trying to recognise two things. We were supporting charities, recognising some of the financial impact of covid-19 on their income, but we were also trying to recognise those that were experiencing increased demand as a result of the pressures caused by covid-19. This was, as I say, very early on, so we were making an estimate of those, rather than having had an opportunity to assess them.

- Q4 **Mr Holden:** Just picking up on that, Ms Healey, I think we all know that it was a dynamic situation. Willow Burn hospice in my constituency benefited from some of the hospice funding. It was a general assessment, but can you drill down for us? This funding was not meant to save every charity; it was very specifically for actual charities to relieve pressure on the NHS at the time. That is correct, isn't it?

Sarah Healey: It was not just to relieve pressure on the NHS. There was a whole range of different pressures that people were experiencing, as is demonstrated by what we ended up spending the money on. For instance, a large proportion of the funding went to charities supporting children and young people, who we know have been particularly affected by covid-19.

We recognise, of course, that income had been lost by charities. An example in my own Department's sectors was the cancellation of the London Marathon, which tends to raise a large amount of funds for charities. Charity shops had obviously been closed as part of the closure of non-essential retail. In that sense, we knew that income had been lost. We also knew that there was a range of other moving parts here, which made



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it quite challenging to assess what precisely the right amount of money was.

Charities were able to benefit from some of the pan-economy measures that by that point had been introduced by the Treasury. A lot of charities have taken advantage of the furlough scheme, where they have been able to do that. We did not really, at that point, know exactly how the furlough scheme was going to affect charities and how much of that income gap it was going to be able to close.

We worked very closely with voluntary sector umbrella bodies, which had a sense of the health of the overall sector. We also worked with, for instance, the Charity Commission. You have Helen Stephenson, the chief executive, here as a witness to the Committee today. We also worked with other Government Departments, because of course one of the unusual things about the charitable sector is just how broad it is. We talk about the charitable sector, but it covers such a wide range of activities, and a lot of those charities work very closely with other Government Departments in delivering key services for them. You mentioned hospices. They are obviously slightly outwith the remit of this particular investigation, because the funding went straight to DHSC, but hospices are a good example of that.

Actually, in many cases, while DCMS has overall policy responsibility on the voluntary sector, the people with really deep knowledge of what they are relying on and of the condition of charities in their particular sectors are other Government Departments, so we work closely with them to try to—

- Q5 **Mr Holden:** I think what you are saying, or it would be fair to say, Ms Healey, is that with the other Government support out there—for example, furlough, as you mentioned—you thought that this would be something that would help. Obviously, it would not save every charity, but around this amount of cash would be helpful to respond to the increased demand from some of these bodies where the situation was particularly affecting the vulnerable communities and young people. Is that roughly where you are coming from?

Sarah Healey: That is a totally fair description of where we got to. We did not intend to fill every gap. We knew that charities would have to make difficult decisions as a result of this situation.

Mr Holden: Of course.

Sarah Healey: And they have had to do so, as have many other sectors that DCMS is responsible for. We didn't fully understand at the time, although obviously nobody could have understood, exactly how different sectors would adapt to the conditions—for instance, how they might alter their fundraising activities, move them online and so on. There is some evidence that fundraising has actually probably increased; charities have, overall, raised more funds in the course of the last year than they did in the previous year. All of those were moving parts and, as you say



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precisely, we in the end, in negotiation and discussion with other Government Departments and the Treasury, felt that £750 million would be of significant assistance even if it wasn't able to cover every gap.

- Q6 **Mr Holden:** So it was a bit of a shot in the dark, but a best guess, as part of the broader package of support. I think we can all understand that in the situation you were facing. What proportion of charities did you estimate this level of funding would support? Was there a proportion in every sector, or were we not drilling down into that level of detail at that early stage?

Sarah Healey: We did not estimate a specific number of organisations. We did have a strong sense that we wanted to have a mixed package of support, although we recognised that there were some larger charities, many of which do direct delivery of services—many of them were supported via the funding that went through other Government Departments. There was a proportion of those, but we were also extremely keen to support the small and medium-sized charities. For many of those, we would have found it very difficult to estimate what their specific income loss would have been. In fact, some of those small and medium-sized charities were organisations specifically set up quite rapidly to address some of the issues that coronavirus had led to in small communities.

You may well be thinking of the Culture Recovery Fund, where we did make an estimate of the number of organisations, but that was obviously done further down the line and also in a different kind of sector. In this instance, no, we didn't think specifically in terms of numbers of organisations.

- Q7 **Mr Holden:** I think you have pre-empted my line of questioning a little bit there, Ms Healey. Particularly with charities as opposed to, say, the arts and culture sector, how did you make the determination? Obviously, we are looking at something that is quite dynamic, in terms of the situation at the start of the pandemic, but how did you determine how much funding you needed for the charities, as compared with those other bodies? Is it, just as you said, a case of, "This was very early stages. We had a bit of a shot in the dark. Obviously, we knew hospices needed support; we needed something with DHSC. We knew some of the youth charities needed support"? Is that where you were?

Sarah Healey: I think I would call it a reasonable estimate, considering the atmosphere of uncertainty.

Mr Holden: A sort of shot in the dark; that is possibly fair.

Sarah Healey: Maybe that's it; maybe it's just slightly different terminology! No, we wouldn't call it that. We did do as much work as we could. It was basically two weeks and about three days after the first major national lockdown that we announced this package; and in that time, we made a reasonable estimate of need, considering all the uncertainty.



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Obviously, I am coming back to see you in 10 days or so to talk about the Culture Recovery Fund. That was obviously announced in July. It is worth reflecting on the fact that the Culture Recovery Fund—this is a reflection of just how broad and complex the charitable sector is: many of the organisations that the Culture Recovery Fund has supported are charities. They will be working with children and young people and providing support; they will be working with their local communities in a variety of ways. So this of course wasn't the only fund available to support charitable organisations in the course of covid-19. That was the other thing we were conscious of when we were putting this package together.

Q8 Mr Holden: I understand that. But this one, as we mentioned at the very start of the questions, was meant to be more targeted towards those organisations that were going to see an increased demand for public service—things affecting young people and that sort of thing—so we can understand that this was more targeted because of that.

In terms of the broader recovery fund, the arts and culture sector got about three times the amount for the recovery fund compared with the £513 million that you distributed. In retrospect, now you are looking back at it, do you think that charities got enough, are we assuming that you might give a little bit back to the Treasury—or do you think your estimations were roughly about right?

Sarah Healey: The whole package for charities was £750 million. Hospices were an important part of that, which were causing significant concern at the time. I think that is half of £1.57 billion.

The two sectors are in different situations, so it is worth considering and we should obviously talk about this a bit more when it comes to the hearing on the Culture Recovery Fund. Many of the organisations that we have supported through the Culture Recovery Fund have virtually had their activities stopped completely during the course of the last year, or at least severely limited. That isn't quite the same situation with charities, so what we were trying to do here was to meet a slightly different objective. I do think it has met that objective. Obviously, we have not yet done a full-scale evaluation of the package that we achieved for charities, but we are in the middle of procuring one. We will want that to give us a proper, full assessment, but initial evaluation work done by the National Lottery Community Fund does suggest that it has met its objectives in terms of meeting increased demand. Have we met all of that increased demand? I couldn't guarantee that to you, but we are eagerly anticipating the evaluation report giving us a better sense of that.

Q9 Mr Holden: I think I was referring to three times in terms of when you took out the hospices and the £513 million you were left with. To drill down into that a little more, this money here was particularly to help charities who help people in vulnerable situations, where there is pressure on public services, yet more than three times that figure of £513 million went to the broader arts recovery fund. There is a potential for a concern there that we are supporting the broader arts sector with a big chunk of money, but that less money is available for dealing with



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people who are facing acute issues at a vulnerable time.

Sarah Healey: I go back to what I said before, which is that the two funds were trying to do slightly different things. It is worth reflecting that charities, like the arts and cultural organisations, were receiving funding through a wide range of pan-economy measures as well as from this package—

Q10 **Mr Holden:** So were a lot of the charities or organisations in the Culture Recovery Fund.

Sarah Healey: Indeed, so this wasn't the sum total of support available for charities. But also we need to recognise that the particular issues for cultural and arts institutions were very much about the fact that they weren't able to operate at all at this time, rather than meeting increased demand. In many cases, those organisations had a total loss of income. It is a different situation. Furthermore, just to underline again, many arts and cultural organisations are charities. Many of those who receive funding are charities.

Q11 **Mr Holden:** Indeed, but they are not charities in the same way.

Sarah Healey: Many of them do serve a serious and important social purpose and work very closely with their local communities and meet many of the objectives of some of the funding that was distributed via this package. Many of them are arts organisations working with children and young people, working with people with disabilities, education programmes and so on, so I wouldn't make quite such a bright line, Mr Holden.

