



Department for
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Dame Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London SW1A 0AA
Sent by email only

30th September 2021

Dear Dame Meg Hillier MP

**Update on Recommendation 1, 3, 4 and 5 from the Committee's report on COVID-19:
Government Support for Charities (Fifth Report of Session 2021-22).**

In June 2021 the Public Accounts Committee published its findings and recommendations from its inquiry into government support for charities during the COVID-19 pandemic. In our response the Department agreed to write to the Committee within three months on four of the five recommendations in the report.

Recommendation 1

The Committee recommended that the Department should 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.

The Department analyses a variety of sources of data and intelligence to understand the financial health and resilience of the charity sector. This includes data and intelligence from arm's length bodies; government departments, including those responsible for charitable subsectors; sector stakeholders; and, the latest COVID-19 surveys and research published independently by the sector. Further detail is provided in response to recommendation 5 below.

Our efforts to understand the sector over the course of the COVID-19 pandemic have highlighted an absence of robust, timely and sufficiently granular data to monitor the sector's health and resilience. Going forward, having access to this data is critical to our efforts to pre-empt challenges and opportunities to sector health and resilience. It will also support Government's levelling up ambitions and potentially wider policy priorities. While the complexities associated with monitoring and measuring the financial health and resilience of such a diverse



sector are not new - and will not be remedied overnight - supporting long-term improvements is a priority, so we are therefore exploring a range of options to enhance the data and evidence base on the sector.

We are collaborating with our stakeholders to improve our access to sector data collected across and beyond government so that we can extract the data's full potential. We are investigating whether modifications to existing taxonomies, surveys and data sources could lead to improvements in the quality and granularity of sector data and evidence. Lastly, we are exploring the potential to conduct new primary collection methods to meet priority information requirements that cannot be filled using existing datasets.

Estimating charitable uptake of government pandemic support schemes is complex: the work of charities cuts across the sectoral boundaries usually used to segment economic data. Throughout the pandemic, we have liaised with stakeholders to agree a methodology for internal estimates. For example, for the Coronavirus Job Retention scheme we triangulate data from HMRC, Companies House and the Charity Commission to develop internal estimates. We are now working closely with stakeholders to explore how charitable reporting mechanisms and taxonomies can be improved, both to improve available data for charities and to ensure they can be more easily identified in existing datasets.

The work described above is underway and a strategy for improving proactive monitoring of the health and resilience of the charity sector will be finalised in due course.

Recommendation 3

The Committee recommended that the Department should set 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.

In response to the Public Accounts Committee's report the government set out, in [Treasury Minutes of August 2021](#), details of the Department's approach in contracting PricewaterhouseCoopers to provide expert grant management in order to deliver a financial support package for organisations in the voluntary, community and social enterprise sector. This contract has finished and PricewaterhouseCoopers have been judged to have met or exceeded the relevant performance metrics at all stages.

As set out in the August 2021 Treasury Minutes, it is difficult to determine how and when a similar approach would be applied by the Department 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, the Department 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.

Post-event assurance on the elements of the charities' financial support package within the Department's oversight has been conducted under a contracted service, provided by BDO, based on a sample-testing approach to provide an estimated level of fraud and error. Action to investigate and act on potential fraud and error is continuing.

Recommendation 4

The Committee recommended that the Department should explain the criteria it will use to assess the impact of the funding.

The Department has commissioned a meta-evaluation of the £750 million package of support for the VCSE sector. This contract was awarded to a consortium led by National Centre for Social Research in June 2021 and evaluation is underway, with final findings due to be reported in February 2022.

The key aim of the evaluation is to understand the difference the funding has made to (a) recipient organisations and, where possible and appropriate, (b) the end beneficiaries in receipt of the services and support provided by recipient organisations. Specifically, the evaluation will aim to understand:

1. Whether the funding achieved its aims of ensuring essential services were provided to vulnerable people, and contributed to liquidity and staffing of VCSE organisations during the COVID-19 crisis;
2. How organisations used the grants they received, and the difference made to the organisations supported and the people they work with;
3. The type of organisations supported and the profile of people these organisations worked with; and
4. Lessons learned about the way the Government responded to the COVID-19 crisis through its support to the VCSE sector.

