

# Digital, Culture, Media and Sport Committee

## Oral evidence: Arts Council England and the Culture Recovery Fund, HC 1352

Tuesday 20 April 2021

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Members present: Julian Knight (Chair); Kevin Brennan; Steve Brine; Alex Davies-Jones; Clive Efford; Julie Elliott; Damian Green; Damian Hinds; Giles Watling; Mrs Heather Wheeler.

Questions 1 - 71

### Witnesses

I: Dr Darren Henley OBE, Chief Executive, Arts Council England; and Sir Nicholas Serota CH, Chair, Arts Council England.



## Examination of Witnesses

Witnesses: Dr Darren Henley and Sir Nicholas Serota.

**Q1 Chair:** This is the Digital, Culture, Media and Sport Select Committee and a one-off hearing with Arts Council England on its role in the Culture Recovery Fund. We are joined by Dr Darren Henley OBE, chief executive of Arts Council England, and Sir Nicholas Serota, chair of Arts Council England. Before we meet our first questioner, do any members of the Committee want to indicate any interests?

**Alex Davies-Jones:** Because of the nature of my questions, I would like to declare that I am a member of the Musicians' Union.

**Kevin Brennan:** I should declare the same thing.

**Chair:** It is probably easier for members to declare who is not a member of the Musicians' Union. Our first question will come from Giles Watling, but first I welcome our guests. Dr Henley and Sir Nicholas, thank you very much for joining us today.

**Giles Watling:** The Culture Recovery Fund has been amazing, and the disbursement of funds has been incredible in many ways, but some might say that earlier on it was not speedy enough. We know that we have lost certain institutions, the theatre in Southampton for instance, and another in Leicester, and other smaller places went to the wall very quickly. Do you have anything to say on the speed of the disbursement of funds?

**Dr Henley:** Thank you for the opportunity to talk to you all this morning. I think it is worth winding back, maybe 13 months, to the start of the pandemic to walk you through what we did about the disbursement of funds.

We began with an emergency response fund, which the Arts Council put together from our own reserves. We went live in April and were paying that money out through the first quarter of the financial year last year. Then the Government came along and worked with us on developing the Culture Recovery Fund. At the start of the year we also looked at cash flow, which was a problem for organisations at the beginning. For our NPO organisations, those that are part of our national portfolio, we were able to vary the terms of their agreements to bring money forward so they could cash flow their businesses. Obviously, if you are a ticket-generating business, you suddenly had no money coming in the door. Nobody could have planned for that eventuality.

You mentioned the theatre in Southampton. The closure of that theatre was not related to Covid, and it is now up and running again. The Arts Council has worked very closely with the Mayflower Theatre in Southampton, and it now has a strong, forward-looking programme. That is good news.

**Giles Watling:** We are talking about the Nuffield Theatre, are we not?

**Dr Henley:** We are talking about the Nuffield, yes. You are absolutely right, absolutely correct.



## HOUSE OF COMMONS

We talked a lot to the sector. With the benefit of hindsight, we now know this pandemic has gone on for a long time and will go on into the future, but at the time we were dealing with something very new. At various points in the year we were trying to understand where businesses would be and what we could do to ensure that they stayed solvent for as long as possible. When we started talking to them, we realised that at the first stage of the Culture Recovery Fund we could roll into the end of the first half of the financial year. As far as we are aware, none of the organisations that were eligible for the Culture Recovery Fund has ceased trading because of the timing of the payments made to them. We are responsible for a considerable amount of taxpayers' and National Lottery players' money and all the way through we made sure we balanced the needs of the sector with propriety around disbursing public funds properly.

**Sir Nicholas Serota:** As Dr Henley said, the Arts Council responded very quickly. When it became clear that a large number of theatres and performing arts centres across the country would have to close, the Arts Council immediately gathered together funds that it felt could be made available, drawing on its own reserves and what would have been National Lottery grant funds, and put together an emergency response fund of £160 million, which was made available to organisations. It was announced on 24 March, one day after lockdown was announced.

