



National Audit Office



# Investigation into government funding to charities during the COVID-19 pandemic

Department for Digital, Culture, Media & Sport

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**REPORT**

**by the Comptroller  
and Auditor General**

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HC 1236**

## What this investigation is about

**1** On 8 April 2020, government announced a £750 million financial support package for frontline charities. It designed the package as part of its response to the COVID-19 pandemic. It targeted its support at those organisations in the voluntary, community and social enterprise sector providing vital services to the vulnerable. In this report we refer to organisations in this sector as charities. 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.

**2** The £750 million government announced for charities included:

- £360 million for government departments to distribute in England;
- £370 million to be distributed through other organisations to small and medium-sized charities (£310 million for England and £60 million for the devolved nations); and
- £20 million to the National Emergencies Trust, a charity established in 2019 partly with government funding, to raise funds in the event of a national disaster.

**3** The government intended departments to distribute £360 million to charities in England with which they had pre-existing links, and which were providing key services and supporting vulnerable people. Some charities were named in the announcement, such as St John Ambulance and Citizens Advice. Up to £200 million of this amount was allocated to the Department of Health & Social Care to purchase bed capacity in charitable hospices, to ensure they remained open and continued providing services the NHS rely on them to supply, supporting the national response to the COVID-19 pandemic.

**4** The £370 million for small and medium-sized charities was to support local communities, including charities delivering food, medicines and financial advice. In England this included £310 million to be distributed through The National Lottery Community Fund, which government considered to be the quickest way to distribute funds to charities. Where charitable services are devolved, government applied the Barnett formula and expects at least £60 million to be provided to the devolved governments of Scotland, Wales and Northern Ireland.

**5** Following its initial announcement, government increased the amount of funding which resulted in the Department for Digital, Culture, Media & Sport (the Department) being responsible for allocating £513 million of the package, including funds distributed through itself and other government departments, public-sector organisations and other partners. It is directly accountable for how £354 million of the £513 million is distributed. The Department is not responsible or accountable for the £60 million of the package provided to the devolved governments, or the £200 million set aside from the package for the Department of Health & Social Care to support charitable hospices.

**6** Since government announced its financial support package on 8 April 2020, concerns have been raised by Parliament and charities relating to the:

- transparency of funding decisions;
- speed at which funds have been distributed to charities; and
- deadlines by which charities must spend funds or return them.

**7** These concerns relate to the Department's responsibilities. We have therefore investigated its distribution and oversight of £513 million of the package. We have considered how the Department allocated funds, how financial support could be accessed by the sector and where financial support was received. As the package continues to operate until 31 March 2021, our report does not represent the final position on how the entire package has been allocated, awarded and disbursed. Our focus on the Department and its accountabilities excludes from scope how the devolved governments have distributed funds, and how the Department of Health & Social Care has distributed funds to charitable hospices.

**8** As an initial factual report, this investigation does not consider how individual charities may have benefited, nor the impacts on charity service users. It also does not consider whether this package, or the Department's administration of it, offers value for money to taxpayers.

**9** We undertook our investigation between November 2020 and February 2021. Data is as at 19 February 2021, the most up-to-date data available at the point fieldwork concluded, unless otherwise stated.

# Summary

## Key findings

### How the Department allocated the package

**10 The Department for Digital, Culture, Media & Sport (the Department) allocated the £513 million of funding across a range of schemes and a network of at least 198 partners.** Since April 2020, the Department has announced a range of funding schemes and partners through which charities could access funding, with the most recent scheme being announced in December 2020.<sup>1</sup> Partners include at least nine government departments, three other public-sector organisations and 186 other partners (**Figure 1** on pages 8 to 10). The Department allocated the £513 million package across seven schemes:<sup>2</sup>

