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Summary

The Department for Digital, Culture, Media & Sport (the Department) has acted quickly to pay out the overwhelming majority of its £513 million funding package to provide financial support for frontline charities, voluntary groups and social enterprises in response to the COVID-19 pandemic. In doing so, it has allowed many to continue to provide vital services to some of the most vulnerable in society and reduce pressure on services elsewhere. While the Department should be commended for paying out over 90% of its available funding by the end of 2020–21, there has been a notable opaqueness over some aspects of its decision making. For example, it is unclear what influence special advisers had over some funding decisions, with some charities awarded government funding despite the Department's officials initially scoring their bids in the lowest scoring category, including four out of the five lowest scoring applications. It is also unclear why some charitable organisations succeeded in securing funding despite three instances where officials were unsure if organisations were even eligible for government funding in the first place. In addition, the Department has failed to provide a clear rationale for spending up to £2 million of taxpayers' money on consultants to assist with the assessment of bids, when established processes were already in place to do this and has no information on where in the country 18% of the funds awarded are actually being used, equivalent to £101 million of taxpayer's money and 2,882 funding awards.

By primarily focussing on distributing funding in a timely manner, the Department hasn't developed a way to measure the impact funding has had across the country or what the aftermath of the pandemic will mean for the long-term financial health and resilience of the sector. As part of its evaluation due at the end of 2021, it will be essential that the Department fully understands the benefits that have been delivered as a result of taxpayers' investment. Whilst we recognise that government's funding was not intended to support or save every charity, we remain concerned about the long-term financial health and resilience of the sector as the pandemic continues. We urge the Department to continue to monitor the situation and update us on what further action it intends to take.

Introduction

In April 2020, as part of its response to the COVID-19 pandemic, government announced a £750 million financial support package for organisations in the voluntary, community and social enterprise sector, targeted at those providing vital services to the vulnerable. Although government expected tens of thousands of charities to benefit, helping them meet increased demand for some services due to the pandemic, it did not intend to support or save every charity. The Department for Digital, Culture, Media & Sport (the Department) was responsible for allocating £513 million of the total available funding, including funds distributed through itself, at least nine other government departments, three other public-sector organisations and 186 other partners. HM Treasury provided up to £200 million directly to the Department for Health & Social Care to purchase bed capacity in charitable hospices and at least £60 million was expected to be provided to the devolved nations.

The Department allocated its £513 million across seven different schemes, which were rolled out between April and December 2020. Around £19 million of the £513 million was used to cover administration fees, leaving £494 million available to charities. By 7 April 2021, well over 90% of funds available had been paid out, with a further £14 million awarded to charities but not yet paid out to them. Across the seven schemes the Department had allocated and paid out the following amounts:

1. the Coronavirus Community Support Fund (CCSF) via The National Lottery Community Fund (TNLCF) (£188 million paid out of £199 million allocated);

2. 21 sector-specific projects across nine government departments including the Home Office, Department for Education and the Ministry of Justice (£159 million paid out of £164 million);

3. the Community Match Challenge scheme (£82 million paid out of £85 million);

4. the National Emergencies Trust, BBC Children in Need, and Comic Relief to match donations raised through the BBC Big Night In fundraising event (£34 million paid out of £37 million);

5. the Youth COVID-19 Support Fund (£3 million paid out of £17 million);

6. the Loneliness Fund (£5 million paid out £8 million); and

7. the Voluntary and Community Sector Emergencies Partnership (£4 million paid out of £5 million).

Conclusions and recommendations

1. **The Department has paid out over 90% of the funding it has available for charities but could not adequately explain how it had determined the total value of the package that was needed.** The Department expects the funding to support tens of thousands of charities and voluntary organisations but has not estimated a specific number of organisations that the funding would help. The Department asserts that it would be very difficult to estimate what the specific loss due to the pandemic would be for many charities. The Charity Commission suggests that individual donations might have increased at the start of the pandemic by as much as £800 million. However, estimates from the sector itself suggest that the overall loss of income could range from £4.3 billion to £6.7 billion. The Department is unable to clearly explain why the Culture Recovery Fund, a support package for cultural organisations unable to operate during the pandemic, received nearly three times more funding than was allocated to organisations supporting vulnerable individuals and providing frontline services – who were dealing with large increases in demand for their services. The Department notes that charities can access other sources of government funding and COVID-19 support schemes. However, some charities have struggled to access other pandemic support measures such as the furlough scheme.