As Dr Henley has also said, that money was made available to organisations throughout the summer. We made some 7,500 grants to individuals, 3,500 grants to organisations that were not regularly funded by the Arts Council and about 190 grants to organisations that we support regularly. While Government were deciding to create the Culture Recovery Fund, we were already active in making thousands of grants. The Arts Council, which normally makes something like 17,000 grants a year, made 43,000 grants.

Q2 **Giles Watling:** That is all very well for the bricks and mortar organisations. Do you think there is anything that we could have or should have done differently?

**Sir Nicholas Serota:** The individuals I mentioned are not bricks and mortar organisations, if I may say so. The organisations are bricks and mortar in one sense, but in another sense they are employers of very large numbers of people.

I think we could not have done more than we did in the initial response. I think the picture was clearer by the time the Government created the Culture Recovery Fund. We have to remember that this time last year people were confidently expecting that theatres would reopen in September. People were being described as fainthearted for suggesting that theatres might not open until October.

Q3 **Giles Watling:** We had a tiger by the tail and we had to follow where it went. I take your point. I want to move on. As we come out of the pandemic, my concern is about support for the grassroots, which after all



## HOUSE OF COMMONS

feed our world-class national and international offer. What needs to happen as we come out of the pandemic, not just to keep the cultural organisations afloat but to improve everyone's access to the arts, wherever they live?

**Dr Henley:** You are absolutely right. The brilliant thing about the cultural sector in England is the very rich and diverse infrastructure—the large, the small and the different places. A year ago we were about to launch our new strategy, Let's Create, which is a 10-year strategy for arts and culture in England. For obvious reasons, we delayed the implementation of that strategy over the last 12 months but we are now in the phase of publishing its details.

In your question you quite rightly recognise that there is a duality. We want to take the best professional internationally and nationally significant work to people where they are. We also want people to have the opportunity to be participants, creators and co-creators of work in their places. That is something that is absolutely central to what the Arts Council will do between now and 2030. It is something that I believe in very strongly. Up until a year ago, since when I have been locked within these four walls, I spent 50% of every week travelling around the country to places large and small, meeting the people who make our culture and the audiences that enjoy it.

It is very important that we have not just one voice from a central position but something being created all the time and in different places. That will be central for us. It is true to say that some places have maybe not had their fair share of investment over the years, and we need to do more to right that. That is very central to Let's Create.

Q4 **Giles Watling:** That is very good news. We have now had a year with no live cultural experiences. How do you think that will have affected children and young people?

**Dr Henley:** I think it has affected everybody, every age range, in different ways. I was very interested in the discussion about pantomime at Christmas. I have long been a believer in pantomime. I think it is a fantastic thing, particularly for children and young people from tougher socioeconomic backgrounds. I talk a lot about the opportunities for young people to go to places with tippy-up seats, where they can see for the first time someone on stage acting, singing, dancing, doing comedy, and where they can interact and have that societal experience at live events. It is so important.

Getting on for a decade ago, I undertook a review for the Government. One of the things I talked about in that review was children and young people having the opportunity to do a series of cultural events during their childhood and through into their late teens. It is important. It strikes me that shared cultural experiences are something that people who may get to be in a position to run the country and make decisions about other people's lives should have. For us to be a society with opportunity and



## HOUSE OF COMMONS

fairness, everybody needs to share in those experiences and also share in the opportunity to create work themselves.

- Q5 **Giles Watling:** Of course pantomime is a centre of community as well. Everybody loves their local panto. Sir Nicholas, you wanted to speak to the children and young people question.

**Sir Nicholas Serota:** We have worked with the Durham Commission on Creativity and Education, which was established three years ago, to look at creativity in young people and in schools. We are about to publish a second report, which is based on work and interviews undertaken over the past six months with young people in schools, teachers and others, who universally say how much they miss the opportunity to be engaged in creative activity, not just in the arts but also in creative ways of looking at history, geography, maths—all subjects.

Some of the music education hubs have nevertheless, in spite of all the difficulties, done some remarkable work over the last 12 months, working on Zoom and elsewhere online, bringing together choirs and other types of performance, and giving young people opportunities to perform and see their friends perform, even during the lockdown. Some astonishingly resilient activity has taken place.

