

**DSC submission to the House of Commons
Public Accounts Committee Call for Evidence**

COVID19: Government support for charities

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1. About the Directory of Social Change

1.1 The Directory of Social Change has a vision of an independent voluntary sector at the heart of social change. We believe that the activities of charities and other voluntary organisations are crucial to the health of our society. Through our publications, courses and conferences, we come in contact with thousands of organisations each year. The majority are small to medium-sized, rely on volunteers and are constantly struggling to maintain and improve the services they provide. DSC's CEO co-founded the Small Charities Coalition and DSC was the incubator for the first 5 years of its work, hosting it in our premises and providing back-office support.

1.2 DSC is a registered charity, and primarily self-financing. We generate most of our income through the sale of our courses, events, publications, databases and research expertise to other charities.

1.3 DSC is deliberately not a membership body. We believe that there are sufficient representative bodies in the sector doing good work representing their members. We believe our strength lies in the fact that we do not need to please members or funders and our public commentary and the policy positions we take are based on clear principles, are independent, and are informed by the contact we have with the thousands of charities we engage with every year.

1.4 DSC is submitting evidence to this enquiry because we have been directly involved in the charity sector's response to the COVID19 crisis, and in the £750m funding package. DSC's Director of Policy and Research, author of this paper, and DSC's Chief Executive, Debra Allcock Tyler, have been centrally involved in a diverse coalition of charity sector representative bodies working on these issues over the past year, providing policy support, coordination and secretariat.

2. Government's 'emergency' COVID19 funding for charities – summary points

We would like to make the following points to the Committee about the Government's £750m COVID19 funding for the charity sector, which relate to the Committee's questions about how well it is being distributed and how it is achieving its objectives. These are based on intensive observation of and involvement with the whole process over the past year, from the Budget in March 2020 to the National Audit Office (NAO) report on this funding published on 23 March 2021.

2.1 The Government's 'emergency' response to support the charity sector was slow – certainly slower than that of charitable foundations and even many private companies. From the Chancellor's announcement of the funding package on 8 April, it took until the beginning of the summer for funds to start being distributed. The NAO report published on 23 March 2021 concludes that of the funding distributed by DCMS, only 21% had been

distributed by the end of July, nearly four months later. By the end of July, just over a quarter of the Coronavirus Community Support Fund (CCSF) for smaller charities was distributed, with the fund not fully allocated until the Autumn. By contrast, the National Emergencies Trust and many Community Foundations and other charitable foundations were developing and rolling out programmes from the end of March and into April 2020.

2.2 Government put in place unnecessary bureaucracy and red tape that wasted resources and time. For example, it took over six weeks to agree the details of the CCSF with the National Lottery Community Fund (NLCF) and launch the fund. After repeated FOI requests submitted by DSC and others, over the summer it emerged that DCMS had employed the private firm PwC at significant cost to further scrutinise some grant awards made by the NLCF. It is still unclear why, or on what precise basis, but the NAO report published on 23 March 2021 concludes that this was in part to review ‘contentious’ projects. This totally unnecessary vetting of the NLCF’s process second-guessed their expertise – part of the very rationale for using them as a distributor – and delayed emergency funding for at least some grantees. From the perspective of the charity sector, it appears that fear of potentially adverse stories in the media trumped the need to get funds out quickly to support charity beneficiaries in dire straits and charities in danger of financial collapse. A comparable level of scrutiny did not exist for funds destined for the private sector, where vastly larger sums were normally involved.

2.3 There were glaring double-standards and additional hoops that charities had to navigate compared to businesses. For example, retail grants were distributed relatively quickly to businesses following the Chancellor’s April 2020 announcement, yet charity representative bodies had to fight to make the case that charity shops should be eligible for that programme. This phenomenon repeated itself over and over during the following 12 months. The NAO report of 23 March 2021 confirms that Number 10 and Treasury officials were involved in deciding which charities should be awarded grants as part of the funding distributed by government departments. This extraordinary centralisation of decision-making and oversight did not apparently happen to the same degree for grants to support business. As noted above, even the CCSF had an additional layer of ‘scrutiny’ for very small grants for small charities, provided by a private sector contractor, PwC.