   Recommendation: ***The Department should, within three months, set out the specific actions it is taking to monitor and understand the financial health and resilience of the charity sector, including how charities are making use of all applicable government pandemic support schemes.***

2. **We are not convinced that the Department's decisions about how to allocate funds were sufficiently transparent.** The Department asserts that in order to help it work at pace it decided to involve special advisers in preparing its advice to Ministers on which charities should receive funding. We did not receive a satisfactory response to our questioning around how the code of conduct for special advisors was applied in this instance given that part of the role is to reinforce "the political impartiality of the permanent civil service by distinguishing the source of political advice and support". However, the Department could not adequately explain the role taken by special advisers or the safeguards put in place during what it admits is an unusual form for funding discussions. In particular, the Department is unclear as to why special advisers met with officials after the assessment of bids from other government departments had been completed or how those discussions influenced the advice given to Ministers. The level of influence exerted by special advisers and their involvement at the point of decision making appears to go beyond what we have previously seen as Members of this Committee or in our previous Ministerial roles. Similarly, the Department is unable to adequately explain how four organisations whose bids were initially given the lowest ranking scores succeeded in securing funding as Community Match Challenge partners, meaning the Department matched the amounts fundraised by these organisations. The Department also could not clearly explain why the Zoo Support Fund received funding intended for vulnerable people, particularly when the Department for Environment, Food and Rural Affairs already has a separate Zoo Animals Fund in place and many zoos are

businesses rather than charities. The Department, however, told us that Ministers took the decision to allocate money to zoos because of concerns about the welfare of animals and the potential impact of zoo closures.

Recommendation: ***When applying new or innovative processes in unusual circumstances such as those experienced during the pandemic, the Department should ensure that it keeps appropriate records of decisions, including when this incorporates advice from special advisers. The Department, as part of learning lessons for the future, should examine how the steps it took to ensure there was a clear distinction between impartial advice from civil servants and the political advice offered by special advisers. It should then write to us setting out the steps it took and the lessons it has learnt for future.***

3. **The Department cannot explain the additional benefit it has received from its contract with a professional services firm to perform due diligence on charity applications to The National Lottery Challenge Fund (TNLCF).** TNLCF is an organisation that is experienced in distributing funding, which formed part of the justification by the Department in selecting them as a partner. But the Department paid PwC £2 million for specialist support on data collection, analytical support and due diligence, including checks on all award decisions by TNLCF for the CCSF. TNLCF, however, was confident in the processes it already had in place to conduct these checks and award funding. The Department revised the arrangements after a short amount of time because reviewing awards under £10,000 was overly onerous. The Department asserts that the support from PwC was necessary due to the fast paced and pressured environment it was operating in but has no evidence of the added value it received from these additional checks. While the Department has been focussed on distributing money as quickly as possible, its objective has also been to distribute it in the right way and prevent fraud. The Department has to date identified fraud valued at £624,000 in the CCSF and has committed to reclaiming this money. Whilst we welcome this commitment, we know from our other reports on COVID responses such as procuring Personal Protective Equipment and administering bounce back loans that the need to act at speed can reduce transparency and increase the risk of fraud and error.

Recommendation: ***The Department should write to us within three months, setting out: how it judges the value for money of this contract and any lessons learned as to how and when it would apply a similar approach in future; and the fraud position across the package including how much money it has recovered.***

4. **The Department cannot demonstrate how its funding decisions have benefited charities and will not be able to do so until it completes is evaluation of the funding at the end of 2021.** The Department has a limited understanding of the impacts of the funding on vulnerable groups and communities. Initial evaluation work conducted by TNLCF, which distributed £188 million through the CCSF, found that 75% of charities said that the funds enabled them to reach people that they had not worked with previously. The Department asserts that charities who had either religious or moral objections to accessing funds through the TNLCF, because of its links to gambling, were still able to benefit through other elements of the funding package, such as the Community Match Challenge scheme. However, the Department has no information on where 18% of the funds awarded are being

used, equivalent to £101 million of taxpayers' money and 2,882 funding awards. The Department admits that it does not have all the information it would like about the regional distribution of funds, in part because sometimes the geographical location of a charity's headquarters is not the place where the money is spent. Initial results on the outcomes that are being achieved by the TNLCF appear positive. Four in five of those who have received funding report that it has helped them deliver improvements to mental health, and almost two in three said that it has enabled them to improve social connections. The Department is currently procuring an evaluation to understand the impact of the full funding package, which it expects to be available by the end of 2021.