Q12 **Mr Holden:** Okay, I understand that. One of the issues we are facing, therefore, is this big overlap, between different funds and different Departments. You are obviously giving some money to DHSC to help with what they are doing. To what extent were you looking at the way other Government Departments had designed support packages for their sectors and the charities impacted by covid-19? Did you look across Government to what other Departments were doing in that regard?

Sarah Healey: As I mentioned earlier, this was one of the first support packages announced, so it was probably a bit more the other way around.

Mr Holden: That is fair enough.

Sarah Healey: It was one of the first ones to be put together, and I would totally acknowledge that DCMS was working incredibly at pace under a huge amount of pressure at the time, dealing with issues in many of our sectors that had been affected by coronavirus restrictions. We have learned over time about the putting together of these packages. What we did with other Departments was recognise that, as I said at the beginning, they have in-depth knowledge of their sectors and work with an incredibly broad range of organisations. They have better in-depth knowledge of the particular organisations that they rely on for service delivery than DCMS necessarily had. That is why we worked with them to identify areas of particular need and earmarked that £160 million that would be able to go



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through other Government Departments in order to meet need in the sectors that they understood best.

- Q13 **Mr Holden:** I can quite understand that. Just to go back a little bit regarding the other support schemes, obviously you said that some of the support going out in the Culture Recovery Fund would also help vulnerable people. Was any of that ring-fenced or targeted in that way?

Sarah Healey: No, not specifically for those kinds of social—

Mr Holden: There were no criteria to do that as part of the Culture Recovery Fund.

Sarah Healey: Obviously we are talking in depth about the criteria for the Culture Recovery Fund in 10 days' time, so we can go into that in a bit more detail then. There were a whole range of criteria about significance and a contribution being made by organisations that were being supported through the fund, including their artistic contribution, their significance in their local communities and things like that, but we obviously were supporting organisations that had a social as well as an artistic purpose.

- Q14 **Mr Holden:** Sure, but coming back to support for charities, this is different from that, because this is actually there for increasing demand, relieving pressure on public services and helping vulnerable groups. It is a sort of side benefit to the Culture Recovery Fund. That is the sort of thing we are trying to drill down into a little bit, Ms Healey. You're nodding, so I think we agree on that one.

On the demand from the sector and from charities across the country, has that led to any form of reassessment of the initial moneys that you gave? Have you tried to fund any of these charities or looked at different ways of supporting them after this initial funding?

Sarah Healey: I think it is probably worth reflecting on what we did within the package itself. We had a number of different objectives that we were trying to reach. Obviously, we wanted to launch some elements quickly and we wanted to distribute funding very quickly. I am sure you will come on to ask me about the pace at which we managed to allocate and distribute funding.

Ministers took the view that some flexibility was helpful in responding to need. In hindsight, that was a sensible position to take, because the impact of coronavirus probably went on a bit longer than we anticipated back at the beginning of last April—this time last year. During the course of the year in which we have been distributing and allocating the charities package, we have been able to respond flexibly within that package, so we have been able to recycle a small amount of underspend in order to ensure that the funding is as well used as possible by running later competitions or later processes to distribute funding. We have also, where possible, been flexible in varying grant agreements with organisations that we have issued money to, in order to recognise the fact that their assessment of need has changed over the course of the year. This is the package that was agreed overall specifically for charities and the voluntary



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sector, but within it, we have tried to be as responsive and flexible as possible in how we have disbursed funds.

- Q15 **Mr Holden:** I understand that, but as you said yourself, at the time this fund was put there, it was one of the first funds out there and we didn't know how long the crisis would go on for. In fact, you have said that it is longer than people thought at the time. Is there a case for looking at this again and reassessing some of the support that is needed? I am thinking particularly of, perhaps, mental health charities and things like that, as we look into this long covid situation.

Sarah Healey: Obviously, I don't make spending decisions, but we keep under review the needs of all the sectors that we work with at all times and we will continue to do so.

We worked very quickly. It is a relatively unusual arrangement by which funding for other Government Departments came to DCMS and then went to other Government Departments. That was expedient at the time, but obviously DHSC itself will also make an assessment of the mental health demands that need to be met in future and is also responsible for the funds that go to those charities, in addition to the funding that goes from this package.

- Q16 **Mr Holden:** Yes, and I am sure some colleagues will be drilling down into some of the funding you sent to other Departments later on.

You have mentioned flexibility a huge amount in your initial answers. We all understand that there was a dynamic situation that you were responding to, but could you just run through the decision-making process on how those funds were allocated? Having looked through some of the documents, it does seem that there was a scoring system that was not closely adhered to in that decision-making process.

Sarah Healey: Do you want me to go through each of the funds?

- Q17 **Mr Holden:** Could you give us an overview of the criteria for allocation for the £513 million? You talked a lot about flexibility. Flexibility can mask a variety of different things. We know there was a scoring system in place for some of the funds to be distributed—

Chair: Mr Holden, it might be worth referring people to the public letter we received from the permanent secretary, which talks about the assessment process—eligibility, stage A; assessment, stage B; it goes up to stage F, post panel due diligence. You are talking particularly about stages A to D, Mr Holden, aren't you?

Mr Holden: Yes, I am indeed. We received a letter from you, Ms Healey, on 12 April, with the assessment process of A, B, C, D, E and F.

Sarah Healey: Yes. Let me just explain what the different processes were attached to the different parts of the package. By the way, we always expected there to be a mixed model of distribution. I don't think that is a sign of weakness. It is a reflection of the fact that the funds were trying to



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do quite different things and therefore we followed different processes when we were distributing them.

For other Government Departments, we went through a process by which we asked other parts of Government to give us a sense of what the estimated need would be within the sectors that they work with. That was really to inform early delivery, particularly to larger charities that would be best known to those Departments who work with them closely for service delivery.

On receiving those bids, officials assessed them, then we went through a process of questioning other Departments about aspects of the bids that we had not, perhaps, wholly understood or we needed further clarification on or to enhance our understanding of the evidence they were presenting for need.

Obviously, we received bids for more money than we had available, which is normal, and we then scored some individual elements. What we found is that the very fact of having DCMS as part of this process meant that we were able to identify areas where Departments had bid along similar themes, and then we could amalgamate some of those funding lines in order to deliver an overall package to that Department that seemed reasonable, considering what they had asked for. It did not necessarily specifically match their bid because we, as I say, received bids for more money than we actually had. We put those together and enabled Departments to be the ones that distributed that money more flexibly to the sectors and organisations that they worked most closely with. Obviously there was a scoring element, but these things are always subject to a bit of qualitative assessment and judgment when we are understanding them.

I think you would probably be better off directing your questions on the Coronavirus Community Support Fund to Mr Rose, because the National Lottery Community Fund were obviously the decision makers in that instance, and they went through their internal process of assessing those bids and deciding what would be funded. The aim there was small and medium-sized charities—very demand-led, so very different from the other Government Department process. Because we probably did not know all of these charities. They were very small organisations. In many cases, they were very, very small grants. That is where the National Lottery Community Fund have expertise in distributing funding.

On the community match challenge, which is the other element where there was an assessment of bids by officials and an independent panel, which then went for a decision by Ministers, the NAO Report rightly points out that there was a process where the initial advice to Ministers did not match up with the eventual awards. That was really because we went through a process of iteration there. Ministers were given advice assessing the initial bids that we had received, and indeed eligibility for the fund at the same time. Under normal circumstances, we would probably go through these things in consecutive stages, but we were trying obviously



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to distribute the funding more quickly than normal, and balancing off the need to do things together.

The initial panel assessment gave advice to Ministers that suggested that, for instance, three of the bids were not fundable because they didn't meet the criteria. Then, as is quite normal, there was a discussion with Ministers. Ministers questioned some of the analysis that officials had done, and also gave a steer to focus on grant-making organisations. It is very normal in these kinds of processes to go back to bidders and ask them more questions to establish both eligibility and whether they do in fact meet the criteria. In this instance, that is precisely what happened. We established that they did meet the criteria, and that our initial understanding was not exactly right.

For the final version of the advice that went to Ministers suggesting the allocations for the community match challenge, Ministers agreed with officials' advice on how that should be distributed.

- Q18 **Mr Holden:** Ms Healey, the star chamber sessions where the 53 bids were then discussed in the star chamber of officials and then by what would appear to be special advisers with a couple of officials, before their recommendation went to Ministers. Has that process ever happened before in your knowledge—that a group of special advisers would meet together to basically determine what Ministers were going to see?

Sarah Healey: The advice that went to Ministers was advice from officials. Because we were working at pace, it was decided to bring in special advisers. As you will know, quite often the way that this works is that officials write advice, special advisers agree to comment on that advice, special advisers will feed in views, as is wholly appropriate. Because we were working at pace, we brought those two processes together, but what Ministers received was advice, and the critical thing is that it was Ministers who made the decision.

