

Witness Name: Claire Bennett

Statement No: M9/WG/CTP/01

Exhibits: 59

Dated: 19 May 2025

## UK COVID-19 INQUIRY

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### WITNESS STATEMENT OF CLAIRE BENNETT

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I, Claire Bennett, will say as follows: -

1. As Director of Communities and Tackling Poverty during the pandemic, I act as signatory to this statement in response to a request made by the Chair of the UK Covid-19 Public Inquiry (the “**Inquiry**”) to the Welsh Government, under Rule 9 of the Inquiry Rules 2006, dated 2 December 2024 and referenced **M9/R9R/WG**. It has been agreed that the response to this Rule 9 will be contained in four separate statements. This statement, using the agreed reference of **M9/WG/CTP/01**, will cover:
  - a) The Covid-19 Third Sector Response Fund;
  - b) Impact Assessment; and
  - c) Lessons learned and reflections.
2. In preparing this statement, I have relied upon advice and information from officials within the Third Sector Policy team within the Welsh Government.

### **Introduction**

3. The Welsh Government has a long-standing relationship with the third sector in Wales which comprises about 40,000 voluntary organisations. The Welsh Government was required by Schedule 74 of the Government of Wales Act 2006 to establish a ‘Third Sector Scheme’ which covers matters such as the relationship

between government and the sector; supporting engagement between government and the sector; supporting communities and volunteers and supporting third sector infrastructure to enable the sector to flourish.

4. The Wales Council for Voluntary Action is the national membership body for the third sector in Wales and works alongside 19 regional voluntary organisations known as the County Voluntary Councils. The Wales Council for Voluntary Action and the County Voluntary Councils support the third sector as “Third Sector Support Wales”.
5. The Welsh Government provides the Third Sector Support Wales Grant directly to the Wales Council for Voluntary Action which then distributes funding to all members of Third Sector Support Wales. That remained the case before, during and after the pandemic.

#### **Covid-19 Third Sector Response Fund**

6. From the start of the pandemic, the third sector provided a wide range of community services including health and social care services, children's services, and services to promote health and well-being. The increase in demand led to unprecedented pressure on the third sector at a time when many organisations had lost income because fundraising activities had stopped or were truncated because of lockdown measures. Third sector organisations were reasonably concerned about how they could continue to provide their services when restrictions were in place. These matters are explained at p.5 of the *'Audit Wales Third Sector Covid-19 Response Fund Memorandum for the Public Accounts and Public Administration Committee'* (the “Audit Wales Memorandum”), which I exhibit at **M9CTP-001 - INQ000066532**.

7.—In response to these concerns, in March 2020, the Wales Council for Voluntary Action submitted to the Welsh Government a proposal about funding the third sector which I exhibit at **M9CTP-002 - INQ000179731**. The Welsh Government's Third Sector team (which was part of the Communities and Tackling Poverty Directorate) considered and used the Wales Council for Voluntary Action's proposal to develop Ministerial Advice dated 27 March 2020 which is exhibited at **M9CTP-003 - INQ000145187**. This advice was sent to the Deputy Minister and Chief Whip, Jane Hutt MS, and the Minister for Finance and Trefnydd, Rebecca Evans MS. The Ministerial Advice requested an allocation of up to £24 million from the Welsh

Government's Covid-19 response fund to support the third sector and it outlined plans to re-allocate £1.85 million from other Welsh Government-funded third sector initiatives. During the course of the pandemic, the money would be allocated to four principal funding schemes, namely:

- a) The Third Sector Resilience Fund which was the principal fund which supported third sector organisations in Wales. The Third Sector Resilience Fund provided a mix of loan and grant funding to third sector organisations that were struggling to continue their normal activities. Following Ministerial agreement, the scheme opened on 7 April. In July 2020, its remit was broadened to include the provision of support expenditure to organisations to 'future-proof' their operations (by, for example, investing in systems to guard against potential future emergencies). This broadened remit was approved in the Ministerial Advice of 17 July 2020, exhibited at **M9CTP-004 - INQ000103947**. The Third Sector Resilience Fund was run by the Wales Council for Voluntary Action on behalf of the Welsh Government. Although the Third Sector Resilience Fund was new, it was implemented by adopting well-established systems and processes used by the Wales Council for Voluntary Action for administering other loans and grants to third sector organisations. The Economic Resilience Fund, as detailed in M9/WG/ESNR/01, was set up after the Third Sector Resilience Fund, and the Welsh Government identified that some organisations would also be eligible for support under both schemes. Work was undertaken with officials in the Business and Regions Directorate and the Wales Council for Voluntary Action to identify mechanisms to avoid duplication and fraud. The initial Third Sector Resilience Fund was £11 million consisting of £10 million of new funding and £1 million re-allocated from the Community Asset Loan Fund.
  
- b) The Voluntary Services Emergency Fund was announced on 27 March 2020 to support the volunteer response to the pandemic. It provided grants of up to £100,000 and it helped organisations meet the additional costs of accommodating the increase in volunteer numbers. The fund enabled vital support activities to take place, including support for older people, those isolating and / or struggling to access food and other services. Funding for the Voluntary Services Emergency Fund was met by re-allocating £850,000 previously intended for the Volunteering in Wales Fund together with new funding of £6.65m. This provided a total initial fund of £7.5 million.

- c) In August 2020, as lockdown measures were relaxed, the Voluntary Services Emergency Fund was suspended, and re-branded as the Voluntary Services Recovery Fund as set out and agreed in Ministerial Advice dated 17 July 2020 (exhibited at **M9CTP-004 - INQ000103947**). The Voluntary Services Recovery Fund was established with £3.5 million of funding. Like the Third Sector Resilience Fund, both the Voluntary Sector Emergency Fund and the Voluntary Sector Recovery Fund were operated by the Wales Council for Voluntary Action on behalf of the Welsh Government.
  
- d) Funding of £2 million was provided directly to Third Sector Support Wales by the Infrastructure Enabling Fund to provide resources to the Wales Council for Voluntary Action and the County Voluntary Councils. The resources funded work such as providing training to existing staff who were dedicated to supporting volunteers and co-ordinating the volunteer effort; increasing working hours; purchasing ICT equipment to enable remote working; and engaging skilled staff from partner agencies where necessary. This funding was provided by the Third Sector Support Wales grant.

Other funding for the third sector which was agreed in the same Ministerial Advice included:

- e) £5 million (agreed in principle) for a Future Sustainability Fund. Ultimately the Future Sustainability Fund was not launched and no funds were actually distributed. In July 2020 the previously earmarked sum of £5 million was divided between the Voluntary Sector Emergency Fund and the Voluntary Sector Recovery Fund.
  
- f) The Welsh Revitalising Trusts programme was established at the anticipated revenue cost of £238,000 (to be split evenly across 2020-21 and 2021-22). The function of the programme was to identify dormant or ineffective charities / trusts which were defined as those with an expenditure over the previous five years of less than 30% of their income. These charities / trusts were contacted by the Charity Commission to find a way of revitalising the organisation (by, for example, changing its charitable purpose), or to agree a transfer of funds and the closure of the organisation, depending on what was deemed best. To date, this work has released over £1 million from dormant or ineffective charities which is five times Welsh Government's original investment. The Wales Revitalising Trust programme

was a new scheme, but it emulated a scheme already implemented in England by the Charity Commission prior to the pandemic.

