

Fifth Report of Session 2021-22

Department for Digital, Culture, Media and Sport

COVID-19: Government Support for Charities

Introduction from the Committee

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).

Based on a report by the National Audit Office, the Committee took evidence on 15 April 2021 from the Department of Digital, Culture, Media and Sport. The Committee published its report on 9 June 2021. This is the government response to the Committee's report.

Relevant reports

- NAO report: [Investigation into government funding to charities during the COVID-19 pandemic](#) Session 2019-21 (HC 1236)
- PAC report: [COVID-19: Government Support for Charities](#) Session 2019-21 (HC 250)

Government response to the Committee

1: PAC conclusion: 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.

1: PAC 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.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: September 2021

1.2 The Department for Digital, Culture, Media and Sport (the department or DCMS) will be able to set out current actions being undertaken to monitor and understand the financial health and resilience of the charity sector, including use of pandemic support schemes.

1.3 At this stage, there remain limitations and gaps in the evidence and data available to maintain a complete picture of the health and resilience of the charity sector. Drawing on learning from the COVID-19 pandemic, the department is working with partners, including the Charity Commission, to undertake a project to review and improve evidence and data available to policy makers, concerning the health and resilience of the charity and social enterprise sectors.

1.4 Options under consideration include making more effective use of existing sources of data and evidence, improving existing data sources, and commissioning new data collection mechanisms to fill gaps. The department will be able to provide an update on this work at the the Committee's three-month deadline. However, plans for implementing change may not have been finalised at this point.

2: PAC conclusion: We are not convinced that the Department's decisions about how to allocate funds were sufficiently transparent.

2: PAC 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.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 DCMS agrees that appropriate records of decisions, especially in relation to funding, should always be kept. In this instance, as the DCMS Permanent Secretary confirmed in a [letter dated 14 May 2021](#) to the Committee, she was satisfied that civil servants and special advisers at all times followed the Civil Service Code and Code of Conduct for Special Advisers in the distribution of the COVID-19 Charities Funding and that the decisions on funding were made by ministers in the proper way based on appropriately recorded written submissions from civil servants to junior ministers and the Secretary of State. All such submissions and the responses from ministers are recorded in the DCMS IT system.

2.3 The [same letter](#) set out the detailed processes involved confirming the distinction between impartial advice from civil servants and the political advice offered by special advisers. The process was that, while special advisers were present at a meeting where proposed allocations were being discussed, those meetings were chaired by a civil servant at Director General level and that the bids being considered by officials for recommendation to

ministers at the time of the meeting were all eventually recommended to ministers. These were the only bids recommended. No bids were added to or removed from the list of recommendations as a result of the meeting or after that for any other reason. For a small number of bids, the monetary value of the award being recommended was adjusted between the meeting and the official submissions to ministers. The decision to do so was made by DCMS civil servants who were satisfied that the recommendations were all evidence-based and value for money.

2.4 As the Committee acknowledges, the department was working at pace in exceptional circumstances and continues to reflect on all lessons learned. While DCMS is confident that proper processes and procedures were followed in this case, the department continues to remind civil servants about their duties under the Civil Service Code and Code of Conduct for Special Advisers as well as the importance of appropriate record keeping both as part of the induction programme for new staff and in regular briefings cascaded to staff across the department.

3: PAC conclusion: 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).

3: PAC 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.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: September 2021

3.2 As a result of the COVID-19 emergency and the need to meet tight deadlines to distribute funds safely, DCMS contracted external consultants to provide expert grant management. Consultancy services were procured in two phases and delivered under an output-based delivery model tied to key deliverables. Consultants worked alongside and under the instruction of experienced civil servants to provide operational support to the programme. Throughout both phases, weekly governance meetings were held to review scope, resourcing and progress in achieving the performance milestones and objectives set out in the contracts. PricewaterhouseCoopers have been judged to have met the relevant performance metrics at all stages.

3.3 It is difficult to determine how and when a similar approach would be applied in future given the specific national and far-reaching challenges presented to government in dealing with the COVID-19 pandemic. In line with the Cabinet Office guidance on consultancy and professional services spend controls, DCMS will continue to ensure that any proposal to engage professional services is thoroughly assessed on a case by case basis through its internal assurance process, including approval by the Commercial Director and through the Cabinet Office controls process as appropriate.