- Q19 **Mr Holden:** It does seem that this is quite an unusual process, because there seems to be almost a filtering process here. Would you agree with that, or not at all?

Sarah Healey: No, I don't think it is any different from the normal process by which officials give advice to Ministers that special advisers are able to give views on.

- Q20 **Mr Holden:** Okay. It seems that a lot of these proposals, scored out of the 20, were in the red zone or were scoring very low. With this number of special advisers in a room, who were essentially running star chamber No. 2 of this on 27 April, four days after the main bidding Departments had gone there with special advisers in as well, why was it necessary to have these two star chambers?

Sarah Healey: We had two star chambers in order to make sure that we had a thorough go around the proposals. We were pushing the process to be as short as possible in order to make those decisions as quickly as we could, while balancing off the need for a proper process. Special advisers



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give views on all sorts of advice that officials offer to Ministers, and this was no different.

Q21 Mr Holden: It's just that the process that you have just described at length to this Committee does seem to differ somewhat from the process that you described in the letter; but we will move on a little. One of the issues that I think people out there in the country are worried about is why some organisations ended up getting Culture Recovery Fund money and other money ended up coming through charity organisations. Things like, for example, zoos seem to have been a bit of an afterthought for the Department.

Sarah Healey: Discussions on this package were all taking place in the two weeks after the national lockdown, so I am not sure that anything can count as an afterthought in that scenario.

Q22 Mr Holden: You end up in a situation where large cultural institutions in central London were able to bid for things, but what about those institutions that ended up not being able to bid in the same way into the Culture Recovery Fund and ended up having to get money funded through this charity scheme, which was meant to be there to respond to increased demand and to relieve pressure on public services?

Sarah Healey: The Culture Recovery Fund was announced in July, so two and a half months after this package, and very much focused of course on organisations that, in many cases, had lost all their income and were long-term closed and non-viable. It is a very different kind of context.

Q23 Mr Holden: I think we know it was a different thing, coming later down the line. I just want to press you briefly on the situation regarding special advisers. I was a special adviser for two Leaders of the House of Lords, the MOD, the Department for Transport and the Department for Education. I don't remember ever being in any form of star chamber room where decisions were made or vetted through a group of special advisers in a star chamber committee at any point without either Ministers being present or without very senior officials also being there.

Yet in this star chamber, it appears that these special advisers were running the shop. Can you really honestly say to us that none of the decisions, or advice, that came out of that star chamber really steered decisions in a particularly different way compared with how normal decision making would have taken place?

Sarah Healey: Special advisers made no decisions whatsoever on this fund. All decisions were made by Ministers, and in fact by a combination, in this instance, of the—*[Inaudible]*—Media and Sport and the Chief Secretary to the Treasury, which is why the Chief Secretary—*[Inaudible]*—also gave a view.

Q24 Mr Holden: But Ms Healey, don't you agree that you can only make decisions based on the advice that you are given, and if that advice is going through a purely political star chamber, that is totally different from



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the way these processes have ever happened in the past?

Sarah Healey: It wasn't vetting; it was consultation, as is perfectly normal. Officials meet with special advisers frequently in order to consult and gain their views, in order to inform advice that is put to Ministers. That is quite normal in—

Q25 **Mr Holden:** Can you give another example of when a group of special advisers have sat in a star chamber together to check advice before it goes to Ministers, as a group across Government Departments?

Sarah Healey: Before it goes to Ministers, they would discuss—

Mr Holden: No, can you answer my question, please? Can you give another example of when, cross-Government, a group of special advisers have met together after the initial meeting of the civil servants to then agree the advice that goes to Ministers?

Sarah Healey: I don't go to lots of meetings with special advisers. All I can say to you is that special advisers were giving their views and being consulted, as is perfectly normal. When you say that generally that is with senior officials present, a director general in my Department was present at that meeting. It was in order to consult special advisers about their views in order to inform advice to Ministers. Ministers made decisions.

Q26 **Chair:** Ms Healey, in the private letter that you have sent us with more detail, just as Mr Holden has highlighted, it does seem that for these star chamber decisions, the notes are very candid—obviously I am not going to quote them, because it is a private letter—with candid views about some of these bids when, as you say, one of your officials was present but the majority of people in the room were special advisers, who hadn't therefore gone through all of the detailed analysis of the bids and the assessment, and yet their views are very firmly recorded and some things then are referred to Ministers as a result. As Mr Holden says, Ministers can only make decisions on what is in front of them. Do you not feel that your Department was rather emasculated in this process, given that you had gone through a proper process, and special advisers then had this unusual star chamber, effectively making decisions about what would go to the Minister, and actually, in some cases, Ministers were making decisions on things that your officials and your team had not recommended?

Sarah Healey: Honestly, the first part of this process was officials meeting to discuss with the Departments those bids in detail and respond to points of clarification. Therefore, that was an official-led-and-managed process. Subsequently, these were discussed with both officials from the Treasury and the Prime Minister's Office and special advisers from the Treasury as well, and No. 10 and DCMS, in order to inform advice to Ministers, which is quite normal. We have frequent discussions with special advisers in order to inform advice to Ministers, and that is what happened in this instance.



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The decision about which bids were funded and the fact that some bids that had lower scoring in the advice were funded was the result of the fact that we were looking across a very broad range of policy areas and we were determining whether, by combining some of these bids, we would be able to meet need more appropriately and give greater flexibility to those Departments to be able to distribute funding appropriately to the organisations that they knew best.

Updates were given to Ministers in advance of this process, in order to let them know what it was going to be, and the advice that went to Ministers was advice from officials.

Chair: I am going to bring Mr Richard Holden back in on this.

Q27 **Mr Holden:** Ms Healey, you have just said two contradictory things—first, that special advisers and officials met to be able to inform advice to Ministers, and secondly, that official advice went to Ministers. Which was it?

Sarah Healey: Official advice went to Ministers. As is quite normal in Government, there were discussions with special advisers. It took an unusual form, I admit, but not an inappropriate one in this case.

Q28 **Mr Holden:** Do you agree that it was a unique form?

Sarah Healey: To be totally honest, I am trying to rack my brains to think of plenty of occasions where I have sat in a room as a senior official with a large number of special advisers and officials from different parts of Government discussing an issue—

Q29 **Mr Holden:** This was one official and a large group of special advisers, including from No. 10, wasn't it?

Sarah Healey: There were officials from the Treasury and the Prime Minister's Office also present. It wasn't simply one DG. It says here that it was a session where Scott McPherson—who was the director general for volunteering for me at the time at DCMS—listed the special advisers and then actually there were officials from the Treasury and officials from the Prime Minister's Office.

Q30 **Mr Holden:** This is star chamber 2—yes? On 27 April?

Sarah Healey: Yes. If you look at the letter, it says at the end, "Officials from HM Treasury and the Prime Minister's Office".

Chair: Any more Spads? It's certainly the same number of Spads as DGs, at least.

Q31 **Mr Holden:** There are a huge number of special advisers in that meeting. We have gone a little bit off topic. You said that the special advisers met in order to inform the advice that went to Ministers. I don't think that is normal, is it?



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Sarah Healey: We consulted special advisers and I think that is very normal. We will often talk to our special advisers because it is helpful to understand where Ministers are coming from.

Q32 **Mr Holden:** Sure, of course it is, but you said, specifically, in order to inform the advice. So it wasn't advice going from your officials straight to the Ministers, was it?

Sarah Healey: The officials gave the advice to Ministers—

Q33 **Mr Holden:** They gave the advice, but that advice had been informed, hadn't it?

Sarah Healey: We consult with special advisers all the time before giving advice to Ministers. That does not mean that the advice is special advisers' advice; it is officials' advice—*[Interruption]*—the advice was proper and given by officials.

Q34 **Mr Holden:** Okay. Not that long ago, when I was a special adviser, advice would come in and I would then comment on it separately, but it certainly would not be assisted and written by me or informed by me before it went to the Ministers. It seems that an extra process has been put in place here which is highly unusual. Now, it was a dynamic situation; everybody knows that. It was a unique situation as you were responding to covid. If that is something that has happened, that is fine, but I think you are trying to juggle two different situations here.

Sarah Healey: I'm really not. Advice was written by Ministers and I am sure that when you were a special adviser you would often meet officials to talk about advice that had not yet been submitted, because people would want to know where the Minister was coming from in order to direct their energies. That is very, very different from the idea that special advisers wrote official advice—

Q35 **Chair:** I am sorry, Ms Healey, I think you are mixing up two things. This is a decision-making process about allocating funding. I have been a Minister, so I have been involved in this as well from that perspective, as Mr Holden has, and special advisers will of course talk to officials about things, but that is different from getting involved at that point of decision making. And in that meeting, in that second star chamber, there were, according to your letter, three officials, including one from your Department, three No. 10 special advisers, one Treasury special adviser and one special adviser from within your own Department. So that is five special advisers and three officials in a room, making decisions about what would be put in front of a Minister. You have touched on those that were in the red zone that the NAO highlights, which were added to the list at that meeting.