2.4 Deals to distribute government funding via charity sector intermediaries were complicated to negotiate and sometimes unreliable. We heard from several colleagues working in specialist areas who were trying to negotiate deals with relevant government departments to more effectively and quickly distribute funding to their memberships. The goal posts were constantly shifting, and some departments revoked hard-negotiated agreements at short notice. These organisations did not want to go public with their frustration because they were still hopeful of working constructively with government.

2.5 Funds provided via government departments often had very short application windows. For example, MHCLG launched a fund for organisations supporting survivors of abuse and domestic violence at the end of the Thursday before a bank holiday weekend in May, with a deadline the following Wednesday, giving an application window of just a few

working days. Representative organisations had to push for an extension, and a very short one was granted.

2.6 DCMS used only £200m of the £310m earmarked for small charities for the CCSF, stating it would conduct a review before allocating the rest. This appears to have been at the direction of the Secretary of State. The promised review evidently never happened – instead, the Department announced it would create an £85m Community Match Challenge with most of the remaining funds, with no explanation as to why or how this would be a more effective or speedy use of funds intended for an ‘emergency’. The selection of match funding partners took until the end of the summer, further delaying distribution, as philanthropists and grant-makers bid to be part of the match fund. We know that many charitable foundations chose not to apply due to the onerous requirements of the scheme, whilst others took the view that they could put up with the bureaucracy to facilitate getting the funds out effectively. The NAO report of 23 March concludes that some of the successful applicants were not recommended to ministers by the civil servants assessing the bids. The Match Challenge may have levered in some additional non-statutory funds, but it likely also simply diverted charitable funding that would otherwise have been available anyway.

2.7 Transparency about the funding has been poor, and publicly available data about grantees patchy at best. The government started publishing information about the available funding on www.gov.uk in the summer. DSC had to resort to successive FOI requests to get any public data about the distribution of the CCSF over the summer. The NAO report published on 23 March 2020 offers the most comprehensive picture to date of where funding has gone. It illustrates the broad categories of what the funding supported, but also states that: ‘The information available on the geographical distribution of funding is at times inconsistent or missing, making it difficult to determine the geographical spread of funding awarded. While the Department [DCMS] has some data on the location of awards, it does not know exactly how much funding has been used to support charities in different parts of the country.’

2.8 It’s unclear whether the full £750m has been distributed, despite Ministers’ public statements to the contrary. Although most of the funding was distributed by early 2021, some tens of millions may be still outstanding. In some cases, grantees may be required to spend money by the end of March 2021, despite only having received their grant the month before – this appears to be a particular problem with grantees receiving funding via the Community Match Challenge, because it only started delivering funds in the Autumn which had to be spent by the following Spring.

2.9 It’s unclear how much of the £750m may still be clawed back. For example, the terms and conditions for £200m of funding for hospices state that funds can be clawed back if hospices don’t meet targets for providing beds to ease hospital overflow, or if their own fundraising prospects improve. The NAO report of 23 March ruled this part of the £750m package, overseen by the Department of Health and Social Care (DoHSC) out of scope.

2.10 Via the DCMS, the government provided substantially more funding (initially £1.57bn) to the arts and culture sector than the rest of the charity sector as a whole – including causes such as homelessness, domestic violence, food poverty, loneliness, young people, etc. Many charities are involved in arts and culture, and this support was obviously needed and welcome, and the package also included vital support for freelancers and theatres that had to shut completely. Still, the £750m package for the rest of the charity sector was not in proportion to the relative numbers of organisations or services potentially at risk.

2.11 There appears to be no granular data about where the £750m funding went, let alone what impact it had or how it was used. The NAO report of 23 March includes top level categories for funding, but they note that the DCMS has incomplete data on geographic spread. The likeliest consistent dataset to potentially illustrate the impact might come from the NLCF's distribution of the CCSF, but to our knowledge this has not yet been published, and it would mainly cover smaller grants made typically to smaller charities.