8. When the funds were established, it was estimated that the Voluntary Sector Emergency Fund and Third Sector Resilience Fund would be required in the first three months of the 2020-2021 financial year with the balance of £5 million for the Future Sustainability Fund being required thereafter. This was set out in the Ministerial Advice of 27 March 2020 and exhibited above at **M9CTP-003 - INQ000145187**. As the pandemic developed, it became apparent that support would be needed over a longer time period, so new funds were allocated and existing funds re-allocated.
9. More money was given to the Voluntary Sector Emergency Fund, the Voluntary Sector Recovery Fund, the Third Sector Resilience Fund and the Infrastructure Enabling Fund later in 2020-21 and in 2021-2022, full details of which are provided in the chronology below.
10. The solid foundation that was already in place for funding the third sector in Wales enabled the Welsh Government to use or adapt existing systems which were already in place.

#### **Chronology of the fund**

11. Below is a narrative chronology of the Third Sector Response Fund. As requested, I have also exhibited to this statement a document that sets out this information in the form of a table which incorporates dates on which significant announcement about each scheme were made to the public, exhibited at **M9CTP-005 - INQ000595993**.
12. On 27 March 2020, the Ministerial Advice (exhibited at **M9CTP-003 - INQ000145187**) proposed the majority of the Covid-19 Third Sector Response Fund. The Third Sector Resilience Fund, Voluntary Services Emergency Fund, Infrastructure Enabling Fund, Welsh Revitalising Trusts Programme, and Future Sustainability Fund were announced to the public on the same date. I exhibit a copy of that written announcement at **M9CTP-006 - INQ000350656**. The Voluntary Services Emergency Fund and the Infrastructure Enabling Fund were established immediately.

13. On 7 April 2020, the Third Sector Resilience Fund was established.
14. On 17 July 2020, Ministerial Advice, exhibited at **M9CTP-004 - INQ000103947**, recommended that:
  - a) The Voluntary Services Emergency Fund was closed, and that the Voluntary Services Recovery Fund was opened in its place. This was in response to the changing need of third sector organisations responding to the developments in the pandemic, as a result of the Wales Council for Voluntary Action's and the Welsh Government's monitoring of these funds.
  - b) The £5 million earmarked for the Future Sustainability Fund was re-allocated to provide additional funding to the Voluntary Services Emergency Fund (pre-closure) in the amount of £1.5 million; and to provide the remaining £3.5 million of funding for the establishment of the Voluntary Services Recovery Fund. Therefore, the Future Sustainability Fund was never established because all of its funding was re-allocated to address more pressing needs.
15. On 7 August 2020, the Voluntary Services Emergency Fund was closed.
16. On 17 August 2020, the Voluntary Services Recovery Fund was opened.
17. On 4 December 2020, another Ministerial Advice, which I exhibit at **M9CTP-007 - INQ000145208**, resulted in a further £1 million being added to the Third Sector Resilience Fund, and a further £1.5 million being added to the Voluntary Services Recovery Fund.
18. On 10 December 2020, a Ministerial Advice, exhibited at **M9CTP-008 - INQ000368649**, sought to reprofile the funding for the Welsh Revitalising Trusts Programme over three years, not two years as per the 27 March 2020 Ministerial Advice. As a result, the Welsh Revitalising Trusts Programme received £50,000 of revenue funding in 2020-21, £119,000 of revenue funding in 2021-22, and £42,000 of revenue funding in 2022-23.
19. On 8 January 2021, the Welsh Revitalising Trusts Programme was established.

20. On 29 January 2021, Ministerial Advice requested further funding for the Voluntary Services Recovery Fund, the Third Sector Resilience Fund, and the Infrastructure Enabling Fund. I exhibit a copy of this Ministerial Advice at **M9CTP-009 - INQ000136842**. As a result, some £1.65 million was re-allocated from the Coronavirus Recovery Grant for Volunteering and redirected into the Covid-19 Third Sector Response Fund. An additional £4.2 million was requested if the money could be found. The sum of £1.5 million was earmarked for the Voluntary Services Recovery Fund and £700,000 for the Infrastructure Enabling Fund. The Ministerial Advice recommended that the additional funding should be flexibly apportioned between the funds of the Covid-19 Third Sector Response Fund.
21. On 17 February 2021, Ministerial Advice, requested a further £2.494 million for the Third Sector Resilience Fund. I exhibit that advice at **M9CTP-010 - INQ000368857**. The money was made available to third sector organisations following the procurement exercise for its administration being completed on 29 June 2021.
22. On 31 March 2021, the Voluntary Services Recovery Fund ran out of funds, and as no further funds were added, this fund was closed.
23. On 22 July 2021, Ministerial Advice requested a further £1.74 million for the Third Sector Resilience Fund. I exhibit this advice at **M9CTP-011 - INQ000145219**.
24. On 13 December 2021, Ministerial Advice requested additional funding of £3 million for the Third Sector Resilience Fund. I exhibit this advice at **M9CTP-012 -INQ000145581**.
25. On 31 March 2022, the Third Sector Resilience Fund ran out of funds, and because no further funds were added, this fund was closed.
26. For completeness, as explained above, the Welsh Revitalising Trusts Programme was funded by the Welsh Government until the end of the 2022-23 financial year. The Charity Commission continued to fund this programme of their own accord after this, until March 2025.

#### **Objectives of the scheme**

27. As outlined above, the Welsh Government's Third Sector Response Fund was set up in response to the pressures on the third sector and the increasing numbers of

people who wanted to volunteer. The objectives of the fund intended to achieve three important aims, as stated in the Ministerial Advice dated 27 March 2020 (exhibited at **M9CTP-003 - INQ000145187**). They were:

- a) to help charities and third sector organisations financially through the crisis – by providing direct financial support for third sector organisations which needed help to get through the crisis – by paying their bills and easing cash-flow (the Third Sector Resilience Fund);
- b) to help more people volunteer – by supporting third sector organisations in the community which were co-ordinating the massive volunteer response in Wales; helping them to pay their volunteers' out-of-pocket expenses (the Voluntary Services Emergency Fund and later the Voluntary Services Recovery Fund); and
- c) to help strengthen the essential Third Sector infrastructure – increased Welsh Government funding to Third Sector Support Wales enabled it to temporarily increase its own capacity to support the sector, including the development of the Volunteering Wales platform (the Third Sector Infrastructure Enabling Fund).

#### **Scheme design, implementation and monitoring**

- 28. The packages of funding and support that made up the Third Sector Response Fund were developed by officials in the Communities and Tackling Poverty Directorate in conjunction with the voluntary sector and in particular the Wales Council for Voluntary Action and Community Foundation Wales.
- 29. The Welsh Government had a well-established relationship with the Wales Council for Voluntary Action which had extensive experience of meeting the administration and governance requirements of Welsh Government and European Union funding schemes. As such, the Wales Council for Voluntary Action already had systems in place to meet the governance standards required by the Third Sector Response Fund which it would administer on behalf of the Welsh Government.
- 30. The Welsh Government was keen to get the Third Sector Response Fund up and running as quickly as possible which is why the Wales Council for Voluntary Action was chosen to implement the fund because of its experience and connections with third sector organisations. As referenced above, it had the existing infrastructure to administer the grants effectively and efficiently. As existing infrastructure was used

there were no practical matters to overcome. No alternatives to the schemes identified in March 2020 were considered because those schemes had been developed in co-operation with the sector and which provided the necessary and sought-for help for the sector.