- £199 million allocated to the Coronavirus Community Support Fund (CCSF) through The National Lottery Community Fund (TNLCF) to support small and medium-sized charities in England;
- £164 million allocated to the Government Departments Scheme, across nine government departments to fund 21 sector-specific projects. This included some pre-determined direct awards to charities;
- £85 million allocated to the Community Match Challenge to match-fund the fundraising efforts of philanthropic groups, foundations and grant-making organisations;
- £37 million to match donations raised through the BBC *Big Night In* fundraising event and allocated to the National Emergencies Trust (£20 million), BBC Children in Need (£9 million), and Comic Relief (£9 million);<sup>3</sup>
- £17 million allocated to the Youth COVID-19 Support Fund, to support local and national youth organisations, including youth work qualifications and training;

1 As the package continues to operate until 31 March 2021, our report does not represent the final position on how the entire package has been allocated, awarded and disbursed.

2 As the values of the seven schemes have been rounded in the bullets for presentational purposes, they sum to £515 million. We refer to the value of the package as £513 million as this more accurately reflects the sum of the unrounded values of each scheme.

3 As the values allocated to the National Emergencies Trust, BBC Children in Need and Comic Relief have been rounded for presentational purposes, they sum to £38 million. We refer to the Big Night In scheme as £37 million as this more accurately reflects the sum of the unrounded values.

- £8 million allocated to the Loneliness Fund to support organisations that bring people and communities together and reduce loneliness during winter; and
- £5 million allocated to the Voluntary and Community Sector Emergencies Partnership, a partnership to bring together local and national organisations to deliver a more coordinated response to emergencies (paragraphs 1.1, 1.2, and 1.4 and Figure 1).

**11 The Department set objectives for each scheme, including funding charities supporting vulnerable people and relieving pressure on public services during the pandemic.** Only charities whose activities supported each scheme's objectives are eligible for funding, and funds provided could only be used to meet these objectives. Objectives for schemes typically included:

- ensuring essential services are provided to vulnerable people through increased community support;
- providing critical frontline services to vulnerable groups affected by COVID-19;
- reducing the closure of charities providing essential services to vulnerable people by ensuring they have the financial resources to operate, thereby reducing the burden on public services; and
- providing key services specific to supporting the COVID-19 response, to reduce burden on the NHS or other public services (paragraphs 1.3, 2.3, and 2.4).

**12 The Department received applications for support worth £277 million from government departments, £117 million more than it had made available.**