- Q6 **Giles Watling:** By its very nature, the cultural sector is creative. You have pointed out something that I know has happened locally to me, which brings me neatly on to my final question, you will be delighted to hear. We have had a lot of digital creativity during the pandemic. Do you think the future of the arts may be more and more on our screens?

**Sir Nicholas Serota:** One of the great successes of the last year is the way in which organisations have adapted and taken advantage of working in the digital format. They have obviously been encouraged by the potential for collaboration. For instance, the Culture in Quarantine programme that the BBC has developed has brought to millions art experiences that they would not have had other than on screen.

I think we will go back. We all have this tremendous thirst for being in a theatre, a concert hall or a museum, but we have learned a great deal about how to produce content that can be appealing on screen. Some magnificent performances and some wonderful productions have taken place during the course of the year. Whether one can monetise online performances and turn them into income is another question. It is difficult but there has been some surprising success.

What this has also done, of course, is take the achievements and excellence of British performers to the world. The degree to which even small organisations have had viewers coming from elsewhere in the world to watch their performances in Leicester, or wherever it might be, has been astonishing.

**Giles Watling:** Yes, and I have watched the National Theatre.

**Dr Henley:** Yes, the National Theatre is a brilliant example. Another example is Miracle Theatre down in Cornwall, which now has a worldwide



audience. We have learned some things that we had to learn very quickly over the last 12 months. Some of that is about how to create digital content that is meaningful, that relates to people and is of a high quality, but I do not think it is an either/or. When we develop and think about policy in arts and culture, sometimes people try to push us into an either/or position very quickly. For me and the Arts Council, we are an and/and organisation. I am greedy for the live, in-person stuff to start again, but I am also very interested in what we can do to broaden it out.

As investors of public money, when we are working in one concert hall or one theatre there is a finite number of people who can see that one performance. If we can then take performances out digitally, many more people can enjoy them over time. That is an exciting proposition.

**Q7** **Giles Watling:** One concern that comes to me—and this is absolutely my final question—is whether certain theatres were right to provide free performances, which might squeeze out smaller organisations. Are we in danger of losing something in doing that digital expansion?

**Dr Henley:** That is an interesting question. We are thinking about what market is there all the time, and we want to make sure that we work to protect smaller organisations because, as you rightly said at the beginning, the creative grassroots are often where the sparks come from. There are some big unknowns in the future. One of those is about audience behaviour. We do not quite know how post-pandemic audiences will behave. We need to keep watching. We are looking at it, trying to understand and gather data to help inform our decisions. Our intention, however, is to do much more to be a support for everybody, large and small, wherever we can.

**Giles Watling:** That is good to hear. Sir Nicholas, do you have anything to add?

**Sir Nicholas Serota:** Simply that, as we look forward, one of the big challenges for the large organisations will be how they work with the smaller organisations, how they can support the smaller organisations, possibly by showcasing their work and sometimes by working in collaboration with them in big conurbations, providing opportunities for smaller organisations. As Dr Henley said, it is often the smaller organisations that are at the cutting edge, are breaking new ground and are in some ways the most agile.

**Q8** **Steve Brine:** Good morning, gentlemen. Thank you for joining us. In the awarding of the grants—and thank you on behalf of the many organisations in my area, Winchester, which have made strong bids and have done well out of it—what does “culturally significant” mean? What was the definition that you worked on?

**Dr Henley:** We were looking at two levels. One is the organisation creating work that is known and understood to be significant on the national or international stage, and then recognising that there are other organisations that are very important in their local areas. The latter might be drivers of tourism, doing very important work with certain



## HOUSE OF COMMONS

communities, defining a place. Cultural significance has a broad definition in those two areas.

Q9 **Steve Brine:** Was the definition helpful? It came from the Government, didn't it?

**Dr Henley:** Yes, it was helpful. As we invest, and as we have done historically, we know that there are certain organisations that will be creating work that is nationally significant and knowing that others have an intense relationship with people in their localities. Again, I do not see one thing as of higher value than the other; they are just different. It is a different definition.