Sarah Healey: They weren't making decisions. Ministers made decisions and officials gave advice to the Ministers.

Q36 **Chair:** I am sorry. Ministers, of course, ultimately make decisions and the system is that Ministers take responsibility for every decision made in their Department. But, as Mr Holden has highlighted repeatedly, they can



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only deal with the advice that they have been given, and that advice came through an unusual route. You seem to be dancing on a pinhead to try and justify this. As Mr Holden said, if you did it differently because it was covid and it was rapid, then explain that and justify it. It seems like there is a fig leaf here to cover up the fact that it was a lot of senior special advisers in a room, making very candid and detailed comments on these briefings, with those decisions therefore going through to the Minister as a result of that meeting. They were very, very closely involved in a way that I have not seen before.

To be frank, we come from different experiences in this House, but when we were preparing for this none of us could think of an example where this has happened before. We come from different positions politically and otherwise, but this was extraordinary to us. And you are telling us this is quite normal.

Sarah Healey: No, I didn't say it was normal. I did say that we truncated the process because we were working at pace. Therefore, the simplest way of getting—

Q37 **Chair:** So do you think it is a good way to do it? Is this something that you would like to see? Do you think it is good for the body politic to take this approach in future—to have a star chamber of advisers, including many from outside your Department, to make decisions on how your Department and Ministers will be advised to spend departmental money? Let us not forget that it is taxpayers' money.

Sarah Healey: I think it is worth reflecting that two of the other advisers were from the Prime Minister's Office and also from the Treasury, and indeed—

Chair: Three from No. 10, I think—

Sarah Healey: Allocations of funding were taken by both the Chief Secretary and the Secretary of State for Digital, Culture, Media and Sport, which is why the Treasury special advisers were involved in those discussions. Personally, the most important thing to me is that the advice that Ministers received was advice from officials, that officials wrote the advice and that officials were comfortable that the proposals being put together— There is this issue that we amalgamated several of the bids to create packages focused on specific areas of funding. We did do that, but we felt at all times that those decisions were value for money and were good decisions about the use of public funds.

Chair: Mr Holden, did you want to come back at all?

Mr Holden: Not particularly, Chair, but given the fact that some of the schemes that were recommended had obviously been red-listed earlier in the process at the previous meeting, it does seem quite an unusual situation to me to have had this. I really do think that there would have been a better way for the Department to have approached this hearing on this matter.



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Q38 Sir Geoffrey Clifton-Brown: Good morning, Ms Healey. Did your officials, after these meetings, report back to you? Did you okay the advice before it went to Ministers, and was that advice altered as a result of your officials reporting to you before that advice went to Ministers?

Sarah Healey: Not that I recall, no. I do not clear—

Q39 Sir Geoffrey Clifton-Brown: Let's be very clear. The process was that these meetings took place, and as a result of those meetings the advice to Ministers went unaltered from those meetings to Ministers.

Sarah Healey: No, that is not what I said. No, no, no. After the meetings, officials, on the basis of discussions and analysis, put together written advice. It didn't come through me because I don't clear all policy advice that goes to Ministers through my Department. It would have been put together and cleared by a director general in my Department, working with his team of officials. I should emphasise, on the bids that were red-listed—red-listed does not mean that they were poor value for money; they were just red-listed in comparison to other bids—it was only when they were amalgamated with other bids to give Departments flexibility on spend in a particular area.

Q40 Sir Geoffrey Clifton-Brown: So the advice was drawn up by your directors general. You did not see it. It went to Ministers for them to make a decision. Is that what you are telling us?

Sarah Healey: It was advice that was cleared by a director general in my Department, and it was copied to me. That is a far higher level of clearance than normal. It would normally be a deputy director that would clear advice of this nature, but on this occasion, because the process was happening at such pace, it was cleared by the DG.

Q41 Sir Geoffrey Clifton-Brown: I would expect it to be at a high level, given the importance and given the rapidity of the system. Were you in any discussion with your directors general before this advice went to Ministers? Was it altered as a result of those discussions with you?

Sarah Healey: No.

Q42 Sir Geoffrey Clifton-Brown: So essentially, the decisions that were made at those meetings with special advisers was the advice that went to Ministers.

Sarah Healey: No. Officials, drawing on discussions, prepared advice to Ministers. No decisions were made at those meetings whatsoever. They informed advice that went to Ministers.

Chair: I have to say that I think we are quite staggered by this. I would hope that there is some reflection about whether this becomes the norm because there is a danger to the body politic, I think. Special advisers have a very important role to play, and a very useful role to play, which every Government and every civil servant, I think, would recognise. If that is blurred, there can be a real danger constitutionally, and it can cast real questions. We have seen issues around other funds, like the towns fund,



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where decisions were made rather more opaquely at a later stage. I think you have gathered from what we have said that we have some concerns here.

I am going to ask Peter Grant MP to come in now, to talk a bit more about the distribution and the use of partners, so some of our other witnesses may get a look-in now.

- Q43 **Peter Grant:** Thank you very much, Chair. May I first of all associate myself entirely with your comments and those of Sir Geoffrey on Dame Cheryl Gillan? Obviously, I did not know her in person for as long as some members of the Committee did. I knew of her reputation long before I became an MP. Certainly, your comments about how hard she continued to work through her illness ring very true. She was certainly inspirational to many of us in that regard.

I want first of all to come back to you, Ms Healey, about the sessions that are described in your letter as a star chamber process. A session on 23 April 2020 attended by officials prepared what you have described as proposed recommendations for Ministers. Those proposed recommendations for Ministers were then discussed with a panel that included a number of special advisers. Did the recommendations that came out at the end of that meeting match the recommendations that were proposed at the start of the meeting, or did the recommendations change as a result of that meeting?

Sarah Healey: The recommendations were informed by a whole range of discussions, both between officials and analysis, and consideration—

- Q44 **Peter Grant:** I understand that, Ms Healey. I think you have explained that in answer to a number of questions. What I am asking about specifically is this. You referred in your letter to proposed recommendations for Ministers that were discussed on 27 April 2020. Did the recommendations that were eventually made to Ministers differ from the proposed recommendations that were taken into that meeting on 27 April?

Sarah Healey: They may have done. I am happy to write with further clarification on that point, but they will not have been determined by or decided at that meeting. Officials will have taken a view. Final recommendations were firmed up only after discussions because consideration and consultation on all these points were not complete at the point of that second meeting.

- Q45 **Peter Grant:** Has the Department published, or do you intend to publish, anything that will allow all Members of Parliament to tell what influence special advisers had on the advice submitted to Ministers as opposed to the advice that would have gone purely from civil servants?

Sarah Healey: The advice that went was from civil servants. There were discussions with special advisers, but the advice was determined by officials, and the advice was drafted by officials.

- Q46 **Peter Grant:** Without necessarily going into the details of individual bids



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because I appreciate the sensitivities involved, can you give us an example of where it would have been right and proper for the original recommendation to have been changed as a result of discussions with special advisers? What would be the proper place for special advisers to influence a civil servant's recommendation before it went to the Minister?

Sarah Healey: Special advisers obviously offer a particular perspective and will highlight issues that are of particular concern to Ministers and Members of Parliament. I think that is important information for civil servants to have as context. It is not decision-making.

Q47 **Peter Grant:** The first paragraph of the code of conduct for special advisers says that part of their purpose is to reinforce "the political impartiality of the permanent Civil Service by distinguishing the source of political advice and support." How can Members of Parliament distinguish between the political advice and the impartial civil service advice that went to Ministers about which bids they should approve, and which they should not approve?

Sarah Healey: The advice that went to Ministers in this instance was from officials, and it was official impartial advice. I am satisfied that that is the case.

Q48 **Peter Grant:** But it was influenced by political input from special advisers?

Sarah Healey: There were discussions that took place. That is not the same as special advisers making decisions or changing advice—

Q49 **Peter Grant:** Ms Healey, you keep telling us that special advisers did not make the decisions. That is not what I am asking. Was the advice that civil servants submitted to Ministers influenced by the discussions that you had with special advisers?

Sarah Healey: It was not changed as a result of that. It was advice that officials were happy to give to Ministers. It was advice that officials had prepared. It was advice that officials gave freely and impartially.

Q50 **Peter Grant:** So is your evidence to the Committee that the advice that went to Ministers after those discussions on 27 April was exactly the same as it would have been before the special advisers were invited to comment?

Sarah Healey: I cannot say that it was exactly what it would have been, but it may have been the case that special advisers gave information that was helpful. That is not the same as influencing or changing the advice, which I am certain did not happen.

Q51 **Peter Grant:** In what way would the information be helpful if it did not lead to a change in the advice?