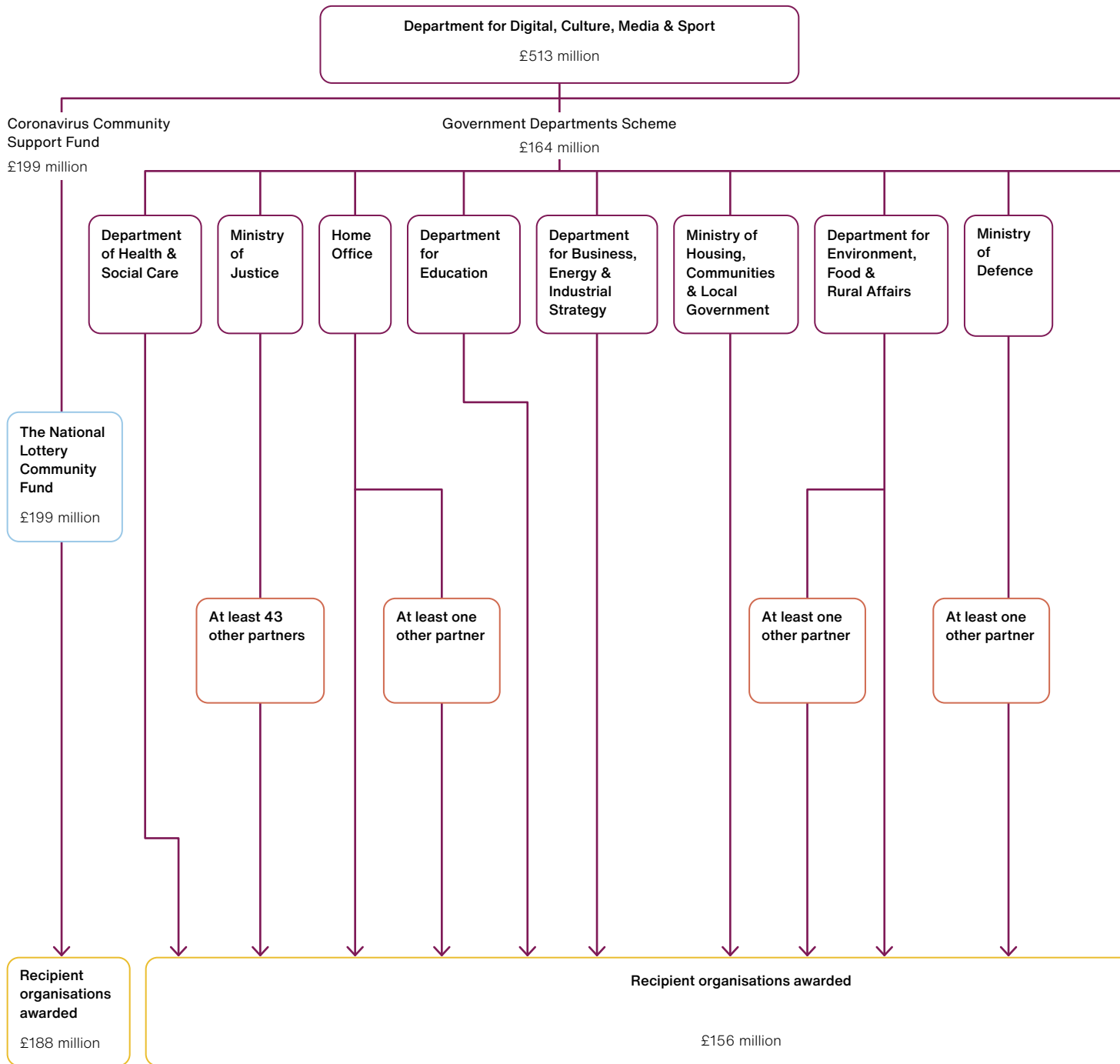
The Department initially ringfenced £160 million, which later increased to £164 million, for distribution by government departments to charities within their sectors providing key services or supporting vulnerable people. The Department received 53 applications worth £277 million from 10 government departments. These included applications covering some sector-specific charities that had already been pre-selected and announced as beneficiaries, for example St John Ambulance and Citizens Advice (paragraphs 1.5, 1.6, 1.8 and 2.2).<sup>4</sup>

<sup>4</sup> St John Ambulance and Citizens Advice were named as beneficiaries when government announced the financial support package on 8 April 2020. The funding these charities received was decided through the process managed by the Department.