Q10 **Steve Brine:** How did one organisation make its case that it was culturally significant over another in its area? One person's important local organisation is another person's indulgence.

**Dr Henley:** We try to invest in and fund a breadth of organisations. Neither my nor Sir Nicholas's personal taste is the judge. We look at the relationship that organisations have built over time, and how they have framed them. In some organisations it might be that somebody has worked particularly closely with children and young people and built up skills. In another organisation, there might be a strong history of production. In other places, they might be talking to and doing things with communities who otherwise do not engage with arts and culture. We are looking all the time to try to define those different things. We allow the organisations to make their case. We did not put parameters on their thinking, and we assessed bids as objectively as we could.

Q11 **Steve Brine:** Do you think it evolved between phase 1 and phase 2? We could all cite organisations that were not successful the first time round but got lucky the second time round, this month or last month. Did things evolve for the second tranche?

**Dr Henley:** I think it probably did. Sometimes, especially when they were coming to us for the first time, people may not have understood how to put an application together, what criteria needed to be met. People were then able to make their case the second time. We were judging what was put in front of us. There is a strong audit trail to understand how we came to our decisions. We have nine offices around the country and 71% of our team is based outside London. We have very strong knowledge on the ground, and that is very helpful. We were able to bring that insight, as well as our teams' artform expertise and creative industries expertise, to the decision-making. We were able to judge a wide range of organisations.

Q12 **Steve Brine:** By "evolve", can I take you from phase 1 to phase 2? A lot of phase 1 was about survival and seeing that organisations existed to have a chance for this year. What happens to those organisations that received grants in tranche 2 for events that were due to happen this year, but still cannot happen because we do not seem to believe in vaccines as much as we like to say we do?





## HOUSE OF COMMONS

**Dr Henley:** You are right that phase 1 was about financial solvency to 31 March. Phase 2 was much more about the potential for opening up over the summer. We had to take decisions based on what we knew at any given time from what Government were advising about opening up and about public health conditions. We continue to talk to all the organisations we are working with, and if things change and they cannot do something, we will understand how we can continue to support them when they can do things. As you will appreciate, the situation is fluid but it is our intention to be as supportive as possible. We are trying very hard to be as kind as we can—kindness is perhaps not often thought of when it comes to public investment—because we recognise that it has been an incredibly stressful year for the people running these organisations. Many of their teams have been furloughed and they are not running at full capacity in every case. We are trying to work with them as much as we can, with all the knowledge that we have to have as custodians of public money.

Q13 **Steve Brine:** Thank you for the concise answers, by the way. I know the Chair appreciates it, as we all do. So you are not in the business of clawing back moneys granted in tranche 2 for events that cannot go ahead?

**Dr Henley:** At the moment it is much more about looking forward and trying to understand what we can do. Money will already have been spent on some of those events, spent in good faith, and we understand and respect that. We will need to talk to each organisation. There is not a one-size-fits-all answer to that question for us. We have to work with individual organisations. Organisations may be able to adapt their plans. We have already talked about digital, which is not necessarily our preferred option for everything but it is an option. We will continue to talk and to understand how best we can use that money to keep organisations afloat but also to create content of one sort or another that audiences can engage with.

Q14 **Steve Brine:** That makes a lot of sense. DCMS says that the Culture Recovery Fund is intended to support 75% of organisations at risk in the cultural sector in 2020-21. What will the potential loss of the other 25% mean for your work as Arts Council England over the coming years? You lose one quarter of your family, don't you?

**Dr Henley:** I am hopeful that the number of losses will end up being a lot lower. We have worked carefully and closely. I understand that some organisations will go to the wall, and that gives me no pleasure whatsoever. I stress that. We are not going to be able to save 100%, but I pay enormous tribute to the people who run the organisations across the sector because they have been proportionate and sensible in what they have asked for. There is a sense of everybody coming together with a core goal at the end of this—as Sir Nicholas said, we have an infrastructure that is the envy of the world and we should be proud of it—that we are there, creating that work and that we have the infrastructure to get going again as quickly as we possibly can.