Recommendation: ***The Department should, within three months, write to us to explain the criteria it will use to assess the impact of the funding. It should, by the end of December 2021, write to us with the outcome of the evaluation, ensuring this exercise represents charities that did not receive funding as well as those that did.***

5. **The Department cannot yet demonstrate that it fully understands the financial health and resilience of the charity sector or whether further government financial support will be necessary.** The funding covers the period up until the end of March 2021 and any unspent funding will be returned to HM Treasury. The Department is unable to guarantee that the funding that has been provided will have met all increased demand across the sector. The Department asserts that fundraising activity has increased over the last year with rapid growth in private philanthropy and fundraising. The Charity Commission, however, reports that financial resilience within the sector is worsening, with more charities experiencing financial difficulties or at risk of insolvency. For example, the number of charities with incomes over £500,000 which have negative or no free reserves has more than tripled over the last year from 9% in April 2020 to 28% in March 2021. In addition, the number of auditor reports relating to matters of material significance within the sector has risen by 25%.

Recommendation: ***The Department should, within three months, set out the triggers that would prompt it to consider further government financial support to the charity sector.***

1 Transparency over how decisions about how to allocate the funds were made

1. On the basis of a Report by the Comptroller and Auditor General, we took evidence from the Department for Digital, Culture, Media and Sport (the Department), The National Lottery Community Fund (TNLCF) and The Charity Commission on the government's £750 million funding to charities during the COVID-19 pandemic.[1] We also took written evidence from several charities, membership bodies and organisations representing the charity sector and think-tanks.

2. In April 2020, as part of its response to the COVID-19 pandemic, government announced a £750 million financial support package for organisations in the voluntary, community and social enterprise sector, targeted at those organisations providing vital services to the vulnerable. The Department was responsible for allocating £513 million of the total available funding, including funds distributed through itself, at least nine other government departments, three other public-sector organisations and 186 other partners. HM Treasury provided up to £200 million directly to the Department for Health & Social Care to purchase bed capacity in charitable hospices and at least £60 million was expected to be provided to the devolved authorities.[2]

3. Of the £513 million, the Department and its partners spent £19 million on administrative costs leaving £494 million of funding for charities.[3] By 7 April 2021, it had paid out more than 90% of this total to charities.[4] The Department allocated funding through seven different schemes, announced at different times between April and December 2020:

i) the Coronavirus Community Support Fund (CCSF) via The National Lottery Community Fund (TNLCF) (By 7 April 2021, £188 million paid out of £199 million allocated);

ii) 21 sector-specific projects across nine government departments including the Home Office, Department for Education and the Ministry of Justice (£159 million paid out of £164 million);

iii) the Community Match Challenge scheme (£82 million paid out of £85 million);

iv) the National Emergencies Trust, BBC Children in Need, and Comic Relief to match donations raised through the BBC Big Night In fundraising event (£34 million paid out of £37 million);

v) the Youth COVID-19 Support Fund (£3 million paid out of £17 million);

vi) the Loneliness Fund (£5 million paid out of £8 million); and

1 C&AG's Report, Oral evidence: COVID-19: Government support for charities, HC 948, 15 April 2021
2 C&AG's Report, paras 3, 10
3 C&AG's Report, para 17
4 Correspondence from Sarah Healey, Permanent Secretary of DCMS, 12 April 2021 table in Annex B

vii) the Voluntary and Community Sector Emergencies Partnership (£4 million paid out of £5 million).[5]

Total value of the package

4. We asked the Department how it had calculated the amount of money it would make available to support charities through the pandemic. It explained that it worked as quickly as possible to develop its plans yet there was inevitably some uncertainty and assumptions that had to be made about what might be a sensible package to support charities.[6] The Department told us that the overall value was a "reasonable estimate, considering the atmosphere of uncertainty".[7] It also said there was no target on the number of organisations the funding was intended to support – it wanted a mix of large and small and medium sized charities. The Department stated that it would be very difficult to estimate what the specific loss due to the pandemic would be for many charities.[8] The Charity Commission suggested that individual donations might have increased at the start of the pandemic by as much as £800 million.[9] However, the Association of Chief Executives of Voluntary Organisations (ACEVO) told us that charities might have lost as much as £4.3 billion between March and May 2020, whilst Pro Bono Economics ran a survey which suggested as much as £6.7 billion had been lost in income.[10] The Department acknowledged that, in contrast, it had estimated the number of organisations it aimed to support through the Culture Recovery Fund (CRF), a support package for cultural organisations unable to operate during the pandemic. It aimed to support 75% of cultural organisations through the CRF.[11]