Sarah Healey: It is often the case that special advisers have a stronger sense, for instance, of issues that are being raised with Members of Parliament than officials will have. That is obviously significant and important. Nevertheless, it is absolutely the case in this instance that the

advice that went to Ministers was prepared by officials for Ministers in the proper way. It is not influence, but there will obviously be information discussed that is useful.

- Q52 **Peter Grant:** Thank you. Can I move on to some of the other criteria that may or may not have been used in, first, assessing individual bids, and then looking at the overall package of recommendations? At what point did you consider the overall geographical balance of the funding that has been allocated? I appreciate that at one level it can look as if it is concentrated in London, because that is where a lot of the organisations are based. What steps were taken during that assessment to identify which parts of England—in this case, it is only England—supported activities that they focused on?

Sarah Healey: On the geographical distribution of the funds, obviously the different funds have different elements to them. Just talking initially about the Coronavirus Community Support Fund, we made an explicit decision for that to be demand-led, so led by bids from charities rather than a predetermined equal regional distribution. We did offer the National Lottery Community Fund's indicative regional allocations, to say broadly what we would expect to see in terms of distribution around the country, but we didn't make those determinative because we did not feel that was appropriate.

Instead, we very much relied on analysis of need and wanting to match need as much as we possibly could. We asked all those receiving grants to inform us about the location of beneficiaries, because there is this slightly unusual situation with the beneficiaries of funds in charitable situations, where sometimes the geographical location is the headquarters of the organisation, not the place in which the money is spent. Sometimes that does not give us all the information we would like about regional distribution. That was the Coronavirus Community Support Fund.

We then took regional distribution into account when determining recipients of the community match challenge. We will be using the evaluation that we are doing later this year to determine what the regional distribution was.

- Q53 **Peter Grant:** Do you intend to publish what the intended regional distribution was, and do you intend to publish what it turned out to be after the money had been spent? I appreciate that what happened may be slightly different from what was intended in the original bid. Do you intend to publish those sets of figures?

Sarah Healey: I would be quite happy to inform you about what the indicative allocations were, but they were never intentions. They were indicative because this was a demand-led fund.

- Q54 **Peter Grant:** What feedback have you had from charities about the process and, in particular, the several different processes that were set up? Have charities commented on whether they found it easy to understand or reasonably simple and non-bureaucratic to apply? Obviously, charities that didn't have their bids met won't be too happy



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about it, but what feedback have you had on the actual process of applying and being assessed?

Sarah Healey: I think Mr Rose might be best placed to tell you about feedback on the National Lottery Community Fund process, which is one that charities are relatively familiar with. They are used to working with the NLCF on those kinds of distribution process. Certainly, we have received very positive feedback from charities that received funding from all the package, but because the National Lottery Community Fund has been able to do an initial evaluation, it has received positive feedback about the impact of the fund.

The second major demand-based fund was the community match challenge, where the foundations involved have been very positive about the availability of this funding to distribute to their partners.

Peter Grant: Thank you. Mr Rose, do you want to add anything to that?

John Rose: Yes, certainly. We undertake regular surveys of customers who are accessing our funding. During the second quarter of the financial year, when we were taking those results, 77% of customers of the CCSF scored us at between 8 and 10, with 10 being high and the maximum. So, the report recorded customer excellence. In terms of that, we also received numerous bits of feedback and anecdote about the impact that fund was having.

We are conducting evaluation alongside this that is looking to establish the impact of the fund more generally, which will report in summer this year. But to give you a bit of insight to the sorts of thing we have been hearing from grant holders as a result, some of the crucial bits of feedback have been that around 75% of those grant holders were able to support beneficiaries that they were not working with previously, so there was a real sense of reach there. Some outcomes that were achieved were 86% of beneficiaries reporting improved mental health and wellbeing, and around 81% of beneficiaries reporting a reduction in isolation and loneliness.

Q55 **Peter Grant:** May I come back to Ms Healey on a separate point? I will come back to Mr Rose on it as well. Are you aware of any concerns or potential disadvantage to charities that, for religious reasons or reasons of principle, have not engaged with the national lottery up to now? There are organisations that, on principle, will not apply for lottery funding because of the view they take on gambling. How did you ensure that they were not disadvantaged in any part of the process by never having engaged with the national lottery? It is possible that the lottery did not know they existed because they had never contacted it.

Sarah Healey: I will allow Mr Rose to comment on that. Helpfully, of course, the National Lottery Community Fund process was not the only process that distributed funding to small and medium-sized charities. That was also done through the community match challenge, so that was not the only route by which smaller charities that did not want to engage with the National Lottery Community Fund were able to bid for funding.



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John Rose: To add to that, one of the great strengths of CCSF was that it brought together a fund that provided either national lottery funding or Government funding in this instance. Therefore, those organisations that might have had either religious or moral objections to accessing the proceeds of gambling—national lottery funding—were able to access Government funding. What we did to try to ensure that this was available to all, and all were aware, was use a variety of mechanisms. We had our own publicity, and also that of the Government, but importantly we used the extensive networks that we have right the way across England to reach out and let communities know that this funding was available.

Peter Grant: Thank you. I will leave it there for now, Chair, because I realise that we are a bit pushed for time. I may want to come back later if there is time, but I know that other Members want to ask questions.

Chair: Thank you. I will bring you back in a little later, Mr Grant. Sir Geoffrey Clifton-Brown, over to you.

Q56 **Sir Geoffrey Clifton-Brown:** Ms Healey, how does your decision to allocate funding to DEFRA in the departmental support grants fit with the objectives you set to support the vulnerable during the pandemic?

Sarah Healey: The funding for DEFRA was, I believe, a mix of funding to support food distribution networks for those under particular pressure as a result of covid. It was also available to support zoos. At that time, we were extremely concerned about the welfare of animals in zoos and what was going to happen as a result of zoos being closed during the period. Therefore, the original decision to put the package together indicated that zoos would be one of the priority recipients of funding in order to manage that issue.

Q57 **Sir Geoffrey Clifton-Brown:** But a very high proportion of zoos pay business rates—they are essentially businesses. I understand the concern over welfare for animals, but was this charitable money allocated by your Department the proper mechanism to support what was essentially a business sector?

Sarah Healey: Many zoos are also charities, and obviously at the time there was, as I say, considerable concern about the impact on them. Therefore, DEFRA made a bid in order to offer that support to zoos, and it was approved as part of the process.

Q58 **Sir Geoffrey Clifton-Brown:** But there were two funds. There was the Zoos Support Fund, which was presumably supposed to go to helping out animal welfare, but there was also the Zoo Animals Fund, which was presumably to go to help the zoos sector as a whole. Furthermore, the £10 million of the £30 million that you allocated to DEFRA has been allowed to be rolled over from the last financial year into this financial year.

Given that the whole thrust of the whole programme—the whole £513 million—and the whole effort of your Department was to get the money out quickly to the charitable sector, to vulnerable people in particular, I



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press you again on whether this was a proper mechanism—not only the Zoos Support Fund, but the zoos fund itself, which was supporting the zoos as a business sector.

Sarah Healey: Obviously, we were concerned about the impact on zoos' income and about the potential effect on animal welfare, and Ministers took a view that they wanted to allocate funds to zoos. There is a separate DEFRA fund, which is quite separate from this and I can't talk about it in any detail. You would have to speak to the permanent secretary at the Department for Environment, Food and Rural Affairs—

- Q59 **Sir Geoffrey Clifton-Brown:** Can I just stop you, Ms Healey? Let us try to get a candid answer for once in this inquiry, please. Was this charitable money the correct avenue for Government money to support zoos or should it have come out of some other fund? Given that it is money that was inevitably being taken from really vulnerable causes, was this the correct avenue?

Sarah Healey: Our assessment is that, for all the spending here, I do not have any accounting officer concerns about how it was spent. I think that there was considerable concern at the time about the impact on zoos of closure, and on animal welfare.

- Q60 **Sir Geoffrey Clifton-Brown:** I hear what you say as accounting officer at the Department, but I have no doubt maybe the NAO subsequently will wish to look into this matter.

Was this decision in any way altered as a result of the two meetings of the star chamber? Did they have an input to this whole matter?

Sarah Healey: No more than discussions that took place on all these matters, for example, quizzing of departmental officials—

- Q61 **Sir Geoffrey Clifton-Brown:** That is not a candid answer. I asked you a specific question. Did the star chamber, in either of the two meetings, have an input to this question and was the advice altered as a result of the input from those two star chamber meetings with special advisers? I want a straight answer to a straight question, please.

Sarah Healey: No, except in so far as there was not advice that existed in perfect form at the beginning; the advice that went to the end changed as a result of those discussions. It was not changed as a result of what was said any more than any of the other advice was influenced by a set of discussions with departmental officials in order to understand better the details in their bid.