**Q15 Steve Brine:** Finally, £1.57 billion is a lot of taxpayers' money. I have constituents who have received nothing, self-employed people who have missed out, people who do not have pension pots to rely on. You could forgive people for saying that £1.57 billion is enough to give to the cultural sector. Given that social distancing seems to be lasting longer than we expected, is the extra £300 million announced in the Budget enough to address the shortfall? Is there a tranche 3?

**Dr Henley:** It is fair to say that this is the single biggest investment in culture in this country in the nation's history. It needs to be said that it is a large amount of money. We absolutely understand that there are huge pressures on the public purse. However, one of the things that I believe the cultural sector does, whether through museums, libraries, arts organisations or individual creative people, is it makes this a great place to live. It makes Winchester a great place to live. It is very important that we have that. We hope the Government will continue to back us. It is important. We want to be here and growing bigger.

Before the pandemic, the creative industries were the fastest growing sector and the bleed through between the very commercial creative industries and the not-for-profit creative industries is real, particularly when we start looking at training and skills development and so on, but also for our freelancers. You may be a freelancer working in a small theatre one day, and the next day you are working on a multimillion dollar film at Pinewood. This is how our sector works, so we want to have all that infrastructure working.

**Q16 Kevin Brennan:** Dr Henley, following on from what Steve Brine was just asking about, there is a report in *The Times* this morning about the cancellation of the Boomtown festival because of the lack of festival insurance, or the lack of underwriting of festival insurance, because the market cannot supply insurance. If that remains the case, what amount of money do you anticipate that the Arts Council will have to claw back from the grants you have given out?

**Dr Henley:** We can only work within the timeframe set by the Government. DCMS is doing a lot of work with its scientific advisers, looking at how festivals and live events might safely reopen. We understand the challenge of the upfront costs that organisations have to invest to put on major live events and the risk around that. We made our grants on the basis that those organisations will be able to trade. We would have to have conversations at the time of cancellation.

**Q17 Kevin Brennan:** I have given you an example of one event that is not going ahead this year, and no doubt there will be others if there is no underwriting of insurance. That is pretty clear. What I am trying to get at is whether you are agreeing to underwrite the costs that have been incurred so far and that are applicable to the grant that you gave, or that your grant could be used to underwrite, given the Government's refusal to underwrite insurance, which has caused the cancellation.

**Dr Henley:** Where an organisation has been in receipt of a grant and has incurred expenditure in good faith, absolutely, yes, up to that point. We



## HOUSE OF COMMONS

will have to have a conversation with organisations about the rest of the grant. We do not pay out all of the grant at the start. It is phased and is phased on delivery, because we try to be good custodians of public money. The grant has not been paid out entirely.

**Q18 Kevin Brennan:** According to step 4 of the Government's irreversible plan for reopening, there will be no legal limit on larger events, including live events, after 21 June. On your assessment of the situation, because you have obviously been looking very closely at it, how likely do you think it is that live events, outdoor events such as festivals and also indoor events such as music concerts, gigs and theatre performances, will be able to happen with no legal limit after 21 June?

**Dr Henley:** We are driven by the public health advice on this, and by the scientific research that the Government are undertaking. We can only make our decisions based on what we have at the moment. At the moment, we are making decisions on the basis that the restrictions will not be in place from 21 June, but that may change. We have had to be very flexible all the way through the pandemic. You will know that there is an upfront period in the development of live events. Our world is very different from, say, the retail world, where you can pull up the shutters and turn the cash register back on very quickly. We have to develop the content. There will be infrastructure to set up and the selling of tickets. These things are quite time intensive upfront. There is a danger if we do not start to develop things. Across the sector, people have been very alive to creating things that might have to shift and might move, so they have been very proportionate and wise in what they have been doing, but there is risk. You are right, there is risk.

**Q19 Kevin Brennan:** How confident are you that the Culture Recovery Fund was properly explained to the sector when it was brought in and that money did go to the right organisations?