5. We asked the Department why the CRF received nearly three times as much funding as charities. The Department explained that the two sectors (charities and arts) were in different situations and that many of the organisations supported through the CRF had been forced to stop their activities completely throughout the past year, which was not the same situation that charities found themselves in. The Department stated that in many cases charities were not closed but actually seeking to meet increased demand for their services.[12] The Department explained that many charities had also accessed other support measures announced by HM Treasury, such as the furlough scheme.[13] The Department admitted however that it did not know, at the time of designing the charities funding scheme, exactly how the furlough scheme was going to affect charities and how much of the income gap would be closed.22 In written evidence, ACEVO told us that whilst some charities were able to access other sources of funding such as the furlough scheme, others were not eligible because they had to keep their doors open. It said that loan schemes, such as the Bounce Back Loan Scheme, were not designed with charities in mind as loans were

5 C&AG's Report, para 10
6 Q 3
7 Q 7
8 Qq 6–7
9 GSC0023 The Charity Commission for England and Wales' submission, para 16
10 GSC0013 Association of Chief Executives of Voluntary Organisations' submission; GSC0006 Pro Bono Economics, page 2
11 Q 6; C&AG's Report, Investigation into the Culture Recovery Fund, Session 2019–2021, HC 1241, 12 March 2021, para 11
12 Qq 8, 10
13 Q 4

often inappropriate funding mechanisms for charities. It explained that whilst charities welcomed the emergency funding, it did not address the funding gap identified and could only meet the needs of a small number of charities working in a limited set of sectors.[14]

Transparency in the allocation of funds

6. We questioned the Department about how it decided which bids from other government departments it would provide funding for. Special advisers were invited to discuss the initial assessments from the Department's officials before final advice was given to Ministers.[15] Correspondence from the Department showed that in the meeting to discuss bids five special advisers were present alongside officials from the Department, HM Treasury and the Prime Minister's Office.[16] The Department told us that advice was often written by officials which special advisers then commented on, as was appropriate. However, in the interests of working at pace it had brought the two processes together, which the Department recognised was an unusual form.[17] We asked whether the Department had, or planned to, publish information that would allow Parliament to tell what influence special advisers had or the advice submitted to Ministers.[18] The Department emphasised that while special advisers were involved in discussions and that these discussions informed the advice that went to Ministers, the advice provided to Ministers was from officials who had been comfortable with the proposals that had been put forward.[19] We noted that special advisers had a very important and useful role to play in government, but that if the distinction between special advisers and civil servants is blurred "there can be a real danger constitutionally, and it can case real questions".[20] We remarked that the level of influence exerted by special advisers and their involvement at the point of decision making appeared to go beyond anything we had previously witnesses as Members of this Committee or in previous Ministerial roles.[21] We were concerned that there had been a lot of senior advisers "making very candid and detailed comments on these [Minister's] briefings".[22]

7. Given our concerns that this was an unusual process, the Department contended that it was not different from the normal process by which advice was offered to Ministers. The Department, however, was unable to offer further examples of when such an arrangement has been used.[23] Nor was it able to say whether, or give examples of, the recommendations by officials changed after the meeting with the special advisers, repeating that special advisers may provide information that was helpful, but that it did not consider this the same as "influencing or changing the advice, which I am certain did not happen".[24] When asked in what way the information could be helpful if it did not lead to a change in advice, the Department told us that it was often the case that special advisers had a stronger sense of the issues that were being raised with Members of Parliament than officials, which was "significant and important" but reiterated that "it is not influence, but there will