- Q62 **Sir Geoffrey Clifton-Brown:** I accept that it is a comparatively small amount of money—£10 million—but it does seem to stick out like a sore thumb from either the rest of the departmental allocation or directly from your Department to charities. Did either you or any of your senior directors raise any question marks over this matter before that advice was given to Ministers?



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Sarah Healey: We obviously had discussions with Ministers about where their priorities lay across the whole range of this package, including on zoos.

Q63 **Sir Geoffrey Clifton-Brown:** Yes, but that is not really the answer. We all have concerns about animal welfare, and we all have concerns about zoos. My line of questioning here is whether this particular amount of money that was allocated by Treasury was the correct allocation by your Department, given that this money was for charities—whether this is the correct way of allocating money to zoos or whether there should have been a different fund, funded directly through DEFRA.

Sarah Healey: Obviously, that would have been a different way of doing it, but I am assured that this was a perfectly value-for-money, reasonable use of the fund.

Q64 **Chair:** Thank you very much for that, Ms Healey. We are really keen to know of the decision-making process. Lots of things were good decisions to make about spending money during covid, but it is that paper trail about money that was allocated for one thing, then your Department is basically told to give it to DEFRA and then DEFRA handling it. The private letter you have sent us seems to slightly contradict what you have said. So, we will write to you to pick that up, because we are concerned that that star chamber meeting did indeed make major decisions...

We will write to you to pick up on that, because we are concerned that that star chamber meeting did indeed make major decisions, and I think you have picked up a very strong concern here about the constitutional decision-making process and the ability to track it back to the right decisions made by Ministers ultimately.

I want to move on and come to Mr Rose on the National Lottery Community Fund's share of the pot. Of course, Mr Rose, you were originally allocated a lot more money than you were then given. You were allocated £310 million and that was then reduced to £200 million after you had advertised the pot. Can you tell us what discussions you had with the Department about that reduction in funding for you to distribute?

John Rose: My understanding is that we were developing a scheme based on the working basis of it being £310 million, but that figure wasn't finalised and the final arrival was made in May, so we were working on the basis initially of that amount. Of course, the development of the scheme in terms of establishing the priorities associated with it and the process through which customers would go was appropriate to either size of budget, alongside which we were also continuing to distribute national lottery funding at the time.

Q65 **Chair:** You were involved at the time, weren't you, even though you were not in your current role—in your finance role?

John Rose: I was involved to some extent, but not at any great level of detail in terms of negotiations with Government.

Q66 **Chair:** Perhaps I can come back to Ms Healey on this. Given that the



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National Lottery Community Fund was chosen to distribute the money because of its experience, and then there was a very big reduction in that funding pot, can you explain the thinking behind that? Was it a lack of trust in the Community Fund? What was the thinking behind reducing the pot of money at that point?

Sarah Healey: It was absolutely not a lack of trust in the National Lottery Community Fund. The Coronavirus Community Support Fund remains the largest single part of this package, and I think that is a vote of confidence in the National Lottery Community Fund, which we obviously work with very closely also in the distribution of lottery funding. The fact is that Ministers took a view that they would like some flexibility in how they distributed the funding and that allocating all of it through one process at that point in time didn't allow them that—

Q67 **Chair:** That is very helpful to know. Ministers decided they didn't want it all to go into one pot, so who decided originally that it was going to be £310 million? Presumably Ministers decided that was the right allocation at some point.

Sarah Healey: Initially, yes. That money was the right allocation for small and medium charities. We never said all of it would be with the National Lottery Community Fund, though that was—

Q68 **Chair:** Right. Just to be clear on the decision-making process, Ministers agreed the total pot and the broad area it would go to, then officials routed that through the National Lottery Community Fund. At which point did Ministers say, "Hang on a minute. We don't think it should all go through that route. We want more flexibility over decisions about where it should go and not put it through the Community Fund route"?

Sarah Healey: It was not long before the fund launched, because obviously as the fund launched we would have been setting out the amount of money that was available through it.

Q69 **Chair:** Was there some point at which Ministers were just not kept in the loop? Obviously, it was very fast-paced but Ministers are used to reading submissions at pace. Was there something that they hadn't read or hadn't been informed of? How fast was the time between saying it should go through the National Lottery Community Fund and then making the change in decision?

Sarah Healey: We were, as you say, making decisions very rapidly and at pace, and it was quite late on in the process, as the NAO Report makes clear, that Ministers took a different view and decided that they wanted some flexibility in how that extra £110 million was allocated.

Q70 **Chair:** It just seems odd to me that a Minister making the decision in the first place about the amount of money might have also at that point had some discussion about where it would go—that still seems to be broadly the same—but also the route by which it would be administered, because it added a complication and actually delayed money going to organisations by taking that money out of the pot. What kind of flexibility did Ministers expect to see by splitting it? What—*[Inaudible]*—from doing



it through the Community Fund? Was it a feeling that there was no control from the Department?

Sarah Healey: No. It was much more that the situation was unfolding very rapidly, things were are changing very quickly, and they definitely wanted to ensure that all of the money going out was meeting as much unmet need as possible, and to ensure that we knew that was going to be the case. Of course, what ended up happening was that, via the community match challenge, we were able to leverage in that extra match funding of over £80 million.

Q71 **Chair:** So that was a driver?

Sarah Healey: Certainly by that point, Ministers were interested in whether more could be done to leverage private donations as part of the distribution of the funding.

Q72 **Chair:** Okay, so now the penny begins to drop—the Treasury is nervous about the amount of money going out of the door, and this is a way of increasing the money going to the sector by using match funding, basically. It is not an illogical decision.

Sarah Healey: I don't think I would quite put it like that, to be honest. I think it was much more the fact that we'd seen such an explosion in private philanthropy and fundraising, and we wanted to continue to encourage that through this match funding process. We had seen what had happened with the Big Night In, where we had offered to match fund and, of course, it ended up paying out more money than we'd originally allocated for that, because extra funds had been raised. I think that Ministers were keen to see what they could do to encourage that very positive step.

Q73 **Chair:** Because there is quite a difference between match funding from charitable trusts and large, experienced donors, and match funding things like the Big Night In. Not to decry that, but sometimes money raised through those routes goes to the organisations that they have decided to fund. You could also say that it boosts public morale. Was that a factor in doing that? Because that meant that, as you say, more money went through that route—because of the match funding promise—than had been expected. Did that throw out your numbers for what was going to other organisations that you had decided needed funding?

Sarah Healey: No, it didn't reduce the allocations to other organisations.

Chair: Can you just explain?

Sarah Healey: We worked with the Big Night In. The Big Night In organisations that distributed funding are trusted and known organisations, which we knew would direct the funding in an appropriate manner.

Q74 **Chair:** Okay. It is helpful to make that absolutely clear. Can I go back to Mr Rose? What was the impact of that reduction? You had obviously already called for bids—they were coming in—but you could help fewer



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organisations. Would you have advertised the bidding differently had you known you would have £100 million less to allocate?

John Rose: No, I don't think it would have, because we had always said that we were focusing on small and medium-sized organisations, and, of course, the Government funding that was going into CCSF was running alongside work that we were already doing with national lottery funding. Since the beginning of the lockdown, we have been continuing to support organisations with national lottery funding. What this did was give us a boost of a further £188 million of Government funding to support emergency packages, which enabled community organisations and charities to get that important support directly to beneficiaries. It wouldn't have affected the way that we would have marketed this. We continue to distribute national lottery funding, and do that alongside the Government funding as well.

Q75 **Chair:** Ms Healey, coming back to you on the other organisations that you began to use to distribute this money: as well as the National Lottery Community Fund, you allocated it through 20 organisations, but four of those were among the lowest-scoring applicants to do that. If an organisation that distributes moneys has a low score, it does ring alarm bells for us that they are then chosen to be distributors. Why was that decision made?

Sarah Healey: Can I give a clarification to one of the answers that I gave a moment ago, which is on the Big Night In? You asked whether the extra match funding reduced the overall sum available for other charities. It was actually additional to the £750 million package, so it didn't at all influence the amounts available for other organisations.

Chair: Thank you. That is very helpful.

Sarah Healey: I think I spoke earlier, in response to Mr Holden, about the process of advising Ministers on the community match challenge. It is fair to say that we were taking a relatively innovative approach. We encouraged bids, we made an initial assessment of those bids using an independent panel and presented initial ideas to Ministers about how that portfolio could be distributed.

Chair: We have gone through that, yes.

Sarah Healey: We provided that initial advice and then, obviously, we entered a set of discussions with Ministers about their views and preferences and what they were trying to achieve with that package. Indeed, with some of the funders that were indicated as potentially not eligible to be funded, through discussions with them the Minister asked several questions, appropriately, in order to say that she wasn't sure that the advice precisely matched her understanding of those organisations, so could we go away and check that information. That is a quite proper thing for us to do, to make sure that our understanding of it is thorough and full. In response to that, we did discover that actually those organisations were eligible to be funded under the criteria of the community match challenge. We also received a steer from Ministers, also quite



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appropriately, that we should focus on grant-making bodies as the best possible way of reaching a wide new range of smaller charities that those grant-making organisations would work with. We iterated advice, as often happens, through discussion with Ministers, and the final package that we put to them, they agreed fully with the recommendation that we made.