**Dr Henley:** I think it was widely explained. It is rare that I wake up on a Monday morning and see a culture story or an arts story leading the television news bulletins nationally. I feel it was widely explained. We did a lot of work in the sector to support organisations and representative bodies to make the information widely known. As it became more widely known, it was sensible to have a second tranche of funding, CRF2. Some 40% of the organisations we funded in CRF1 were new to the Arts Council and 23% in CRF2 were new. A large number of people who had not previously had public funding were engaged with the CRF.

**Q20 Kevin Brennan:** In the autumn, some members of the Committee were contacted by the Association of Festival Organisers, who pointed out that quite a number of festivals that had applied for funding had not been granted any funding and yet, in some cases, funding had been granted to organisations that had not run a festival for six years, because they were able to supply some accounts. Have you had a good look to ensure that the money has gone to the right places? What have you discovered?

**Dr Henley:** We have. There is also a programme of constant evaluation. There will be a full evaluation of all the money. We put in further checks



## HOUSE OF COMMONS

and balances when we make announcements and before we put any money into bank accounts, and the money does not come out in one tranche. We monitor it very closely.

**Q21 Kevin Brennan:** Did you do enough to ensure that people down the supply chain were aware that they could also qualify for funding? I recently received a communication from a business that was very much involved in the festival sector in this instance, which said that it was not clear to them from the Arts Council website. It seemed to them that their sector, as one of the businesses down the supply chain, was excluded, but they subsequently discovered that they could have applied. Do you think that was properly communicated to the supply chain?

**Dr Henley:** Yes, I do. We had a lot of success with supply chain organisations, organisations that we have been talking to for the first time about funding and investing in for the first time. We recognised that there are some specialist organisations, people who deal in certain sorts of staging for the festival sector and so on, that if they disappeared would mean that we would struggle to reopen whatever the health issues.

**Q22 Kevin Brennan:** Did the Government consult you on the eligibility criteria for the Culture Recovery Fund before it was set up? If so, what did you advise?

**Dr Henley:** Yes. The decision was made by the Government, but we and all the arm's-length bodies fed into that decision. We advised that a broad range of people and organisations should be able to receive the money and that there should be flexibility in making the decisions about who should receive it. We would never want to create a funding programme that has the potential to stop us doing our core aims. I think it was very wise that Government chose to do what they did, because the danger is that the pandemic is developing all the time and we do not quite know what we will need at any given moment. Even within that funding, the guidance enabled us to know that the things that we needed to respond to were changing.

**Q23 Kevin Brennan:** Had you wanted Government to support individuals as well as organisations? You had to supplement the fund, didn't you, with Arts Council money to support individuals and not just organisations?

**Dr Henley:** It was always very clear that this was an infrastructure-based fund. In the last financial year the Arts Council has invested £51.7 million in 13,464 individuals. The Government chose to make this an infrastructure fund. I understand the challenges and the difficulties that freelance practitioners have faced over the last year, but I observe that more of those freelancers will be employed as we open up. If we no longer had infrastructure, if we did not still have those organisations, there would be nobody to employ them. That is quite important.

DCMS estimates that approximately 75,000 jobs were protected by CRF1 and the sector suggests that potentially 52,000 jobs, effectively 100,000 freelancers, were protected by this programme. I realise that this is data and people can challenge it, but it feels to me that a lot that is positive



## HOUSE OF COMMONS

has come about through this investment and that it will benefit people and save jobs.

**Q24 Kevin Brennan:** Another piece of data is that only 68% of applications were successful. The fund was oversubscribed and only 68% of applicants were successful in the first round, but you did not get all the money out of the door. You got £430 million out of the £500 million out of the door. Why were you not able to allocate the full amount if the fund was so oversubscribed?

**Dr Henley:** This is taxpayers' money that we are talking about. We set criteria, and it is not automatic that everybody who applies will fulfil the criteria. We needed to make sure that we were funding everybody who was eligible. We tried our best to do that, and I think we succeeded. Some organisations were not eligible or did not put in applications that fulfilled the criteria of the fund, and we did not automatically give them the taxpayers' money.