31. After the Ministerial Advice had been approved, the Wales Council for Voluntary Action implemented and administered the Third Sector Response Fund.
32. As the Covid-19 Third Sector Fund was developed in response to the changing nature of the Covid-19 pandemic, the Social Partnership approach, bringing workers, businesses and public services together, influenced the design process. Examples of that influence included:
  - c) feedback from the Wales Council for Voluntary Action and Lloyds Foundation in July 2020 that the sector wanted existing streams of funding to be adapted rather than being replaced by new funding streams, see the 17 July 2020 Ministerial Advice exhibited at **M9CTP-004 - INQ000103947**;
  - d) feedback from members of the Wales Funders Forum, which is the membership network for funders and investors in Wales including the National Lottery, Community Foundation Wales, the Association of Charitable Foundations, Lloyds Bank Foundation, and Moondance, suggesting that other funding sources (like the National Emergencies Trust funding, managed by Community Foundation Wales) were drying up in January 2021 thereby necessitating additional funding from the Welsh Government, see the 29 January 2021 Ministerial Advice exhibited at **M9CTP-009 - INQ000136842**; and
  - e) the decision that £500,000 of the further funding provided to Voluntary Services Recovery Fund in January 2021 should be ringfenced for County Voluntary Councils in accordance with a suggestion made by local authorities and County Voluntary Councils in workshops, see the 29 January 2021 Ministerial Advice exhibited at **M9CTP-009 - INQ000136842**.
33. Although it was not known in advance how many organisations would apply to the Covid-19 Third Sector Response Fund, the Welsh Government was kept regularly informed about the number of applications, acceptances and rejections.

34. Whilst there was no specific data on the composition of the voluntary sector to target specific bodies, the Welsh Government's objective was not to identify specific individuals or businesses which required support, as outlined earlier, the Third Sector Response Fund was designed in consultation with the Wales Council for Voluntary Action to provide support to the whole sector.
35. It became apparent that, through monitoring and feedback from the Wales Council for Voluntary Action, certain groups were disproportionately affected by the Covid-19 pandemic. These matters were considered in Ministerial Advice on 17 July 2020 (exhibited at **M9CTP-004 - INQ000103947**) and 13 December 2021 (exhibited at **M9CTP-012 - INQ000145581**) which both requested more funding for the Third Sector Resilience Fund. The Ministerial Advice exhibited at **M9CTP-012 - INQ000145581** outlined that the Third Sector Resilience Fund had been developed with a focus on ensuring that voluntary sector groups supporting people with protected characteristics were able to access the funding. It was for the Wales Council for Voluntary Action to direct support by making grants in accordance with the relevant criteria.
36. The funding provided under the Covid-19 Third Sector Response Fund was monitored by the Wales Council for Voluntary Action. The Welsh Government was provided with quarterly reports, an example of which is exhibited at **M9CTP-013 - INQ000593575**. These reports contained useful data including; number of organisations supported with advice and specialist guidance, interactions by sector and language, value of funding awarded, and a breakdown of interactions and resource provided to third sector organisations. This data allowed the Welsh Government to assess what further funding beyond that allocated in March 2020 was required for the third sector. There was also monitoring of schemes through meetings with the Third Sector Partnership Council, which included representatives of third sector organisations beyond the Wales Council for Voluntary Action. These meetings helped the Welsh Government to understand any problems that arose through the pandemic, and therefore the support that was required could be tailored, as exhibited in the minutes at **M9CTP-014 - INQ000282189**, **M9CTP-015 - INQ000282089**, **M9CTP-016 - INQ000179713**, **M9CTP-017 - INQ000350738**, **M9CTP-018 - INQ000596009**, **M9CTP-019 - INQ000596010**, **M9CTP-020 -**

**INQ000282188, M9CTP-021 - INQ000593578.** No individuals were excluded from schemes due to a lack of data or quality data.

37. Throughout the scheme's lifetime, the Welsh Government was aware of the level of applications, the degree to which applications were accepted, as well as the number of volunteers and beneficiaries covered by the various schemes. A snapshot of the levels of applications and awards were provided in the relevant Ministerial Advice submissions. For example, it is noted:

a) in the 17 July 2020 Ministerial Advice (exhibited at **M9CTP-004 - INQ000103947**):

- i. Voluntary Sector Emergency Fund: applications from 234 organisations to the value of £9.986 million; awards made to 141 organisations in the sum of £6.486 million; 5,538 volunteers supported; 699,868 individual beneficiaries benefited; and
- ii. Third Sector Resilience Fund: 128 applications submitted to the value of £5.251 million; awards made to 69 organisations in the sum of £2.964 million.

b) in the 4 December 2020 Ministerial Advice (exhibited at **M9CTP-007 - INQ000145208**):

- i. Voluntary Sector Recovery Fund: applications to the value of £5.941 million; average value of applications £39,000
- ii. Third Sector Resilience Fund: applications in the sum of £12.237 million; average value of applications £62,000.

38. The Welsh Government also conducted its own internal audits using the Internal Audit Services team. I exhibit a copy of the Covid-19 Third Sector Support report from January 2021 at **M9CTP-022 - INQ000022583**. This audit recommended that repayment of loans from the Third Sector Resilience Fund should be monitored more closely, and a 'learning and review' exercise was carried out. The recommendation was accepted and implemented.

39. Although the Welsh Government cannot speak to the limitations or challenges faced by the Wales Council for Voluntary Action in monitoring the majority of the Covid-19 Third Sector Response Fund, I note that the data provided by the Wales Council for Voluntary Action in relation to the Voluntary Services Emergency Fund, Voluntary Services Recovery Fund and the Third Sector Resilience Fund included the number of organisations accessing the applications and applying; how many applications were accepted and rejected; and how much funding had been used and how much funding remained in each fund. This enabled us to provide the summaries of this data to Ministers.
- 40.** The Welsh Government measured the effectiveness of the support it provided from the Third Sector Response Fund through the daily and weekly data provided by the Wales Council for Voluntary Action. The data was used to measure the success through numbers of organisations supported, numbers of grants awarded in a timely manner and was also used to identify organisations most in need, as well as helping assess budget requirements. An example of data provided by Wales Council for Voluntary Action including numbers of grants awarded is exhibited at **M9CTP-023 - INQ000593558**. We were not seeing large numbers of organisations failing as a result of the funding throughout the Covid-19 pandemic, and through the network of Community Voluntary Councils we were not made aware of any significant or systemic issues around volunteering.
41. Designing the Third Sector Fund worked well as the relationship between the Welsh Government and the third sector was already strong and a trusted relationship. The biggest challenge was to design a scheme to support volunteers and organisations operating in Wales when the majority of organisations were classed as either small or medium (i.e. less than £1million income and / or less than 50 employees). As a result, not all groups were registered with the Charity Commission, especially the new ones established during the pandemic. We relied on the knowledge of the Wales Council for Voluntary Action and the Community Voluntary Councils to help reach those organisations.
42. The Welsh Government does not consider that there were any deficiencies in the design of the Third Sector Response Fund. The fund was designed to have separate component funds, which together provided a range of support to the third sector. The Third Sector Resilience Fund provided funding to support third sector organisations by way of mixed loan-grant funding; the Voluntary Services Emergency Fund

provided support for volunteering activity in response to the initial impact of the pandemic; the Voluntary Services Recovery Fund provided support for the volunteering activity in response to the need to recover from the pandemic; the Infrastructure Enabling Fund meant the Wales Council for Voluntary Action and the network of County Voluntary Councils were able to fulfil their roles and provide support to larger organisations and localised activity. Taken together, the funds under the Covid-19 Third Sector Response Fund provided a full range of support. However, the Welsh Government does recognise that there were certain gaps that developed in the schemes, as a result of the changing nature of the pandemic. For example, this is why the Voluntary Services Emergency Fund was closed and re-opened as the Voluntary Services Response Fund. Where required, the Welsh Government adapted the Covid-19 Third Sector Response Fund to ensure that the third sector remained supported throughout the pandemic.