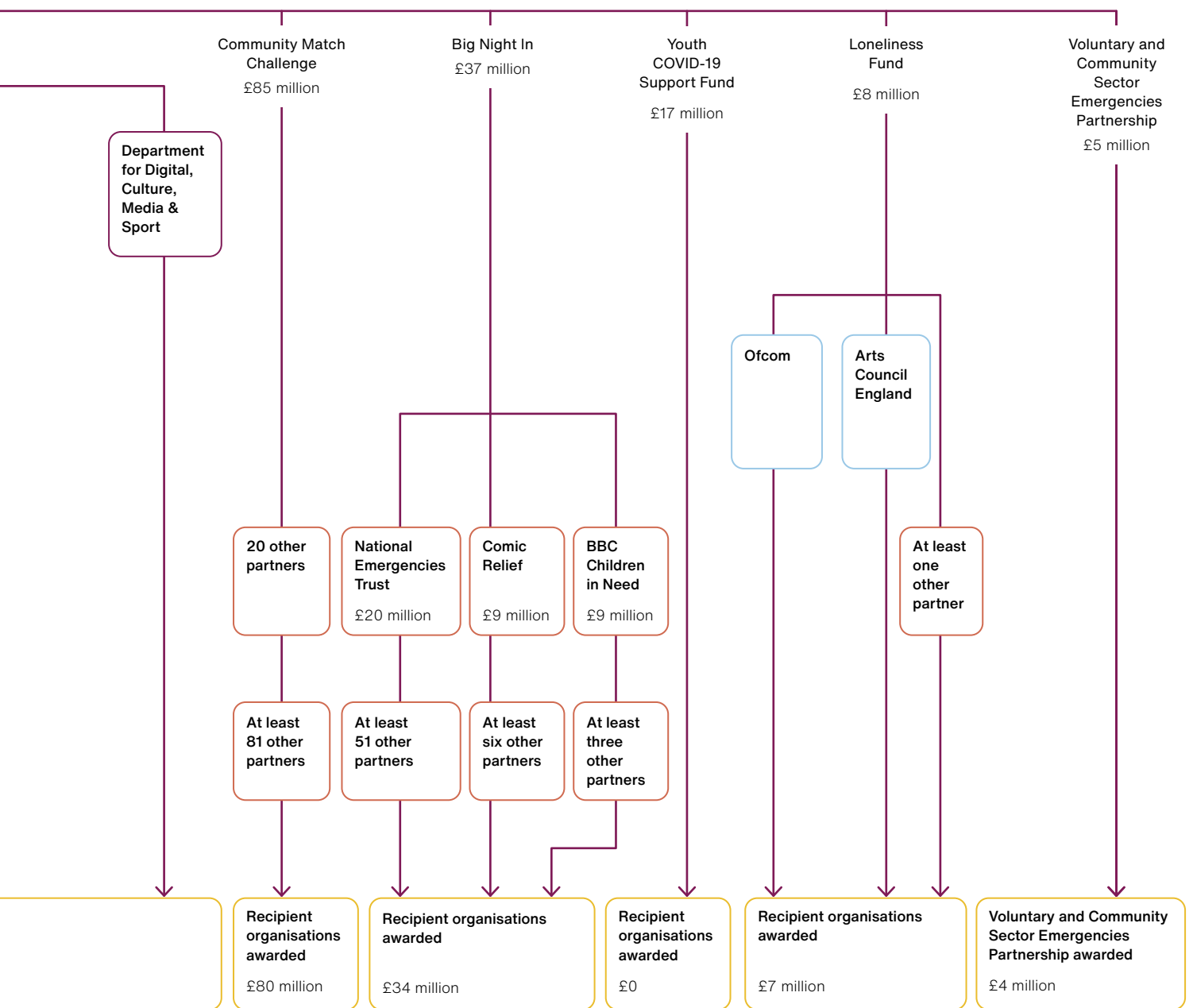
**Figure 1**

The Department for Digital, Culture, Media & Sport’s distribution of £513 million to voluntary, community and social enterprise (VCSE) organisations

The Department is responsible for the distribution of this funding through seven schemes, with £471 million awarded to VCSE organisations by 19 February 2021



□ Government department   □ Other public-sector organisation   □ Other partner   □ Recipient organisation(s)   → Funding



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## Figure 1

The Department for Digital, Culture, Media & Sport's distribution of £513 million to voluntary, community and social enterprise (VCSE) organisations