14 GSC0013 Association of Chief Executives of Voluntary Organisations' submission, paras 1.5, 2.2
15 C&AG's Report, para 1.7
16 Q 35; Correspondence from Sarah Healey, Permanent Secretary, 12 April 2021, page 2
17 Qq 18–20, 31–33
18 Qq 45–49
19 Qq 18, 27, 37, 42, 47–49
20 Q 42
21 Qq 23–25 34–37
22 Q 36
23 Q 25
24 Qq 18–19, 25–27, 50

obviously be information discussed that is useful".[25] The National Audit Office found that in addition to all four proposals that officials had rated as highest scoring (Green) being selected for funding, nine out of the 13 bids that officials had assessed in the lowest scoring category (Red) were also selected for funding. This included four of the five lowest scoring applications.[26]

8. The Department provided £30 million of funding to the Department for Environment, Food and Rural Affairs (DEFRA), with £7 million allocated to the Zoo Support Fund.[27] We asked the Department why the allocation to DEFRA to support zoos came from funding designed to support charities helping the vulnerable during the pandemic. We remarked that this seemed at odds with the fact that many zoos operate as businesses rather than charities. The Department explained that the design was the result of officials being "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."[28] We asked whether this was an appropriate mechanism to support zoos, considering that a fund to support zoos was already in place through DEFRA. The Department stated that "Ministers took a view that they wanted to allocate funds to zoos" but was not able to provide any further detail.[29]

9. We also asked about the decision-making process around awards for the Community Match Challenge scheme, where the Department match funded the amounts raised by philanthropic groups, foundations and grant-making organisations. Ministers selected twenty organisations to receive funding, including seven out of the ten highest scoring applications. All four of the proposals that were assessed as having the lowest score by the Department's officials, however, also went on to receive funding, including three instances where officials were unsure if they were eligible.[30] The Department said that after initial bids were scored it presented initial ideas to Ministers about how the funding could be distributed, and there was a "set of discussions with Ministers about their views and preferences" which led to further information being sought from bidders. This subsequently confirmed that those organisations were eligible for funding and resulted in funding being approved for those proposals. The Department asserted that the processes followed were appropriate, with advice being iterated as new information became available.[31] It was, however, unable to elaborate further on what new information came to light that led to the lowest scoring applications receiving funding.[32]

10. The Department reduced the funding allocation to TNLCF from £310 million to £200 million around one week before it was due to start distributing funding.[33] When asked why this was the case, the Department told us that it was due to the fact that Ministers wanted more flexibility in how funding was distributed and were interested in whether more could be done to leverage private donations as part of the funding distribution.[34] It clarified that the decision was "absolutely not" because of a lack of trust in TNLCF.[35] The funding that was removed from TNLCF was instead later allocated to the new Community Match

25 Q 51
26 C&AG's Report, para 1.8
27 C&AG's Report, para 3.8 and figure 9
28 Q56
29 Qq 56–58
30 C&AG's Report, paras 10, 1.16
31 Q 75
32 Q 77
33 C&AG's Report, para 14
34 Qq 66–68, 71–72
35 Q 67

Challenge scheme, the Voluntary and Community Sector Emergencies Partnership, the Youth COVID-19 Support Fund and the Loneliness Fund.[36] The Department highlighted that by redirecting money to the Community Match Challenge scheme it was able to leverage additional funding because of its match funding arrangement. TNLFC said the decision did not impact how it went about advertising the available funding or the ability of the funding to support small and medium-sized charities.[37]

Due diligence on funding awards

11. The Department paid £2 million in 2020–21 to a professional services firm, PwC, to provide support on grants and operations, including checks on awards made by TNLCF for the Coronavirus Community Support Fund (CCSF).[38] We asked why this additional support had been needed and how the Department ensured that it was not duplicating work already being undertaken elsewhere. The Department said that this support was not designed to take over jobs from civil servants and that the majority of the administrative work relating to the funding for charities had been completed by civil servants. The Department explained that Ministers wanted to thoroughly understand the process that was being followed and ask questions about it given the pace at which progress was needed.[39] When we asked TNLFC whether it felt that it had the skills necessary to undertake this work itself it said that it was "confident in our processes in terms of making the appropriate awards."[40] We questioned the additional value that the Department received for its £2 million investment of taxpayers' money. The Department acknowledged that the process "had not been set up in the best possible way to start with" and that ultimately very few bids were subject to detailed review.[41] It changed the process after a short amount of time because it decided that reviewing awards under £10,000 was overly onerous.[42]