### **Economic value and costs of the scheme**

43. The Wales Council for Voluntary Action's proposal in March 2020 set out the likely needs of the sector over the following three to six months. Its proposal totalled £24.5million, of which £23.65 million was new funding; comprising of four different funds, two of which were existing grant mechanisms (the Third Sector Support Wales grant, and the Community Facilities Programme). Welsh Government officials anticipated at least £19.5 million of this funding would be required within the first three months of the new financial year 2020-21. The remaining £5 million, if agreed, would likely be required once the initial situation stabilised.
44. As the pandemic evolved, so did the funding and levels of support required by the third sector. There was an inevitable degree of uncertainty about the amount of required funding, but it was kept under regular review and additional funds were made available or repurposed as set out in the Approach to amending the Third Sector Response Fund section below.
45. Officials met the Wales Council Voluntary Action daily until April 2021 when the meetings became weekly. These meetings, which were informal and not minuted, were used to assess the number of applicants, the value of grants awarded against the available funds, and so the economic impact of the support. As the requirements of the sector evolved, the amount of funding was kept under review and, when

necessary, changes made. For example, as a result of the surge in cases over Christmas and New Year in 2020-21, more funding was requested as outlined in the Ministerial Advice of 29 January 2021 exhibited at **M9CTP-009 - INQ000136842**.

46. A total of £41.81 million was provided to the Covid-19 Third Sector Response Fund. This total is broken down at pages 18-20 of the Audit Wales report as exhibited above at **M9CTP-001 - INQ000066532**.
47. As the funds were administered by the Wales Council for Voluntary Action, that body considered value for money which was one of the criteria employed in assessing applications for awards.
48. I have been asked to comment on the use of modelling, forecasting or scenario analysis on the economic impact of the scheme. Although no direct modelling, forecasting or scenario analysis was carried out on the economic impact of the scheme, the data provided by the Wales Council for Voluntary Action was used to inform decision-making during the specified period and helped to develop the scheme. This data and analysis informed advice to ministers.
49. I am asked about the extent to which the Third Sector Response Fund was intended to 'fill the gaps' left by UK Government interventions. The Welsh Government's announcement of support for the sector, which was made in a joint press release, exhibited at **M9CTP-006 - INQ000350656**, on 27 March 2020, was a result of concerns that many third sector organisations dealing with the impact of Covid-19 would fail while facing unprecedented demand for their services thereby leaving people in need without access to help. The Welsh Government was aware that the UK Government's furlough scheme would be available for some third sector employees. However, this was not a viable option for those organisations whose services were in demand to support the pandemic response. The Welsh Government's funds were intended to keep those organisations operating, particularly where they had experienced a sudden decrease in income. The Welsh Government's support was not intended to fill any gaps arising from UK Government interventions but was put in place in recognition of the immediate need presented by the sector to keep functioning.
50. On 8 April 2020, the Chancellor announced a £750 million package of support for charities in the UK, of which Wales was expected to receive around £20 million

under the Barnett Formula. The Welsh Government decides how funding received under the Barnett formula is spent and funding was already agreed for schemes to support the third sector.

## **Communication**

51. The Inquiry asks a series of questions about public communication and how the scheme and important information was communicated to the targets of support. Communication about the funding available under the Third Sector Response Fund was primarily undertaken by the Wales Council for Voluntary Action and County Voluntary Councils, including information about eligibility criteria, application processes, and the amount of support available.
52. The Third Sector Response Fund was first communicated to the public via a press announcement made on 27 March 2020 in a joint statement by the Wales Council for Voluntary Action and the Welsh Government, referred to in paragraphs 12 and 49, and exhibited at **M9CTP-006 - INQ000350656**. The Wales Council for Voluntary Action used its existing communication channels, including their social media channels, to share information about the fund with the sector.
53. A second press release was issued on 18 April 2020, as exhibited at **M9CTP-024 - INQ000593560**, which identified the two streams of available funding under the Covid-19 Third Sector Response Fund and how that funding could be accessed. The press release also said that charities could use the Covid-19 Business Support Eligibility Checker to check their eligibility for funding from the Economic Resilience Fund.
54. After the first announcement about the Third Sector Response Fund, communication in relation to the Voluntary Services Emergency Fund was primarily undertaken by the Wales Council for Voluntary Action. The Voluntary Services Recovery Fund, which replaced it, was announced in a press release by the Deputy Minister and Chief Whip, Jane Hutt MS, on 14 August 2020. I exhibit a copy of that press release at **M9CTP-025 - INQ000596011**. It was also publicised on the Wales Council for Voluntary Action website together with a FAQ document for bidding organisations.

55. In addition, information about the schemes, including any variations and extensions, was published on the Welsh Government, the Wales Council for Voluntary Action, and individual voluntary organisations' websites.
56. Policy teams within the Welsh Government's Communities Division were also asked to share details of the funding schemes with outside organisations they worked closely with who would have been eligible to apply for this funding. This would have included groups that supported the socially and economically vulnerable. The Welsh Government also asked members of the Third Sector Partnership Council to promote the schemes to the organisations they represented. Membership of the Council covered the following areas: Advice and Advocacy; Animal Welfare; Arts, Culture and Heritage; Asylum Seekers and Refugees; Children and Families; Community; Community Justice; Disability; Education and Training; Employment; Environment; Ethnic Minorities; Gender; Health, Social Care & Well-being; Housing; Local and Regional Intermediaries; International; Older People; Religion; Sexuality; Social Enterprise; Sport and Recreation; Volunteering; Welsh Language; Youth. As these organisations had been working at small scale, local level for a period before the pandemic, they would have held and promoted confidence for end users.
57. The Welsh Government informally monitored the effectiveness of the communication regarding the support provided by the Third Sector Response Fund by obtaining updates from the Wales Council for Voluntary Action on this matter during their regular meetings. The Wales Council for Voluntary Action undertook this monitoring by analysing data on applications / uptake of the Third Sector Resilience Fund and the Voluntary Sector Emergency Fund. The Welsh Government also monitored the effectiveness of the communication of support through its informal weekly meetings of a small group of funders, which included; the National Lottery, Community Foundation Wales, the Association of Charitable Foundations, Lloyds Bank Foundation and Moondance, which was convened in response to the Covid-19 pandemic. This allowed the Welsh Government to identify any areas where there was a high or low volume of applications and work with the Wales Council for Voluntary Action or Welsh Government policy officials to identify appropriate action. This also helped informally to measure the effectiveness of the communication of the Covid-19 Third Sector Response Fund.

## Accessibility

58. As explained above, the Wales Council for Voluntary Action were the administrators of the majority of the Covid-19 Third Sector Response Fund and set the eligibility criteria. However, the Welsh Government sought to make aware those organisations to which the funding was targeted through public announcements. Furthermore, by selecting the Wales Council for Voluntary Action (as the national body representing most third sector organisations in Wales) to administer the majority of the funds, the Welsh Government felt that the majority of intended recipients would be able to access the support.
59. The nature of the support meant that it was intended to be used by third sector organisations to support communities. This meant that socially and economically vulnerable individuals, including those with protected characteristics, were neither meant to nor able to access this support directly and so no steps were taken in this regard. However, third sector organisations representing and / or supporting those individuals could and did access this support. The Welsh Government also helped organisations with queries they had about the funding. By way of example, I exhibit a discussion between the Welsh Mountain Zoo and the Wales Council for Voluntary Action and Welsh Government on possible alternative or further funding available at **M9CTP-026 - INQ000595138**.
60. Some instances of issues with accessing the support available were identified and addressed by the Welsh Government. Where the support was not available to the organisations, because they were ineligible, the Welsh Government (and the Wales Council for Voluntary Action) signposted other funds, such as the Economic Resilience Fund, under which the organisations might be eligible for support. Another instance was where unincorporated associations could not access the Third Sector Resilience Fund, as the fund could not make grants to individuals; therefore, where relevant and requested, help was offered for those organisations to incorporate in order to benefit from funding under the Third Sector Resilience Fund. This was identified in the Ministerial Advice of 17 July 2020 exhibited previously at **M9CTP-004 - INQ000103947**.
61. As outlined in the section Scheme design, implementation and monitoring, the Welsh Government monitored the Wales Council for Voluntary Action's application process and therefore how swiftly funding reached the intended recipients. The Welsh

Government was not aware of any issues in respect of the speed or efficiency of payments distribution.