The evaluation will comprise:

- A process strand - assessing what can be learned from how the funds were delivered. For example, did the package reach the intended grantees, what contextual factors may or may not have hindered these objectives and what worked well, less well, including any lessons for future interventions - particularly in an emergency context.
- An impact strand - assessing the difference the funding made to the grantees and the beneficiaries supported through this funding. For example, looking at the ways in which the funding was used, the numbers of and profile of beneficiaries supported, the impact on numbers and profile of volunteers and staff, the impacts the funding had for service users, and impacts on the sustainability and liquidity of organisations. To note, due to a range of funding sources received by organisations, it will not necessarily be possible to isolate or attribute all impacts specifically to the £750 million, however evaluators will focus on measuring the contribution the grant from the £750 million package made towards organisations achieving their outcomes and continuing their services.

The evaluation team has completed a scoping phase, consisting of documentary analysis and workshops across all funding streams, from which they have developed a theory of change and a

framework for assessing the impact of the funding. The analytical phase will shortly commence, consisting of surveys with recipient organisations and volunteers, and qualitative interviews and case studies with grantholders, staff, volunteers and beneficiaries.

Full findings due to be reported in February 2022. This represents a slight delay to the original timetable (reporting in early December) due to contract negotiations, and challenges in accessing data from across the entirety of funding streams.

The recent publication from the evaluation of the CCSF, as published by TNLCF on 5th July 2021, has given insights into the impact of this significant part of the £750m support package, finding that the CCSF represented an effective route to distributing emergency response funding. There were 13,835 applications with 8,247 grants awarded - 89% of funding went to small or medium sized organisations, and 45% of grantholders were new to the TNLCF. Most successful applicants were satisfied with the speed of award decisions, and commitment across Government and positive working relationships between TNLCF and the Department enabled the process to be delivered at pace. Further findings on the impact and value for money of the CCSF are due to be published in October 2021.

Recommendation 5

The Committee recommended that the Department set out the triggers that would prompt it to consider further government financial support to the charity sector. The Department rejected this recommendation, as there is no data source that can provide a definitive trigger for taking a decision on further financial support. The need for support would be assessed based on a range of quantitative and qualitative sources. The Department agreed to write setting out the range of evidence, data and intelligence that would be used.

It is for individual government departments to consider the risks and issues emerging for those parts of the sector that fall within their policy remit and so, to decide if targeted action is needed. In March 2020, the Department coordinated a cross-sectoral support offer as a result of concerns about significant sector wide challenges that would impact a range of critical services. The Department continues to monitor the impact of the pandemic on the sector, and will consider if further coordinated action is appropriate.

To understand the charity sector, the Department synthesises a number of sources of intelligence. We draw on research findings from sector partners and academic institutions, including the COVID-19 Voluntary Sector Impact Barometer from Nottingham Trent and Sheffield Hallam Universities, and the COVID-19 Charity Tracker from Pro Bono Economics. These provide a regular picture of trends related to financial hardship and service demand.

We also analyse monthly updates on Serious Incident Reports submitted to the Charity Commission. These are an additional source of data that provides a picture of trends concerning serious financial hardship. The Charity Commission requires charities to report where a serious incident has occurred. These offer valuable and timely insights into a range of circumstances, including significant financial loss or insolvency.

The Department has established a cross-government civil society network to share intelligence on risks and issues arising concerning critical sector-led services. This network meets regularly, and attendees are commissioned to provide updates on issues facing the sector within each department's policy remit. The Department also meets regularly with sector infrastructure bodies and seeks input on emerging risks and issues.

A significant risk to charities has been loss of trading and fundraising income as a result of closure of non-essential retail and restrictions that limit face-to-face fundraising. The reintroduction of national restrictions would be an additional factor in informing any future action.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sarah Healey', with a stylized flourish at the end.

Sarah Healey
Permanent Secretary, Department for Digital, Culture, Media and Sport