12. We have found in our reports on the government's response to the COVID-19 pandemic, that the need to act at speed can reduce transparency and increase the risk of fraud and error. In our report examining Government procurement and the supply of Personal Protective Equipment, we found that Government had faced significant challenges in having to work at pace, using emergency procurement procedures in a competitive international market. But its failure to be transparent about decisions, publish contracts in a timely manage or maintain proper records of key decision left if open to accusation of poor value for money, conflicts of interest and preferential treatment of some suppliers. While levels of fraud were low, the costs could run into millions of pounds.[43] Similarly, in our report on the Bounce Back Loan Scheme, we concluded that shortcoming in the Scheme's design had exposed the taxpayer to potentially significant losses and that plans to manage risks from the taxpayer from fraud and borrowers who were unable to replay loans were woefully under-developed. Government had been prepared to accept a higher level of risk to ensure that loans were available to businesses as quickly as possible. The

36 C&AG's Report, paras 1.11–1.18
37 Qq 70, 74
38 C&AG's Report, para 1.20
39 Qq 78, 80
40 Q 84
41 Q 85
42 Qq 78, 80, 85–86
43 Public Accounts Committee, *COVID-19: Government procurement and the supply of Personal Protective Equipment*, Forty Second Report of Session 2019–21, HC 928, 10 February 2021

Department for Business, Energy and Industrial Strategy estimated that potential losses from fraud and credit risks were between £15 billion and £26 billion, and could be even higher and the estimate was highly uncertain.[44]

13. By February 2021, the Department had identified 76 fraudulent applications, 70 of which had resulted in awards. The Department estimated that up to £614,000 had been distributed to fraudulent applicants and had reported cases equivalent to £400,000 to the police. The remaining £214,000 were still under investigation. The Department estimated that fraud levels could be between 0.5% to 5% across all schemes by the time it has completed all post-award checks, a process it expected to complete in May 2021.[45] The Department accepted that its decision to prioritise getting money to charities quickly to meet the extra demand cause by the pandemic increased the potential for fraudulent claims. It stated though that it also had an objective to ensure the money was "distributed in the right way" to try and prevent fraud.[46] But it agreed with the Cabinet Office that a "risk mitigation approach" was sensible that allowed it to shift some of its usual upfront checks to post-award instead.[47] It said that to-date it had detected fraudulent awards worth £624,000, a £10,000 increase from the value in February 2021, with most of these awards so far in the CCSF, in part as funds were paid out earlier than other schemes and checks on other schemes are ongoing. It explained that the total fraudulent awards were less than 0.5% of the total funds being distributed but there were still many post-award checks to be completed. The Department committed to doing "everything that we can" to recover the money according to the government's usual approach to clawbacks.[48]

44 Public Accounts Committee, *COVID 19: Bounce Back Loan Scheme*, Thirty Third Report of Session 2019–21, HC 687, 16 December 2020
45 C&AG report, paras 1.25–1.26
46 Q87
47 Qq 87–88
48 Qq 88–90

2 Understanding the impacts secured from the funding

Evaluating the impact of the funding package

14. The Department has not yet evaluated whether the funding package has met its objectives of supporting vulnerable people and relieving pressure on frontline services during the pandemic. It explained that it was in the process of procuring an evaluation and was aiming to produce a report before the end of 2021. It estimated that this will cost £2 million, with £1.6 million of that being allocated to evaluate the Coronavirus Community Support Fund (CCSF).[49]

15. The National Lottery Community Fund (TNLCF) told us that it undertook regular surveys of customers who were accessing its funding. TNLCF explained that 77% of its customers rated their experience between eight and 10 out of 10, with 10 being the highest score; and 75% of respondents noted that as a result of the funding they were able to reach people that they were not working with previously. Additionally, it told us that the survey showed promising results around improved mental health, wellbeing and loneliness, both for recipients but also for volunteers working for the charities. Four out of five (81%) beneficiaries said that their mental health and wellbeing had improved and 86% reported a reduction in isolation and loneliness. Almost two in three said that the CCSF funding had enabled them to improve social connections. TNLCF reported that the funding enabled around 40% of projects to bring back staff who had been furloughed to allow them to continue to deliver services and increase the services on offer. It also told us that one of the great strengths of CCSF was that it brought together national lottery funding with funding direct from government. As a result, those organisations which had a religious or moral objection to receiving funds generated through the proceeds of gambling were still able to access funding. It explained that it planned to undertake a full evaluation to establish the impact of the fund more generally which would report in summer 2021.[50]