### **Impact Assessment**

62. The Welsh Government conducted an impact assessment on the Third Sector Covid-19 Response Fund. I exhibit a copy of this statement at **M9CTP-022 - INQ000022583**. This impact assessment considered all relevant duties and provided full impact assessments on children's rights; equality; rural proofing; data protection; the Welsh language and biodiversity.

### **Unintended gaps**

63. There were no concerns in, or shared with, the Welsh Government about the exclusion of specific groups because the Voluntary Services Emergency Fund ensured that no specific groups were excluded from support by providing County Voluntary Councils with specific funding to support small scale, local activity.
64. The schemes were sufficiently flexible to accommodate various types of organisations which would not be eligible for other funding. For example, certain social enterprises met the criteria for the Economic Resilience Fund, but others did not. Those bodies which were ineligible for assistance under the Economic Resilience Fund were advised about the Third Sector Resilience Fund and vice versa.
65. Ministerial Advice dated 4 December 2020 (**M9CTP-007 - INQ000145208**) outlined that a gap in support for unincorporated voluntary sector organisations had been identified, whereby trustees for those unincorporated organisations would be personally liable for loans. To address this, organisations could apply for incorporation and, if approved, draw down the grant once they became incorporated.
66. The update note provided to the Minister for Finance in October 2020, as exhibited at **M9CTP-027 - INQ000607866**, detailed the uptake of the Funds following the incorporation of more organisations, and provided results from a survey carried out by the Wales Council for Voluntary Action. It also included examples of the projects which had received support.

67. Following the UK Government's announcement on 10 April 2020 that funding of £200 million would be made available to hospices, Wales received consequential funding. As a result, a decision was made to provide £2.1million per month of emergency funding to hospices in Wales for the three-month period between April and June 2020. That funding was used to secure the viability of the hospice sector in Wales while also strengthening bereavement support: see the Ministerial Advice exhibited at **M9CTP-028 - INQ000235983**.

### **Approach to amending the Third Sector Response Fund**

68. I am asked about what assessments of the Third Sector Response Fund were undertaken before deciding whether to amend, extend or end the use of the scheme. The following assessments of the Third Sector Covid-19 Response Fund informed decisions on amending, extending, or ending the schemes:

- a) Frequent monitoring of the funds through monthly and quarterly reports and frequent discussions at meetings, showed that the Voluntary Services Emergency Fund should be closed and reopened as the Voluntary Services Recovery Fund. below. As the Ministerial Advice dated 17 July 2020 and exhibited at **M9CTP-004 - INQ000103947** shows, the Wales Council for Voluntary Action was already seeing a shift in focus of applications to the Voluntary Services Emergency Fund, moving away from activities such as food distribution and delivery, to the provision of other more recovery-focused services, such as mental health support and the provision of advice.
- b) Eva Trier Consulting Ltd prepared a report on initial trends within Voluntary Services Emergency Fund. I exhibit a copy of the report at **M9CTP-029 - INQ000593563**.
- c) Data provided to the Welsh Government by Wales Council for Voluntary Action, summarised in the July and December 2020 Ministerial Advice (exhibits **M9CTP-004 - INQ000103947** and **M9CTP-007 - INQ000145208**), showed how each fund was used and how much funding remained in each fund. This allowed consideration of when a decision should be made request top up funding. To this end, the Future Sustainability Fund was repurposed in order to fund Voluntary Services Emergency Fund until its closure and then Voluntary Services Recovery

Fund when it opened (evidenced in the 17 July 2020 Ministerial Advice, exhibited at **M9CTP-004 - INQ000103947**); and the 04 December Ministerial Advice (exhibited at **M9CTP-007 - INQ000145208**) requested flexibility in the distribution of funding within these funds. This would enable the Third Sector Response Fund to be administered flexibly and in line with real-time data where funding was needed. After a spike in cases over the Winter of 2020-2021, it became obvious that the Fund would require additional funding and so the 29 January 2021 Ministerial Advice (exhibited at **M9CTP-009 - INQ000136842**) recommended that further funds be repurposed into these funds so that these schemes could be extended.

69. The Inquiry has also asked a series of questions about how the adjustments and cessation of support were decided upon, with regards to how the approach to the Third Sector Response Fund evolved as the understanding of the effects of lockdowns or other non-pharmaceutical interventions on transmission, infection and death developed.
70. As the pandemic developed, the nature of the funding required was also developing. Third sector organisations were seeing a greater demand for help in recovering from the pandemic (e.g. providing mental health services), as contrasted with the initial support required, which was in response to a novel pandemic (for example support for increasing staff / working remotely). As explained above, this resulted in the Welsh Government changing the Voluntary Services Emergency Fund to the Voluntary Services Recovery Fund; and repurposing other funding for this, including the £5 million originally agreed in principle for the Future Sustainability Fund.
71. The knock-on effect of an increased spike of Covid-19 cases in the Winter of 2020 resulted in the initial funding forecasted to keep the Voluntary Services Recovery Fund, the Infrastructure Enabling Fund, and the Third Sector Resilience Fund funded until the end of the 2020-2021 financial year being insufficient. Accordingly, the Ministerial Advice of 29 January 2021 (exhibited as **M9CTP-009 - INQ000136842**), requested more funding which was granted when the advice was approved.
72. The Voluntary Services Emergency Fund ended because the first phase of the pandemic was coming to a close and more organisations and community centres

were opening. As such, the Voluntary Services Recovery Fund was established to provide support for organisations to restart activity.

73. The Third Sector Resilience Fund and Voluntary Services Recovery Fund both ended because, as short-term funding streams, they were in direct response to the Covid-19 pandemic. The process for funding the third sector returned to the regular process for the financial year 2021-22 as set out in the Ministerial Advice dated 14 December 2020 (**M9CTP-030 - INQ000593562**). However, given the sector's crucial role in responding to the pandemic, officials suggested an uplift of £900,000 in 2021/22 to support the sector. As outlined in paragraph 24, additional funding was requested through a release of reserved revenue to top up the Third Sector Resilience Fund in December 2021, as detailed in the Ministerial advice of 13 December 2021 (**M9CTP-012 - INQ000145581**). The funding for Third Sector Support Wales continues to this day, as set out in the Ministerial Advice of 10 December 2021 (**M9CTP-031 - INQ000593561**).
74. Ministers were briefed on the above adjustments to the required support and the cessation of support through the following Ministerial Advice:
- a) 27 March 2020 (exhibited as **M9CTP-003 - INQ000145187**);
  - b) 17 July 2020 (exhibited as **M9CTP-004 - INQ000103947**);
  - c) 04 December 2020 (exhibited as **M9CTP-007 - INQ000145208**);
  - d) 04 December 2020 (exhibited as **M9CTP-008 - INQ000368649**);
  - e) 14 December 2020 (exhibited as **M9CTP-030 - INQ000593562**);
  - f) 29 January 2021 (exhibited as **M9CTP-009 - INQ000136842**);
  - g) 17 February 2021 (exhibited as **M9CTP-010 - INQ000368857**);
  - h) 22 July 2021 (exhibited as **M9CTP-011 - INQ000145219**);
  - i) 10 December 2021 (exhibited as **M9CTP-031 - INQ000593561** and

j) 13 December 2021 (exhibited as **M9CTP-012 - INQ000145581**).