**Q25 Kevin Brennan:** To be clear, what happened to the £70 million?

**Dr Henley:** It rolled back and stayed in the fund. It was not taken away. It is there.

**Q26 Kevin Brennan:** Is it part of round 2?

**Dr Henley:** Yes.

**Q27 Kevin Brennan:** And round 3? Had you got it out, though, perhaps round 2 and round 3 might have been a bit larger if you had been more efficient in awarding grants.

**Dr Henley:** I am not sure I follow that. Round 2 money has gone out of the door, and also needs change. At the start, in round 1, we were talking about solvency for a period of time, up to 31 March. In round 2, we are talking about beyond that. Some organisations, quite rightly, in a most honourable way, decided that they did not have a problem in round 1 but by the time round 2 came about, they were in need and we were able to address that. With the benefit of hindsight, having that money held back was a very useful thing.

**Q28 Kevin Brennan:** I think some organisations would disagree because they felt that they were snubbed in round 1, but we will leave that for the moment.

How did the Arts Council's approach to awarding CRF grants change between the first and second rounds, and what will be different about the third round?

**Sir Nicholas Serota:** As we have been discussing, the purpose of CRF1 was essentially to support organisations and sustain them, to ensure their survival, through to 31 March. Organisations that had large reserves, for instance, were encouraged to draw on those reserves rather than claim money from CRF1, which is one of the reasons why not every organisation that was eligible received support.



## HOUSE OF COMMONS

The purpose of CRF2 is to help open up, to help organisations employ freelancers, employ their staff again, so that they can open according to the guidelines that have been set out in the Government's roadmap. CRF3 will be to further assist that recovery as we go through the period between June and December 2021.

Each of the funds has a different focus, although the last two are very much related to each other because they are about getting organisations back into business, earning money, serving audiences across the country.

**Chair:** We are having difficulties with Damian Green's camera at the moment, so I will go to Giles Watling.

Q29 **Giles Watling:** What a lovely surprise. Thank you so much. Sorry that you have me back so soon.

You are administering some £370 million in repayable finance, which is on a scale you have never had to deal with before, and there are many commercial organisations with whom you have never had financial contact before. How is Arts Council England adapting to those new to receiving funding, such as these commercial producers?

**Dr Henley:** We worked very closely. We work to judge businesses anyway. Whether they are not for profit or are for profit, they are still businesses, so we are very used to working with business accounts, and many of the people who work for the Arts Council have backgrounds in the private sector. Take me as an example. Until six years ago when I joined the Arts Council, I had worked in the commercial media for my entire career. There is a lot of knowledge in the organisation, and we have specialists in those areas. Some of the necessary accounting was quite forensic, and we took external advice on things that we were not used to doing, looking at ownership structures, for example, and things like that.

Q30 **Giles Watling:** You are offering the full service, not just the funding but the back-up, how to deal with it and how to repay and all the rest of it, the structure of it. All right. That is very good.

Sir Nicholas, almost all the first round recipients were based in London. Do you think that is a problem, and are you going to address it in the second round?

**Sir Nicholas Serota:** The second round has already been announced, and a significant number of non-London-based organisations will be receiving repayable loans. Clearly a number of commercial organisations operate across the country, such as the scaffolding companies in the supply chain that support the presentation of festivals and so on. Yes, it is true that the larger organisations, many of them national organisations based in London, were recipients of repayable finance because the scale of funding that they were going to require far exceeded the limit on grants. The limit on grants in the first round, and indeed taking it through to the second round, has been £3 million. Beyond that, organisations have been obliged to apply for repayable finance.



## HOUSE OF COMMONS

You are absolutely right that the large organisations have their headquarters in London, but among those that have been supported through repayable loans are English Heritage, which operates across the country, and Historic Royal Palaces, which is mainly focused in the south-east but is nevertheless beyond London. A significant part of that repayable finance has gone to companies beyond the M25.

**Q31 Giles Watling:** Right, so it looks like London, but in fact it is not necessarily so.

**Sir Nicholas Serota:** Not in every instance.

**Dr Henley:** Some 70% of the grants went to organisations outside London.

**Q32 Giles Watling:** So there you are, that was the grants but it was the other way round for the repayable loans, but it was not necessarily so. Okay.