16. The National Audit Office found that the information available on the geographical distribution of funding was at times inconsistent or missing, making it difficult to determine the geographical spread of funding awarded. At 19 February 2021, the Department held no information on where funds were being used for 18% of awards. This accounted for £101 million of taxpayer's money and 2,882 funding awards. To the extent that information is available, analysis showed that London had received the most funding (£47 million) and the North East the least (£14 million).[51] The Department told us that it wanted the funding to be demand led "rather than a predetermined equal regional distribution".[52] It explained that for some funds, such as TNLCF, it offered indicative regional allocations, but that it did not make these formal because it did not think it would be appropriate. Additionally, it told us that while it asked all those receiving grants to tell it about the location of beneficiaries, it said that "sometimes that does not give us all the information

49 Qq 93, 99; C&AG's Report, figure 4
50 Qq 54–55, 93
51 C&AG's Report, para 3.2, figure 10
52 Q 52

we would like about regional distribution" because a charity's headquarters might be located in a different place to where the funds are actually spent. It committed to using its upcoming evaluation to determine the regional distribution of funding.[53]

The financial health of the charity sector going forwards

17. The Department told us that its intention was that the overall funding provided would be of "significant assistance [to the sector] even if it wasn't able to cover every gap" and that it understood that "charities would have to make difficult decisions" as a result of the pandemic.[54] It said that in designing the package it worked closely with voluntary sector umbrella bodies to get a sense of the health of the overall sector. Once the package was designed, however, it explained that its focus was on distributing the funding at pace. It intended to award and disburse funding until 31 March 2021. After this, any funds remaining would be returned to HM Treasury. We asked whether any money had been unspent and so returned to HM Treasury. The Department said it was too early to give a final figure but that it anticipated it being a very low percentage of the overall value of the fund.[55]

18. The Department recognised that charities had lost traditional sources of income during the pandemic, such as fundraising through large events like the London Marathon and the closure of charity shops. However, it also suggested that moving fundraising online may have increased overall funding levels. In addition, the Department highlighted that charities could access other government support throughout the pandemic, such as the furlough scheme.[56] It explained that introducing match funding on the Community Match Challenge scheme sought to encourage the continuation of an "explosion in private philanthropy and fundraising" that it believed had been witnessed up to that point.[57] Written evidence we received about charities' income levels was more mixed; the Charity Commission told us that in the first half of 2020 individual donations increased by £800 million. We also received written evidence from the Association of Chief Executives of Voluntary Organisations (ACEVO), which told us that charities might have lost as much as £4.3 billion between March and May 2020. Pro Bono Economics ran a survey which suggested as much as £6.7 billion had been lost in income.[58] The Department told us that it will not know whether the funding it distributed has met the increased demand caused by the pandemic until the evaluation is conducted.[59]

19. We asked about the impact of the pandemic on the financial health of the sector as a whole. The Charity Commission told us that a range of indicators suggest that charities' finances were worsening. It explained that the number of auditor reports on matters of material significance, that highlight a number of charities are either experiencing financial difficulties or are at risk of insolvency, had risen by about 25%. It similarly explained that the number of charities with income over £500,000 which have negative or no free reserves

53 Q 52
54 Q5
55 Qq 1, 5; C&AG's Report para 3.1, 3.4
56 Qq 4–5
57 Q 72
58 GSC0013 Association of Chief Executives of Voluntary Organisations' submission; GSC0006 Pro Bono Economics, page 2
59 Q 92

had more than tripled over the last year from 9% in April 2020 to 28% in March 2021.[60] In written evidence, the Charity Commission also highlighted that it had received nearly 3,000 Serious Incident Reports since the start of the pandemic. Of those that directly related to the pandemic, the most common reason for the report was a concern about long-term financial sustainability. It noted that so far, it had not seen significant numbers of charities removed from the official register as a result of financial issues, but that there may be delays in the process.[61]

60 Q 94; for the definition of charity reserves see: www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves

61 Q 94; GSC0023 The Charity Commission submission, page 2

Formal minutes

Thursday 27 May 2021

Virtual meeting

Members present:

Meg Hillier, in the Chair

Mr Gareth Bacon	Peter Grant
Sir Geoffrey Clifton-Brown	Nick Smith
Dan Carden	James Wild

Draft Report (*COVID-19: Government Support for Charities*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 19 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Fifth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 7 June at 1:45pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Thursday 15 April 2021

Sarah Healey, Permanent Secretary, Department for Digital, Culture, Media and Sport; **John Rose**, Interim Chief Executive, The National Lottery Community Fund; **Helen Stephenson CBE**, CEO, Charity Commission Q1–99

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

GSC numbers are generated by the evidence processing system and so may not be complete.