### Notes

- 1 Financial values are based on management information reported by the Department for Digital, Culture, Media & Sport (the Department) as at 19 February 2021.
- 2 The Department intends to award funds until 31 March 2021.
- 3 All financial values reported against schemes or partners are the values allocated by the Department to itself and its partners to disburse, which total £513 million. This includes £19 million in administration and evaluation costs, leaving £494 million available for disbursement to VCSE organisations.
- 4 Some government departments are awarding funds directly, some are awarding funds through other partners, and some are awarding funds through both methods.
- 5 In total there are at least 198 partners involved in distributing funding. This includes nine government departments, three other public-sector organisations and 186 other partners. Some of the other partners will distribute funds as part of more than one scheme, therefore the total number of other partners in the figure will sum to more than 186.
- 6 Funding from the Government Departments Scheme, the Loneliness Fund, and Youth COVID-19 Support Fund is targeted at projects being delivered across the United Kingdom.
- 7 Funding from the Coronavirus Community Support Fund is targeted at small and medium-sized charities running projects being delivered in England.
- 8 Funding from the Big Night In awarded by the National Emergencies Trust is targeted at projects being delivered across the United Kingdom and Crown Dependencies.
- 9 Funding from the Big Night In awarded by BBC Children in Need and Comic Relief is targeted at projects being delivered across the United Kingdom, with most of this funding to be distributed in England.
- 10 Funding awarded by Community Match Challenge partners and to the Voluntary Community Sector Emergencies Partnership is targeted at projects being delivered in England.
- 11 Financial values are rounded to the nearest £ million. Totals do not sum due to rounding.

Source: National Audit Office analysis of Department for Digital, Culture, Media & Sport data

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**13 The Department allocated £164 million to the Government Departments Scheme to support 21 projects.** The Department assessed all applications, including its own, against criteria including whether charities would be unable to continue to provide services, or if they could access other government support such as the furlough scheme. After applications were scored by departmental officials, they were considered by a panel including special advisers from the Department, HM Treasury and Number 10. The panel grouped some applications by theme and ministers were asked to approve 21 projects worth £160 million, including one of the Department's own projects. Funds available through departments subsequently increased to £164 million through additional departmental match-funding (paragraphs 1.7 and 1.8 and Figure 3).<sup>5</sup>

<sup>5</sup> All approved projects included match-funding from departments, and some departments provided more match-funding than initially expected. This brought the total value of funding delivered through departments to £164 million.



**14 The Department initially allocated £310 million to TNLCF to distribute to charities but later reduced this to £199 million.** The Department planned to distribute £310 million through TNLCF, a non-departmental public body of the Department. It considered TNLCF to be the only organisation capable of distributing funds in the timeframe it aspired to. Around the week before the scheme was launched, the Department reduced the amount available through TNLCF from £310 million to £200 million. HM Treasury approved the change once the Department had responded to its concerns and confirmed that it was confident the change would not slow down the distribution of funding to charities. In late 2020, TNLCF's allocation was reduced from £200 million to £199 million because the Department funded some evaluation costs and there was an underspend on the scheme. This means that after deducting administration and evaluation costs of £11 million, £188 million was available for charities from TNLCF. TNLCF opened applications on 22 May and by the end of October 2020 had disbursed more than £180 million, more than 95% of its funding available for the sector (paragraphs 1.10, 1.11, and 1.13).

**15 Using funds that were initially planned for TNLCF, the Department allocated £85 million to 20 philanthropic, foundation and grant-making organisations for onward distribution.** The Department repurposed £85 million of the funds it had intended to distribute through TNLCF and instead chose to distribute this funding through other organisations which would match-fund the government funding. Twenty organisations were selected by the Department through an open competition based on criteria including how quickly they could distribute funds, and the fairness of their onward granting processes. The first charities to receive funds from these organisations did so in the week commencing 23 November 2020 (paragraphs 1.14 to 1.16).

**16 The Department held back £20 million to distribute over winter.** The Department allocated £5 million of the funds initially planned for distribution through TNLCF to the Voluntary and Community Sector Emergencies Partnership and held back £20 million for distribution over winter. In late 2020, it combined this £20 million with underspends elsewhere in the package to create two new schemes: a £17 million Youth COVID-19 Support Fund, and a £8 million Loneliness Fund (paragraphs 1.17 and 1.18).