Q76 Chair: So it is like a proper process—Ministers asking questions, pushing back on civil servants about whether you have done your proper due diligence. Do you think that your colleagues or your Department failed if four low-scoring applicants with further work were proved to be acceptable bodies to distribute funding to smaller charities?

Sarah Healey: No, I don't think they failed. I think they gave Ministers the best advice that they could on the information they had at the time, and Ministers asked—

Q77 Chair: But from being the lowest scoring to getting the money—you have given me the process that happened, but can you give a precise example of something that you discovered when you went back, at the behest of Ministers, to look again? Is there any particular organisation you can highlight where you discovered there was something you hadn't picked up in your first round of due diligence?

Sarah Healey: I can't, I am afraid, and I wouldn't want to talk about precise examples.

Q78 Chair: I can understand that. Could you perhaps write to us on that, and if there are bits of it that need to be private, we would understand that? We would like to do as much in public as possible, but we would understand. We need to understand whether it was an appropriate move for the lowest scoring—which seems odd if you have got a process that is robust—to then move into being given money. If, indeed, a Minister is doing a good job and asking the right questions, there is possibly an issue about what happened in that early due diligence. We need to understand that better.

The other key thing here is that you paid PwC £2 million to undertake due diligence and collate data. We know that the civil service was massively pressed at this point, but why was it that you outsourced that rather than using the civil servants who were knowledgeable about the sector to do those tasks?

Sarah Healey: Obviously, as you say, we were under severe pressure in the early part of last year, in the Department. We therefore decided to contract for specialist support on grants and operations. The majority of the administrative work supporting the delivery of this package has been done by civil servants in the Department for Digital, Culture, Media and Sport, but we decided to contract for specialist support on grants and operations in order to help us manage that process—not in order to take over jobs that should be done appropriately by civil servants, I should emphasise. In fact, the funding for the main contract with PwC was not taken from the charities package. It was funded by other DCMS budget.



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Q79 Chair: So that money went to PwC, but you just talked about the trust you had in the National Lottery Community Fund, which is an experienced grant-giving body, so what was the purpose of having PwC paid in addition to a body that was well experienced and used to giving out grant funding with proper due diligence? It seems a bit duplicative, so can you explain why you chose to go that route?

Sarah Healey: Ministers wanted to thoroughly understand the process that the National Lottery Community Fund was going through, which I think is quite sensible, considering the fact that we were working at pace in a situation of need. Also, of course, it is important to remember that PwC were not simply working for us on the funding that went through the National Lottery Community Fund. They were also supporting other aspects of the distribution of the package.

Q80 Chair: Indeed. In total, I think it was £19 million for the whole evaluation. We will come on to evaluation later, because that is important, but it is a lot of money, given the pace. It still seems a puzzle to me, if there were clear criteria set for the National Lottery Community Fund and clear criteria about where the money should go, and it is an experienced grant-giving body. I will come to Mr Rose in a moment. Why could they not have wrapped up that due diligence and reporting into their normal work and with the normal audit process to pick up any issues, rather than having the very—I mean, at the beginning, PwC were going through every single allocation, weren't they? That was quite duplicative until that was dropped down later.

Sarah Healey: Ministers were very keen to have an opportunity to see what was happening and to ask questions about it. Ultimately, the National Lottery Community Fund was the decision maker on the Coronavirus Community Support Fund. As you say, this was the largest part of the package. It was under significant scrutiny and we wanted to simply be able to understand what was happening—

Q81 Chair: There is a lot of talk there. You have talked about great trust in it and then you have repeatedly used the words "Ministers decided." Of course, they do decide ultimately, but it sounds like there was a concern about lack of control over the National Lottery Community Fund and that they wanted a third eye on it.

Sarah Healey: We did introduce the review process, yes. That was essentially because this was such a fast-paced and pressured situation that Ministers felt that they did want to understand what was being done with this money and who was applying for it. As you say—

Q82 Chair: Ms Healey, maybe Ministers wanted that, but I cannot understand. I am going to come to Mr Rose and then come back to you. Mr Rose, is there something that the National Lottery Community Fund was not doing and therefore needed a third eye on? What did you think of this role of PwC coming in and overseeing, at the beginning, every single allocation, until that was reduced because it was too onerous?



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John Rose: The first thing I would say is that when we distribute money on behalf of clients, effectively—it is not our own money; it is not national lottery funding—we often find that people have additional requirements. Those can vary from additional parts of a process right the way through to actually making the decisions themselves. In this instance, as the permanent secretary alluded to, the final decisions on awards were delegated to the fund to undertake.

In terms of the rapid review process, I do not think this had a huge impact on timescales. We typically would submit details of projects we were proposing to fund on a Friday. We would have feedback the following week. Where that feedback flagged any points of further detail, we were then able to feed that into the process.

Q83 **Chair:** Can you give us an anonymised example of further detail that you received from PwC that helped make a different decision on a grant that you had already agreed?

John Rose: I do not have a specific detail of that, as personally I was too far from the process for that.

Q84 **Chair:** But we understand that single figures were rejected, so you were doing a good job, in other words. Your initial assumption, your due diligence, your work to allocate was good work, from what the NAO says in its investigation.

John Rose: That is correct, and I would be confident in our processes in terms of making the appropriate awards.

Q85 **Chair:** It seems to me, Ms Healey, that it was a bit duplicative having PwC when there was very little to show for its work in addition to the already seemingly robust processes of the National Lottery Community Fund.

Sarah Healey: Obviously, Ministers took a view that because this was such a high-value part of the package and because we were so keen to ensure that we were meeting the specific objectives in a fast-moving situation, they did want this extra review process to take place. But, as you say, ultimately very few of these were actually subject to detailed review, and we changed the process after a short amount of time, on the basis that we decided that reviewing awards under £10,000 was overly onerous, and so we changed it. In that instance, we recognised that it had not been set up in the best possible way to start with and we should change it.

Q86 **Chair:** So you would acknowledge that, in terms of value for money, until you changed it, it really was duplicative.

Sarah Healey: We recognise that it was overly onerous as a review process when it was looking at grants under £10,000, and that is why we changed it.

Q87 **Chair:** It is good when you are learning where other Departments have been reluctant to learn—some are very good at learning as they have



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gone—so we are heartened on that point. One of the key issues—of course, it is early days, and as you highlighted at the very beginning of the session, you have not fully reconciled all the numbers yet. We would expect that, but we know that you have already identified several hundred thousand pounds of fraudulent applications. What do you think the realistic prospect is of getting that back, and can you give us any specific examples of types of fraud that were perpetrated and how they managed to get through the system?

Sarah Healey: It is probably worth giving a bit of context here. We have talked a lot of times during the course of this hearing about the fact that we wanted to get as much money distributed as possible, as quickly as possible. That was not the sole objective of the fund—it was also to distribute it in the right way, and I have mentioned that in relation to flexibility—but speed was important within each of the different funds. As ever—*[Inaudible.]*

Chair: Ms Healey, I am sorry, but we just lost you there for the last half a minute. Do you think you could repeat what you said? We could not hear you at all.

Sarah Healey: I will try to remember. Some small and medium-sized organisations are new; some of them have been repurposed in order to deal with coronavirus, and that also always increases the amount of fraud that you might see in a process for this kind of package.

Q88 **Chair:** You mean people bidding for money to do something that they do not normally do? They just rebadged existing work?

Sarah Healey: Or they set themselves up afresh, or whatever that situation is. Normally, in this kind of grant-making process, we would do a significant amount of due diligence up front, pre-award. We would go through various checks that are part of the Cabinet Office recommended process, but we worked with them to say, “Actually, if we do that, we are going to significantly delay the distribution of funding, so let’s have a risk mitigation approach here, where we will shift some of the checks that we would normally do at the beginning to doing them post-award, rather than pre-award”—although, in fact, for some of the later stages that we have done, we have been able to institute some of those pre-award checks but just do them much faster, because we have all just got used to doing things in a different way and doing them faster in the course of this year.

We always make our funding partners responsible for a degree of requirement to monitor and check on risk. We also use a Government online due diligence test, just to make sure that we know where the money is going and can also identify instances where things might be duplicated. We have so far identified—I think the figure in the NAO Report was £614,000, so an extra £10,000 has come to light since then. This is mainly CCSF money, which is unsurprising, because it has been out the door longer. That is less than 0.5% of the almost £400 million that we have been distributing.

Q89 **Chair:** Do you think you are going to have any success in getting it back?



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Sarah Healey: We will obviously do everything that we can to follow the normal processes to try and get that back.