75. Ministers also received a number of other briefings and papers. These included:

- a) Regular briefings to ministers. For example, the 10 August 2020 briefing for the Deputy Minister and Chief Whip, exhibited as **M9CTP-032 - INQ000595171**;
- b) Papers for specific meetings. For example, a paper for the Star Chamber, which was set up to consider all Ministerial Advice which proposed new Covid-19 spending commitments, exhibited as **M9CTP-033 - INQ000336909**); and
- c) Briefing notes for meetings. For example, briefing notes for the Public Accounts Committee (I exhibit an example at **M9CTP-034 - INQ000595142**).

76. Although the above Ministerial Advice was submitted to different ministers, the following ministers were involved in approving or receiving advice:

- a. Deputy Minister and Chief Whip;
- b. Minister for Finance and Trefnydd;
- c. Minister for Social Justice,
- d. Minister for Finance and Local Government;
- e. First Minister
- f. Minister for Housing and Local Government;
- g. Counsel General and Minister for EU Transition;
- h. Minister for Health and Social Services;
- i. Deputy Minister for Health and Social Services;
- j. Minister for Rural Affairs, North Wales and Trefnydd; and

- k. Deputy Minister for Climate Change.

## **Risk of fraud and error**

### Structures for safeguarding public money and managing financial risk

77. Before the pandemic, grant funding was provided to Third Sector Support Wales. That funding was the primary support for the third sector in Wales and it contributed to the overall cost of delivering services.
78. Before the pandemic, the process put in place by the Welsh Government to safeguard public monies and manage any financial risk of funding Third Sector Support Wales was to require a Third Sector Support Wales Business Plan before any funding would be released via a grant offer letter. The grant offer letters set out the funding provided (including dates for claiming the funding), as well as the fund's stated purpose and monitoring requirements. I exhibit a copy of the Ministerial Advice which was submitted on 3 December 2019 seeking approval to grant fund Third Sector Support Wales for the financial period 2020 - 21 at **M9CTP-035 - INQ000596000 (MA/JH/5745/19)**, together with a copy of the grant offer letter at **M9CTP-036 - INQ000607991** and the Business Plan at **M9CTP-037 - INQ000596001**.
79. As set out in the Business Plan, the Wales Council for Voluntary Action is the grant manager for Third Sector Support Wales funding through the Partnership Agreement. The Wales Council for Voluntary Action therefore acts as the lead and accountable body in ensuring the proper use of the funding to deliver the agreed deliverables. The grant offer letter also sets out in detail how the Wales Council for Voluntary Action distributes, monitors, manages and reports to the Welsh Government on the use of Third Sector Support Wales funding ensuring financial and delivery compliance. This is done through a range of reporting and monitoring arrangements, including –
- a) Quarterly monitoring reports providing performance against key performance indicators as well as additional insights, an example of which I exhibit as **M9CTP-038 - INQ000593574**
  - b) Annual key performance indicator report, exhibited as **M9CTP-039 - INQ000593572**
  - c) Monitoring and reporting of quarterly financial claims, including;

- i. Approve and ensure quarterly claims (advance payment and expenditure) are submitted to Welsh Government within given deadlines as per terms and conditions listed in the award of funding
    - ii. Confirm details of actual expenditure for the previous quarter to Welsh Government by 15th of each quarter (April, July October and January) including any surplus funding at the end of the previous quarter
    - iii. I exhibit the quarterly claims for financial year 2019-20 as **M9CTP-040 - INQ000595999, M9CTP-041 - INQ000595996, M9CTP-042 - INQ000595997, and M9CTP-043 - INQ000595998.**
80. This mechanism for allocating grant funding (i.e. via Grant Offer letter and Business Plan, with funds managed by Wales Council for Voluntary Action) remained in place throughout the Covid-19 pandemic for the principal funds under the Third Sector Response Fund, including the Third Sector Resilience Fund and the Voluntary Services Emergency Fund, and its replacement the Voluntary Services Recovery Fund. I exhibit copies of:
- a. The Ministerial Advice which was submitted on 14 December 2020 seeking approval to grant fund Third Sector Support Wales for the financial period 2021 - 2022 at **M9CTP-030 - INQ000593562 (MA/JH/4234/20)**, together with a copy of the Grant Offer letter at **M9CTP-044 - INQ000595994** and the Business Plan at **M9CTP-045 - INQ000595995.**
  - b. The Ministerial Advice which was submitted on 10 December 2021 seeking approval to grant fund Third Sector Support Wales for the financial periods 2022 - 2025 at **M9CTP-031 - INQ000593561 (MA/JH/4076/21)**, together with a copy of the Grant Offer letter at **M9CTP-046 - INQ000607990** and the Business Plan at **M9CTP-047 - INQ000607989.**
81. On a more general note, any funding given by the Welsh Government before the pandemic and which remained in place in response to the Covid-19 pandemic, was given in accordance with relevant guidance including “*Managing Welsh Public Money*” which is exhibited at **M9CTP-048 - INQ000116472** and provides a framework and principles for managing public resources responsibly and in the public interest, and the Welsh Government Code of Practice for Funding the Third

Sector, which I exhibit at **M9CTP-049 - INQ000179700**. The Code of Practice for Funding the Third Sector sets out the important principles that underpin Welsh Government funding for the Third Sector and what the Government expects from the Third Sector in return. The important principles include value for money, good governance and due diligence as well as monitoring, evaluation and audit. The Code of Practice also sets out the Welsh Government's commissioning framework and funding mechanisms.

82. Additional guidance was developed during the Covid-19 pandemic by officials from the Third Sector branch in the Communities Division, in conjunction with the Grant Centre of Excellence (a team within the Welsh Government responsible for grant management procedures, and providing advice and guidance, ensuring best practice of the provision of grants). The guidance was aimed at third sector organisations in receipt of grants from the Welsh Government about what steps to take if, for example, the organisation ever experienced difficulties in providing grant-funded services and when the organisation should inform their Welsh Government grant manager. I exhibit the relevant Ministerial Advice, dated 2 April 2020, as **M9CTP-050 - INQ000282251** and a copy of the guidance, as **M9CTP-051 - INQ000081009**.

#### Application to the Covid-19 Third Sector Response Fund

83. The Welsh Government assessed the potential risk of fraud and erroneous claims by relying on practices established pre-pandemic, which included reliance on the processes used by the Wales Council for Voluntary Action in managing grants to the Third Sector.
84. The Welsh Government based the schemes under the Covid-19 Third Sector Response Fund on the Wales Council for Voluntary Action proposal. The Welsh Government made the grants available to the Wales Council for Voluntary Action as it had developed considerable expertise in managing large scale grants before the pandemic. The Welsh Government felt that the organisation had the ability to increase its capacity, which included its ability to carry out due diligence checks on the organisations applying for funding, when managing these funds. The Wales Council for Voluntary Action checked that each organisation met the published criteria for each fund when applying for that fund. Therefore, by reference to the

pre-pandemic process and procedures of the Wales Council for Voluntary Action, the Welsh Government analysed and assessed the potential risk of fraud and erroneous claims when designing the Third Sector Response Fund.