## How charities can access the package

**17 The Department's decisions mean that at least £306 million of the package was to be awarded to charities through open competition, and £95 million without competition.** Of the £513 million, a maximum of £19 million may be used by the Department and its partners for administration and evaluation costs, leaving a minimum of £494 million available to charities.<sup>6</sup> The Department did not specify to all partners the level of competition they should use to award funds. Charities could compete for £188 million from TNLCF and at least £118 million from some government departments and other partners through open competitions. At least a further £17 million was to be open to competition among a pre-selected group of charities. Also, at least £95 million was to be awarded to charities without competition. This includes direct awards from departments.<sup>7</sup> There is £77 million where it is not stated what level of competition is being used to distribute funds (paragraphs 1.13, 1.21, and 2.2, and Figure 4 and Figure 5).<sup>8</sup>

**18 The Department reviewed all TNLCF's proposed awards worth £10,000 or more prior to TNLCF finalising its award decisions.** TNLCF received more than 13,800 applications worth nearly £342 million for funding from the CCSF. Applications were reviewed by TNLCF according to criteria agreed with the Department, including the type of charity and if there was evidence of an increase in demand or decrease in income. The Department then reviewed all proposed awards to identify any it considered contentious or high value (more than £300,000).<sup>9</sup> In July 2020 the Department changed the process so it only reviewed proposed awards worth £10,000 or more. All proposed awards identified as contentious or high value were then reviewed at a joint TNLCF and Department panel before TNLCF made the final award decision. The Department was not involved in the decision-making process for competitions run by other partners such as other government departments or the 20 Community Match Challenge partners (paragraphs 2.4 to 2.6).<sup>10</sup>

6 The Department expects that a maximum of £19 million of the £513 million may be spent on administration and evaluation by the Department or its partners. Therefore £494 million is the minimum amount available for disbursement to charities.

7 The £95 million awarded to charities following no competition includes direct awards from departments. Some of these were a result of the applications the Department approved in April 2020 for funding specific charities, or in the case of St John Ambulance and Citizens Advice, were included in the government's original announcement of the package on 8 April 2020.

8 All values are calculated based on the Department's planned or actual distribution. Amounts distributed through an unstated level of competition reflect where the level of competition is not known by the Department, or where multiple distribution methods with different levels of competition are used and the breakdown is not known. Of the £77 million for which the distribution method is unstated, £53 million represents funds distributed by other government departments, for which the Department is not accountable. Values are rounded to the nearest £ million and will not sum.

9 The Department defines contentious applications as those where there is uncertainty as to whether they meet criteria, including the risk that they do not meet criteria on undermining public trust in funding decisions.

10 With the exception of funds allocated through TNLCF, the criteria, timing and advertisement of any competitions run by other partners were determined by those partners.

## **The Department's progress distributing the package**

**19 As at 19 February 2021, £454 million (92%) of the £494 million available to charities had been disbursed.** When the government announced the package on 8 April 2020, it stressed the need to distribute funding at pace. By the end of July 2020, more than three months after the announcement, charities had received £103 million, 21% of the £494 million available for disbursement.<sup>11</sup> This rose to £359 million (73%) by the end of October 2020 and £431 million (87%) by the end of January 2021. As at 19 February 2021, just over one month before the Department expects all funding to be disbursed, £454 million (92%) had been disbursed. A further £18 million had been awarded to charities but not yet disbursed. The remaining £23 million had not yet been awarded or disbursed to charities. The Department intends to award and disburse funding until 31 March 2021, and any funds remaining undisbursed or unspent by the Department, its partners or recipient charities after this date are expected to be returned to HM Treasury (paragraphs 3.3 and 3.4, and Figure 6 and Figure 7).

**20 The Department requires partners and charities to regularly submit data on the speed of disbursements, and the types of services it is supporting.** This includes data on the geographical distribution of funds and the types of services being funded, such as supporting charities providing services for specific health conditions. However, the Department does not have complete or accurate data across all schemes. Its information on the geographical distribution of funding is at times missing or inconsistent, making it difficult to determine the geographical spread of funding (paragraphs 3.1, 3.2, 3.5, 3.9, and 3.11, and Figure 8, Figure 9 and Figure 10).

<sup>11</sup> £494 million available for disbursement reflects the £513 million package net of £19 million of administration and evaluation costs.