Q90 **Chair:** From what you are saying, the checks you have done and the due diligence you did mean that they have gone to proper bank accounts—organisations that you know. It is not that somebody set up a new charity and then ran into the sands: you actually think that they are legitimate organisations that you will pursue for the money if they have claimed fraudulently.

Sarah Healey: We will pursue for the money according to all of the proper principles that Government uses for clawback, yes.

Q91 **Chair:** But as for fraudsters setting up fake charities and getting through the system, as far as you can tell at this point?

Sarah Healey: As far as we can tell, there may be some instances where this is as a result of crime of that sort. Mr Rose might be better placed to comment on the specific instances, because they are largely National Lottery Community Fund instances.

Chair: Thank you for that for now. I am going to go back to Mr Peter Grant. I am just aware of the time, because I know that Ms Healey has arrangements for His Royal Highness's funeral to manage.

Q92 **Peter Grant:** Thank you, Chair. It is obviously too soon just now to evaluate what impact this funding has had. What are the key success criteria that are set in advance and used to evaluate the packages?

Sarah Healey: The fund had a number of planned impacts. We wanted to ensure we were meeting extra demand that was caused by the pandemic. We wanted to ensure that charities that were in significant need were funded. We also wanted to leverage in extra private funding where available. I have talked about doing that in the community match challenge. Through the evaluation we will be seeking to establish specifically the difference made by this funding to a range of client groups that it went to—what their experience from it was and whether we did indeed meet that increased demand.

Q93 **Peter Grant:** Thank you. The Committee has often taken the view in looking at a number of other Government Departments that spending money is sometimes seen as one of the major success criteria. In relation to some of the covid support administered by other Departments, it is almost as if it were the only success criterion they were looking at. It is easy to tell that the money has been spent, and it is easy to tell which organisation it has gone to. How confident are you that you will be able to identify the impact it has had on specific groups of vulnerable people? Moving a step further from, "We gave this organisation x amount of money", how confident are you that you will be able to say, "This is the number of people who are directly supported, and this is the kind of day-to-day support they would not have got if the money had not been available"?



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Sarah Healey: That is what we intend to do through our evaluation. May I bring in Mr Rose, because he is more of an expert in these kinds of issues in his work with TNLCF than I am?

Peter Grant: Of course.

John Rose: I have touched upon some of this before and I can speak specifically to CCSF. As I mentioned earlier, there will be a comprehensive evaluation available in the summer of this year. We are hoping to be able to publish that in July. We have had some interim results which do talk about outcomes, if you like, and the difference the funding has made to people. I touched on some of those earlier.

Just to give you a flavour, in terms of the activities we are supporting, we were seeing 64% of the projects reporting improved social connections. Of those, 59% were about providing and improving advice and guidance to people during the pandemic. In addition to all the existing beneficiaries that the charities we are funding were working with, they estimate that they reached an additional 75% of beneficiaries; so they really increased the amount of people they could reach.

Some of the most commonly reported outcomes were improvements to mental health, with 81% of beneficiaries reporting that. Also, it enabled people to feel less lonely and isolated than they perhaps had previously. We also looked at the impact this was having on the volunteers that were taking part with these charities as well and some really interesting things came out of that. Some 58% reported improved mental health and wellbeing, and 47% reported improved employability and skills development, alongside many of the volunteers being less lonely as a result of taking part in this activity, as you would expect.

Of the other impacts that the funding had, one of the really important things was that around 40% of the projects were able to release people from being on furlough and bring them back into work to continue to deliver services and increase the services they were providing, recruiting additional staff and volunteers to do so. Hopefully that gives you a flavour of some of the impacts that have been achieved through CCSF.

Q94 **Peter Grant:** One final question. I want to come to Ms Stephenson, who I realise has been sitting very patiently throughout this session, and I don't think she has had the chance to give us the benefit of her expertise. Ms Stephenson, we knew at the start of the enquiry that it was not going to be possible for the Government or anyone else to support every single charitable organisation through the pandemic. Do you have any information on how many charities are either seriously financially struggling or, indeed, have had to close down during the last 12 months? Is that information that you would be able to provide for us?

Helen Stephenson: We do have information about the financial challenges in the sector. We are not seeing significant numbers of charities coming off the register as a result of closing, although I would say that it is quite likely that that would be delayed as we are the last part of that



process, but we are seeing instances of worsening financial resilience in the sector. For instance, the number of charities with incomes over £500,000 that have negative or no free reserves has increased in the last year. Back in April last year, it was 9%. In March this year, it is 28%.

We have also seen an increase in the reporting of matters of material significance from auditors by about 25%. The numbers are not particularly high, but the increase is statistically quite significant, and that means that there are charities that are either experiencing financial difficulties or are at risk of insolvency. It is too early to say in terms of numbers closing, but we are seeing indicators of that financial resilience worsening.

- Q95 **Peter Grant:** Thank you. Have you had to allow flexibility to charities in the timing of their submissions to yourselves of their annual accounts, and so on? If you are, is there a danger that there are more significant problems out there, but part of the result of the problem is that charities are not able to tell you that they have a problem in time because they are not able to submit their returns?

Helen Stephenson: That is a very good point. We have about 4,000 charities that have requested a delay in submitting their annual return. They had to apply to us to do that. Let's bear in mind that there are 168,000 charities on the register. One of the things that we have been trying to do is to keep our contact centre open. We have received about 51,000 calls over the year, so we have been able to try to help charities and support them through if there are early concerns about their financial situation. We have seen 400-plus serious incident reports that directly relate to covid. I think about 35% of those were particularly focused on financial concerns.

- Q96 **Sir Geoffrey Clifton-Brown:** Could we stick with you, Ms Stephenson? I am sorry—as Mr Grant has made clear, we have hardly referred to you this morning. Nevertheless, we are very grateful for your evidence. From the perspective of the charity sector, how transparent was the decision-making process on who got what level of funding?

Helen Stephenson: I have no specific evidence that individual charities found the transparency of that fund difficult. Obviously, I have heard, probably as the Committee has, some concerns from the sector over the timetable and the transparency, but I have certainly not seen any evidence coming into us as an organisation that it was particularly difficult.

- Q97 **Sir Geoffrey Clifton-Brown:** Were you consulted on the design of the scheme, either before it was implemented or indeed while it was being implemented? Did you at any stage give any advice about the level of administration of each of the charities that were receiving money?

Helen Stephenson: We work closely with the Department, and indeed we worked with them as they were developing the scope of the scheme. Particularly where we could give them data that would help them to make the case for the funding, we were in regular contact with them. Our main concern was to ensure that they had the data that they needed in order to be able to support local resilience forums, so those forums could identify

charities that could support local community effort in relation to the pandemic. Our other main concern was about ensuring that there were other issues relating to the sector that we could work together on, to ensure that the sector was supported during this time. For instance, we worked with the Department to make sure that the Insolvency Act was relevant to charitable incorporated organisations and charitable companies.

We didn't give specific advice about charities that could or couldn't be eligible for the funding—I don't think we would expect to do so as the regulator—but we were in close contact in terms of ensuring that our data could be used where it was applicable for the Department.

- Q98 Sir Geoffrey Clifton-Brown:** May I press you on one aspect of that last question? That is the level of administration in charities. It is something that concerns the public, not just in relation to the scheme but in relation to charities in general. Is that something that you pay very close attention to in your role?

Helen Stephenson: This refers, I suppose, to the amount of money that charities spend on administration. Yes, we do have concerns about it. We do not have direct regulatory oversight—we don't determine the actual figures—but what we have sought to do is to make the data that we have about charities more transparent. Our register now contains a lot of detailed financial information about charities, so that members of the public and parliamentarians can check how much money directly goes to beneficiaries and how much is spent on administration. I think that is a key role for us as the regulator—to ensure that transparency can be a form of accountability for the charity sector.

- Q99 Sir Geoffrey Clifton-Brown:** Ms Healey, can I ask you one last question? I think your Department, and indeed the Government, should be very proud of what you have managed to achieve in such a short space of time. The information that Mr Rose from the National Lottery Community Fund gave the Committee latterly there was terrific—to see how much this money had helped in the community, particularly the vulnerable sector.

You mentioned earlier in the hearing that you were doing a full evaluation report. Can you say when that process is likely to be completed and when it will be put before Parliament?

Sarah Healey: We are in the process of procuring it at the moment and we want it to be available before the end of this year.

Sir Geoffrey Clifton-Brown: So Parliament should have it by the end of this year. Thank you very much.

Chair: Thank you very much indeed to all our witnesses. We have Prorogation to get in the way, but we will be producing our report in the next month or so. The transcript of the session will be up on our website uncorrected in the next couple of days. I just want to wish Ms Healey and her Department well as they work to help support the arrangements for



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Saturday. Thank you for your time and for coming today. Though we would never excuse you, we do understand that you have a lot on your plate, so thank you. Thank you to our other witnesses as well.