1 ACEVO (GSC0013)

2 Association of Chief Executives of Voluntary Organisations (ACEVO) (GSC0017)

3 Association of Medical Research Charities (GSC0025)

4 Befriending Networks (GSC0012)

5 Blue Cross (GSC0014)

6 Bond (GSC0027)

7 Brevio (GSC0024)

8 British Heart Foundation (GSC0029)

9 CLIC Sargent (GSC0010)

10 Clinks (GSC0017)

11 Cancer52 (GSC0015)

12 Cats Protection (GSC0030)

13 Charities Aid Foundation (GSC0019)

14 Charity Commission for England and Wales (GSC0023)

15 Charity Finance Group (GSC0017)

16 Children England (GSC0017

17 Directory of Social Change (GSC0009)

18 Directory of Social Change (GSC0017

19 Evangelical Alliance (GSC0018)

20 The UK Safer Internet Centre (UKSIC)) (GSC0026)

21 GMCVO (Greater Manchester Centre for Voluntary Organisation) (GSC0020)

22 Good Things Foundation (GSC0021)

23 LCA Liverpool Community Advice (GSC0001)

24 Law Centres Network (GSC0011)

25 Lloyds Bank Foundation for England & Wales (GSC0017)

26 Locality (GSC0017);

27 Marie Curie Cancer Care (GSC0028)

28 National Council for Voluntary Organisations (NCVO) (GSC0017)

29 The Nuffield Trust (GSC0031)

30 Pro Bono Economics (GSC0006)

31 Quakers in Britain (GSC0002)

32 Time to Talk Befriending (GSC0005)

33 The Widows Empowerment Trust (GSC0004)

34 Women's Aid Federation of England (GSC0007)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

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Number	Title	Reference
1st	Low emission cars	HC 186
2nd	BBC strategic financial management	HC 187
3rd	COVID-19: Support for children's education	HC 240
4th	COVID-19: Local government finance	HC 239
1st Special Report	Fifth Annual Report of the Chair of the Committee of Public Accounts	HC 222

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2nd	Defence Nuclear Infrastructure	HC 86
3rd	High Speed 2: Spring 2020 Update	HC 84
4th	EU Exit: Get ready for Brexit Campaign	HC 131
5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
8th	NHS capital expenditure and financial management	HC 344
9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405
15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549

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20th	Tackling the tax gap	HC 650
21st	Government support for UK exporters	HC 679
22nd	Digital transformation in the NHS	HC 680
23rd	Delivering carrier strike	HC 684
24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683
26th	Department of Work and Pensions Accounts 2019–20	HC 681
27th	Covid-19: Supply of ventilators	HC 685
28th	The Nuclear Decommissioning Authority’s management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920
35th	Improving Broadband	HC 688
36th	HMRC performance 2019–20	HC 690
37th	Whole of Government Accounts 2018–19	HC 655
38th	Managing colleges’ financial sustainability	HC 692
39th	Lessons from major projects and programmes	HC 694
40th	Achieving government’s long-term environmental goals	HC 927
41st	COVID 19: the free school meals voucher scheme	HC 689
42nd	COVID-19: Government procurement and supply of Personal Protective Equipment	HC 928
43rd	COVID-19: Planning for a vaccine Part 1	HC 930
44th	Excess Votes 2019–20	HC 1205
45th	Managing flood risk	HC 931
46th	Achieving Net Zero	HC 935
47th	COVID-19: Test, track and trace (part 1)	HC 932
48th	Digital Services at the Border	HC 936
49th	COVID-19: housing people sleeping rough	HC 934
50th	Defence Equipment Plan 2020–2030	HC 693
51st	Managing the expiry of PFI contracts	HC 1114
52nd	Key challenges facing the Ministry of Justice	HC 1190
53rd	Covid 19: supporting the vulnerable during lockdown	HC 938

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54th	Improving single living accommodation for service personnel	HC 940
55th	Environmental tax measures	HC 937
56th	Industrial Strategy Challenge Fund	HC 941