3. Systemic problems in the relationship between central government and the charity sector

3.1 Over the past year, leaders of representative bodies for charities and civil society organisations have come together to coordinate their response to the crisis in an unprecedented fashion. Despite this, they have faced many challenges in working constructively with central government during this period, which impacted the effective delivery of emergency funding. Over the year it has become more and more apparent that government decision-making is mainly driven by HM Treasury, Number 10, the Cabinet Office, and to a degree DoHSC, with departments outside of those having less delegated authority than they may have had in the past. The DCMS, which holds the charity and civil society brief, clearly does not have sufficient influence over these major departments to push through substantive policy change. Further, policy for charities and civil society is lost amidst its wide and diverse brief, which also includes gambling, sport, arts, broadcasting, and many other areas.

3.2 There is a lack of basic understanding from policymakers of the breadth, depth and importance of charities and wider civil society in British society – not just its direct relevance to the COVID19 response in a host of areas (e.g. volunteering, food banks, hospices) but more widely in terms of its social and economic importance. The direct effects of the pandemic were not limited to charities working in the health or social care fields and extend to the entire sector – even to grant-making foundations who have seen the value of investments drop sharply (with damaging effects on current and future grant distribution) and face tough decisions about how to balance emergency response with support for deepening social needs during the recovery period.

3.3 The longer-term effects of the pandemic on many social issues, such as mental health and education, will be substantial and require increased support from the charity sector. Central government still does not seem to recognise the potential scale of these effects or how important charitable provision will be to meet them, nor the necessity of preventing those kinds of services from collapsing so they remain available in future years.

3.4 There has been a generally chaotic situation for policy making and communication, where has been extremely difficult to get accurate intelligence about government plans and decisions, or to know how best to engage with central government effectively (probably not unique to the charity sector coalition's experience – but generally those leaders didn't feel their causes/members were a priority).

3.5 Government was understandably interested in volunteering but clearly lacked expertise. It wished to mobilise mutual aid and support in the crisis but did not understand how volunteering works, how to effectively mobilise it, what infrastructure already existed, and what this cost. This knowledge gap was further complicated by the various ways that local volunteering efforts were already self-mobilising at a community level.

3.6 Government officials lack understanding of charity finance and business models – in particular, the drastic negative effects of the lockdown on fundraising and trading income, and the degree to which this threatens not just current viability but future resilience and service provision across thousands of social causes. Also, the nature of charity accounting, financial assets, and how they can be used (for example that not all assets are liquid or can be readily deployed in an emergency, because they are restricted funds that must be spent only on a specific purpose).

3.7 HM Treasury does not understand the voluntary sector economy and generally appears not interested to learn. Repeated demands for data about the negative financial impact of the lockdown on the charity sector's economy and provision of vital services were accompanied by a reluctance to fully consider the data or accept the implications of that data once charity leaders provided it.

3.8 Charity and civil society leaders remain committed to try to continue to work with central government on all these matters, with no guarantee that they will be listened to or taken seriously moving forward. They have striven for the past year to educate politicians of all parties, and civil servants across Whitehall, about the importance of the range of vital services provided by charities, including the substantial numbers of services provided under contract to the central and local state. While there has been some progress in working with back-bench MPs and Lords, when it comes to Ministers and central government officials, the door has been mostly closed. The spirit and principles of The Compact, which previously attempted to mediate relationships and behaviours between the two 'sectors' are a distant memory.

References

[Investigation into government funding to charities during the COVID-19 pandemic - National Audit Office \(NAO\) Report](#)

[COVID-19 funding in England: update | The National Lottery Community Fund \(tnlcommunityfund.org.uk\)](#)

[Financial support for voluntary, community and social enterprise \(VCSE\) organisations to respond to coronavirus \(COVID-19\) - GOV.UK \(www.gov.uk\)](#)