3.4 Post-event assurance on the DCMS elements of the charities' financial support package is being conducted under a contracted service and is based on a sample-testing approach. As of 20 July 2021, 88% of the cases selected for testing were complete with no confirmed indications of fraud and/or error. Enquiries are still ongoing in relation to the remaining 12%. A determination of whether there has or has not been potential irregularity in those cases will be made once the inquiry is complete. The department expects to receive the report on post-event assurance by August 2021.

4: PAC conclusion: The Department cannot demonstrate how its funding decisions have benefited charities and will not be able to do so until it completes its evaluation of the funding at the end of 2021.

4: PAC 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.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

4.2 The main objective of the evaluation is to understand:

- whether the funding achieved its aims of ensuring essential services were provided to vulnerable people and contribute to liquidity and staffing of VCSE organisations during the COVID-19 response;
- how organisations used the grants;
- the types of organisations supported and who they worked with; and
- to draw out lessons about the way government responded to COVID-19 through its support of the Voluntary Community and Social Enterprise (VCSE) sector.

4.3 Part of this assessment will include an impact strand. The aim of this strand is to determine to what extent these funds made a difference for the recipient organisations and the end beneficiaries in receipt of the services provided by those organisations. There are several research questions that will form part of the overall assessment of the efficacy of the funding, including:

- how many organisations did the funding reach, by services delivered (for example, tackling loneliness, homelessness etc), regions, and targeted beneficiary groups?
- what value of funding did organisations receive, by different aims, regions, and targeted beneficiary groups?
- what difference has the funding made to organisations reached?
- what is the number and profile of vulnerable people reached?
- what difference did funding make to the vulnerable people reached?

4.4 The evaluator will begin with a scoping phase, consisting of developing a theory of change to help develop a framework for assessing the impact of the funding, including key hypotheses to be tested throughout the evaluation. It will also include documentary analysis, reviewing all available documents pertaining to the fund to assess the extent to which these can answer the evaluation questions. The evaluator will then move into an analytical phase during which they will gather new evidence from grant-holders, volunteers, and beneficiaries, helping to fill any evidence gaps identified in the previous phase. The evaluator will then synthesise this broad range of evidence, before producing the final report.

4.5 The £750 million package was used to enable the continuation of VCSE organisations' services during the pandemic, rather than create new programmes or services, and as such was one of several sources of funding used by organisations for this purpose. For this reason, it will not necessarily be possible to isolate or attribute all impacts specifically to the £750 million. The evaluators will focus on understanding impact via measuring the contribution the grant from the £750 million package made towards organisations achieving their outcomes and continuing their services.

4.6 Alongside this impact strand, the evaluation will also include a process strand. This will focus on what can be learned from how the intervention was delivered, such as whether the interventions were delivered as intended, and what could be improved.

4.7 Although the evaluation of the wider funding package will not be ready until December 2021, The National Lottery Community Fund published the [Process Evaluation of the Coronavirus Community Support Fund \(CCSF\)](#) on 5 July 2021. The evaluation found that the CCSF represented an effective route to distributing emergency response funding' and that despite DCMS and The National Lottery Community Fund (TNLCF) staff facing a challenging situation, the funding was distributed at a pace that represented a 'significant achievement'. The CCSF impact and value for money evaluation reports are due to be published at the end of summer 2021.

4.8 CCSF grant funding was distributed to every region and almost every local authority in England. Indicative regional funding allocations were identified at the outset to ensure appropriate distribution of funding by geography.

4.9 CCSF was successful in reaching the organisations it was intended to – most of the funding went to small or medium sized organisations who intended to deliver targeted support to people and communities disproportionately impacted by COVID-19.

4.10 45% of the grant holders were new to the department/not previously funded by TNLF which indicates breadth of reach.

5: PAC conclusion: 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.

5: PAC 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.

5.1 The government disagrees with the Committee's recommendation.

5.2 There is no single data source that can provide a definitive trigger for taking a decision on further financial support. The circumstances under which further support would be assessed must be based on a range of quantitative and qualitative sources, including intelligence on challenges facing critical sub-sectors.

5.3 However, the department will set out for the Committee the range of evidence, data and intelligence under which support to the sector, including financial support, will be assessed.