85. Given the urgent nature of the pandemic, there was a need to administer financial support at speed to the third sector. In order to get the Third Sector Response Fund operational quickly, the Welsh Government chose to use the Wales Council for Voluntary Action as the administrator of the schemes as it could draw upon its grass-roots connections, knowledge and experience, and existing infrastructure for administering grants.
86. I exhibit a copy of the grant offer letter made by the Welsh Government to the Wales Council for Voluntary Action at **M9CTP-052 - INQ000595992**. The Voluntary Services Emergency Fund, and Voluntary Services Recovery Fund which replaced it, were established based on variations to existing funding awards to the Wales Council for Voluntary Action by the Welsh Government. I exhibit copies of the relevant Grant Variation letters at **M9CTP-053 – INQ000595991**, **M9CTP-054 – INQ000595990** and **M9CTP-055 – INQ000595989**.
87. The report issued by Audit Wales in July 2022, exhibited at **M9CTP-001 - INQ000066532**, stated the risk of financial impropriety was mitigated by the following factors:
  - a. The Welsh Government had an existing, long-standing relationship with the Wales Council for Voluntary Action for managing third sector grants on its behalf, drawing upon its grass-roots connections, knowledge and experience, and existing infrastructure for administering grants.
  - b. The Wales Council for Voluntary Action also had experience of meeting the administration and governance requirements of Welsh Government and European Union funding schemes.
  - c. The Welsh Government continued to ensure good governance of the expenditure by relying upon existing frameworks of interlinked controls, involving checking and reporting at the levels of the Welsh Government, the Wales Council for Voluntary Action and applicants.

88. Accordingly, although the Welsh Government put in place an expedited process it still retained the necessary governance, review and audit processes.
89. The good working relationship which existed between the Welsh Government and the Wales Council for Voluntary Action enabled monitoring and review of arrangements. This real time review led to improvements to processes and more effective targeting of funds.
90. When the Covid-19 Third Sector Response Fund closed for the financial period 2020-21, the Welsh Government agreed to establish a new iteration of the fund for the financial period 2021-22. Given that the urgency had somewhat subsided, the Welsh Government reverted to its usual procedures by running an open competitive tender for the contract. This generated two bids and was ultimately won by the Wales Council for Voluntary Action.
91. The appropriate level of risk was determined by establishing separate funding schemes under the Third Sector Response Fund. This enabled each stream to have a specific purpose or purposes and therefore appropriate monitoring. When the Third Sector Response Fund was established, Ministers were informed that the risk of allowing more flexibility in the use of funding provided to Third Sector Support Wales was that some funds could be misspent. However, the risk was considered to be small; and the ministers approved this Ministerial Advice, exhibited at **M9CTP-003 - INQ000145187**, concurring with this assessment.
92. The risk of mis-spent funds considered to be low because of the use of existing systems and mechanisms to deploy the funds; in essence all that was different was the volume of funding being channelled to organisations. There were continued quarterly monitoring reports, and formal and informal meetings between the Welsh Government and other interested parties (e.g. Third Sector Partnership Council meetings or informal updates from Wales Council for Voluntary Action to the Welsh Government). This minimised the risk identified, and internal and external audits ensured that appropriate governance arrangements were in place. The 27 March 2020 Ministerial Advice (exhibited as **M9CTP-003 - INQ000145187**) also noted that sufficient evidence of the spending regarding initial claims by Third Sector organisations would be required to release further funds to those organisations, thereby further mitigating any risk. Furthermore, the potential risk (identified in the same Ministerial Advice) that any funding provided under Third Sector Response

Fund would be retained by Third Sector Support Wales in additional years was considered small because the majority of funding was for other organisations, and the Welsh Government had a long-established relationship of trust with Third Sector Support Wales.

93. There was no quantitative assessment in advance of allocating the funds of fraudulent claims as monies given to third party organisations known to and supervised by the Wales Council for Voluntary Action. However, the Third Sector Response Fund was designed in a way to reduce the potential for fraud and error, by being a collection of needs-driven funds (i.e. monies were only released by the administrators on evidence of need for the grant), which the Wales Council for Voluntary Action (who had experience in managing large-scale funds) were administering. The risk of error and fraud was therefore considered to be small, as noted in the 27 March 2020 Ministerial Advice (exhibited at **M9CTP-003 - INQ000145187**).
94. During the operation of all funds provided for by the Third Sector Response Fund no erroneous claims have materialised. Additionally, through our regular monitoring meetings with the Wales Council for Voluntary Action, we are not aware of any fraud or error arising from applications to the Third Sector Resilience Fund, the Voluntary Services Emergency Fund and the Voluntary Services Recovery Fund in response to the pandemic.
95. As set out earlier in this statement, in order to reduce the risk of fraudulent or erroneous claims under the Third Sector Resilience Fund, the Wales Revitalising Trust and the Voluntary Services Emergency Fund, and its replacement the Voluntary Services Recovery Fund, the Welsh Government continued to ensure good governance of the expenditure by relying upon existing frameworks, which involved multiple levels of monitoring and reporting, including to the Welsh Government, to/by the Wales Council for Voluntary Action, and by recipients and applicants involving checking and reporting at the levels of the Welsh Government, the Wales Council for Voluntary Action and applicants and recipients. I have set out below details of each such control intended to reduce the risk of fraudulent or erroneous claims:

Welsh Government controls

96. The Welsh Government drew on advice from its Grants Centre of Excellence and built upon its existing arrangements with the Wales Council for Voluntary Action to put in place a range of measures for the Fund elements managed by the Wales Council Voluntary Action, including:

- a) Guidance for the Third Sector on available support and eligibility criteria, which was periodically updated. An example of this is exhibited at **M9CTP-051 - INQ000081009**
- b) Checks that payment claims from the Wales Council for Voluntary Action to the Welsh Government, for funds that the Wales Council for Voluntary Action subsequently distributes, were properly completed and evidenced. I exhibit an example of this at **M9CTP-056 - INQ000596013**.
- c) Requirements for regular monitoring, reporting and evaluation of applications, awards, and impacts. For example, before the Welsh Government would release funds to the Wales Council for Voluntary Action for the Voluntary Services Recovery Fund, which opened in August 2020 and replaced the Voluntary Services Emergency Fund, the Wales Council for Voluntary Action was required to produce a Voluntary Services Emergency Fund evaluation report (undertaken by Eva Trier Associates) which looked at indicators that evaluated the fund in relation to addressing need. The report, which I exhibit at **M9CTP-029 - INQ000593563**, informed the arrangements the Welsh Government put in place for the Voluntary Services Recovery Fund, and subsequent phases of the Third Sector Response Fund.
- d) Sharing information with the Wales Council for Voluntary Action on beneficiaries from other funding streams to avoid duplication. An example of such information sharing is exhibited at **M9CTP-057 - INQ000595981**.
- e) Funding conditions including terms allowing the Welsh Government to monitor expenditure and recover any double funding, including any business rate reliefs and wage subsidies. For example, funding could not generally be provided from the fund schemes if organisations had already received funding from the Welsh Government's Economic Resilience Fund. Welsh Government officials also undertook checks to ensure the Voluntary Services Emergency Fund did not

duplicate support from the UK Government or from the Local Authority Hardship Fund.

97. In January 2021, the Welsh Government's Internal Audit Services reported on the design and operation of the Welsh Government's arrangements to secure governance, risk management and internal control in relation to Covid-19 support for the third sector which I exhibit at **M9CTP-022 - INQ000022583**. The Internal Audit Services concluded that they could provide substantial assurance on the management and controls in place to provide support to third sector organisations and that, in their view, the schemes had been successful, well received and on target to meet their overall objectives.
98. I exhibit the Welsh Government's Covid-19 Assurance Framework and Fraud Risk Assessment at **M9CTP-058 - INQ000388317** which sets out the "three lines of defence" which were employed by the Welsh Government to reduce the risk of fraudulent claims. These three lines of defence are: internal controls; ongoing monitoring and oversight; and independent assurance.

#### Wales Council for Voluntary Action controls

99. As set out earlier, the Wales Council for Voluntary Action had operated as an intermediary body for many years, working with the network of County Voluntary Councils and managing Welsh Government grants to the third sector. It already had systems and controls in place and so was able to gear up quickly to meet the governance standards required for the elements of the Third Sector Response Fund that it would administer on the Welsh Government's behalf.
100. The Wales Council for Voluntary Action and Welsh Government agreed where existing processes could be streamlined to speed up applications, assessments and awards to ensure funds were distributed quickly, while managing risks. As a result, processes were tailored to meet the requirements of the specific funds. For Voluntary Services Emergency Fund and Voluntary Services Recovery Fund applications questions were scaled back, retaining only those that were considered to add value. However, because Third Sector Resilience Fund involved loan finance, a more rigorous two-stage process was involved, with detailed questions: firstly, to establish eligibility; and then to ensure good governance, value for money, and ability to repay.

101. For the funds administered by the Wales Council for Voluntary Action during the peak period of 2020-21, applications and supporting documents – such as accounts, bank statements and governing documents – were submitted to the Wales Council for Voluntary Action for due diligence checks via a single online portal and triaged to assess urgency of need. A panel, including independent members, met regularly to assess and score applications, then made recommendations. Only then were awards signed off by the Wales Council for Voluntary Action’s Chief Executive. Grant offer letters were issued electronically through a document signing portal to avoid delays, and awards reported to the Welsh Government.
102. Direct access to a large existing database covering third sector organisations enabled the Wales Council for Voluntary Action to perform initial screening checks of funding applications to see if they came from bodies already known to them. The Welsh Government and the Wales Council for Voluntary Action reviewed information on applications and awards promptly to manage the risk of fraud, avoid any duplication of funds, or gaps in terms of geographical coverage or purpose. Weekly information provided a detailed breakdown of organisations that received funding, the intended beneficiaries; volunteers used; sums bid for and approved.

#### Applicant and Recipient controls

103. Funding applications to the Wales Council for Voluntary Action required applicants to provide information about their arrangements for governance and value for money. For successful applicants, grant or loan award letters clearly specified the intended purpose of funding as well as information requirements necessary to support claims and draw down payments.
104. Funding recipients were asked to provide updated income and expenditure information to the Wales Council for Voluntary Action at the end of the first quarter following the first funding payment, as well as to provide evidence of progress towards the goals identified in their proposal. Providing this information was a pre-condition for releasing the second payment. Another update at the end of the funding period was required to fulfil the funding conditions. Reporting thereafter was based on agreed indicators.

105. These information requirements ensured ongoing monitoring by recipients and facilitated oversight by the Wales Council for Voluntary Action, and onward reporting to the Welsh Government.

106. The Welsh Government considers that its approach to the risk of fraud and error and measures to reduce such risk was appropriate. The reasons for this are fully detailed in the preceding paragraphs of this statement. In summary:

- a) the funds were designed for specific purposes and so appropriate monitoring was undertaken;
- b) the Wales Council for Voluntary Action had experience of managing large-scale funds, with its own due diligence already in place. This included requiring sufficient evidence of fund spending before additional funds would be released to organisations;
- c) frequent oral, informal and formal updates to the Welsh Government from a range of interested parties (including the Wales Council for Voluntary Action, Third Sector Support Wales and the Third Sector Partnership Council) allowed for continuous monitoring of the risk of fraud and error, and reduced this risk; and
- d) internal and external audits of the Third Sector Covid-19 Resilience Fund assured the Welsh Government that appropriate governance was in place for the funds to mitigate any risk.

### **Lessons Learned & Reflections**

107. The Welsh Government considers that the Third Sector Response Fund met its aims and objectives. Each fund under the scheme had a specific purpose, and the scheme supported a range of third sector organisations through a range of different phases of the pandemic (e.g. volunteering, business support, recovery, etc). Furthermore, the Third Sector Response Fund evolved, where required, to adapt to the changing pandemic. For example, the Voluntary Services Emergency Fund became the Voluntary Services Recovery Fund; and the Third Sector Resilience

Fund grant terms were varied to allow funding to be provided for longer-term recovery, and not simply surviving the initial shock of the pandemic.

108. The Welsh Government does not consider that there was a more effective and / or cost-effective approach to meet the aims and objectives of the Third Sector Response Fund. The use of existing networks, expertise and capacity allowed the Welsh Government to respond to the pandemic and establish meaningful support for the third sector quickly. If the Welsh Government had not acted as it had, especially with regards to its engagement with the Wales Council for Voluntary Action, it would have had to establish a grant processing team, which would have taken additional time, and impeded the delivery of critical support to third sector organisations.

109. The Welsh Government does not consider that there were any deficiencies in the design of the Third Sector Response Fund. The fund was designed to have separate component funds, which together provided a range of support to the third sector. As detailed throughout the statement, the Third Sector Resilience Fund provided funding to support third sector organisations by way of mixed loan-grant funding; the Voluntary Services Emergency Fund provided support for volunteering activity in response to the initial impact of the pandemic; the Voluntary Services Recovery Fund provided support for the volunteering activity in response to the need to recover from the pandemic; the Infrastructure Enabling Fund meant the Wales Council for Voluntary Action and the network of County Voluntary Councils were able to fulfil their role and provide support to larger organisations and hyper-localised activity. Taken together, the funds under the Third Sector Response Fund provided a full range of support. However, the Welsh Government does recognise that there were certain gaps that developed in the schemes, as explained above, as a result of the changing nature of the pandemic. For example, this is why the Voluntary Services Emergency Fund was closed and re-opened as the Voluntary Services Response Fund. Where required, the Welsh Government adapted the Third Sector Response Fund to ensure that the third sector remained supported throughout the pandemic.

110. The Welsh Government did not administer any of the funds directly. Primarily, it was the Wales Council for Voluntary Action, which was responsible for the administration of the funds; and it was the Wales Council for Voluntary Action that was responsible for awarding the grants. Where more funding was required under any of those schemes, proposals were made to Ministers by Ministerial Advice, requesting more

funding. The funds available to support these organisations were therefore not limited arbitrarily, but rather increased / decreased according to need. Therefore, where evidence of need could be shown by these third sector organisations, the Wales Council for Voluntary Action was able to award an appropriate level of support to these organisations; meaning that third sector organisations were neither over nor under-compensated, by reference to the eligibility requirements and aims of the funds. Furthermore, I note here, that where there was a possibility for organisations to receive funding under more than one Covid-19 support scheme, the Welsh Government ensured that this was considered so funding was not duplicated. For example, organisations who were eligible for funding under the Third Sector Resilience Fund may have also been eligible for funding under the Economic Resilience Fund. The Welsh Government considered this fact, and signposted organisations where they were ineligible for funding under one fund to another, to ensure that no organisations were over or under-compensated.

**111.** As a result of providing support to the third sector, the Welsh Government noted the importance of flexibility in the design and use of the Third Sector Response Fund. This flexibility allowed for funding to be distributed effectively and quickly, responding to the pandemic as and when needs arose and changed. The Welsh Government also understood that the relationships built with the Third Sector, particularly organisations such as the Wales Council for Voluntary Action, which played a pivotal role in administering the Covid-19 Third Sector Response Fund, were of great importance. The Welsh Government has continued to develop this relationship post-pandemic and continues to work with the Wales Council for Voluntary Action on important issues. Recently this has included the recent cost of living crisis (2024-present), and the conflict in Ukraine (2022-present). These important learnings are reflected in the new Funding Code of Practice for the third sector, exhibited at **M9CTP-059 - INQ000596006**; which highlights the importance of flexibility and the importance of the Welsh-Government-third-sector relationship, reflecting the Welsh Government's learnings from its involvement in funding the third sector during the Covid-19 pandemic.

### **Statement of Truth**

I believe that the facts stated in this witness statement are true. I understand that proceedings may be brought against anyone who makes, or causes to be made, a false

statement in a document verified by a statement of truth without an honest belief of its truth.

**Signed:**

**PD**

**Dated:** 16 May 2025