What are the plans for helping organisations, monitoring them, if they are struggling to repay their loans? What would happen if, for instance, an institution such as the Royal Opera House defaulted on its loan? Would it be bailed out? What plans do you have?

**Dr Henley:** We have put a team in place within the Arts Council. We now have a loan book that we administer on behalf of the Government. These are real loans. Treasury has made it very clear that this is money that these organisations need to pay back. The loans are on favourable terms. They start with a period when they are not required to be paid back, and then they need to be built into their business plans. The Arts Council expects, as we always do with these organisations, to monitor their business plans and see how they are going to repay their loans over time. The payback terms of loans are variable, depending on the organisation. We have negotiated the loans with each organisation, and we absolutely expect them to pay them back, as they would with any commercial loan that they take out. These are quite large organisations, and many of them have lots of experience and history of commercial loans from banks and we will be working in the same way on behalf of the taxpayer.

**Q33 Giles Watling:** None of us wants to see any of these organisations fail, of course, and particularly none of our world-leading organisations, but if an organisation is defaulting on their loan is there a chance the loan might be converted to a grant? That is what I am trying to find out.

**Dr Henley:** We have no plans to do that, no. They are loans. Treasury has been very clear that they should be regarded as loans.

**Q34 Giles Watling:** Are the terms the same for all loans, or are they different for different organisations?

**Dr Henley:** They are different for different organisations. Some of them did not want the same term, for example. Others wanted a longer term. Our team has had a relationship with each of those organisations and very carefully negotiated that.





## HOUSE OF COMMONS

The other thing, of course, is understanding what those organisations and the boards of those organisations feel is proportionate going forward with timeframes, what they can afford and how they work around that. We have worked very hard to make these absolutely relevant to each of the organisations in a bespoke way.

**Q35 Damian Green:** Good morning, gentlemen. I echo Steve Brine on the effect the grants have had on bodies in my constituency, particularly the Jasmin Vardimon Company. If you had told me 10 years ago that we would have an internationally renowned contemporary dance company based in Ashford, I would have been pleasantly surprised. Thanks to your efforts, it will survive and flourish into the future, which is great.

On freelancers, I was struck that in your delivery plan you make the point that your traditional assumption that grants will flow from organisations to individuals did not happen. You say, "The pandemic has, however, highlighted that this 'trickle down' model is not working effectively". Is that going to change your approach in the future?

**Dr Henley:** Yes, we will have a much deeper relationship with individual freelancers and funding individuals over time. Already in this last year we have the Develop Your Creative Practice programme, which is open to freelancers to develop their skills, research and backgrounds. We have already increased that quite considerably. That relatively small fund has become quite a lot larger. I suspect we will continue to find new funds directed at freelancers that we will open up. That is the right direction to go.

**Q36 Damian Green:** What criteria will you use to direct them? Who will be the lucky freelancers who get them? What criteria will they have to fulfil?

**Dr Henley:** There will be different points. Early career is very important, but you need a body of work as well. There is always a great keenness to work with people at very early parts of their careers. I am always interested in people 10 or 15 years into their careers. That can be a point when another injection of thinking time, of creative time, of investment can make part 2 of their career flourish. Then there are the established practitioners as well.

It is worth noting that some of the organisations we have funded through the first emergency response fund are quite small one-person or two-person organisations. They are creative companies set up by people. Our sector is a lot of small businesses in one way, and it has a lot of very entrepreneurial people. I am interested in what more we can do to enable them to continue to be entrepreneurial. Those small businesses become a little bit bigger, they employ another person and suddenly we see that spillover effect.

We see that with clustering. Jasmin Vardimon is a great dance company and, in the last couple of years, we have invested in the building as well. It will have a place of its own in Ashford. That is exciting. Down the road in Margate we have seen the clustering of artists coming together around



## HOUSE OF COMMONS

the great arts institution there. That is good for the footprint of the economy. It is real jobs and it is changing places. That is important.

**Q37 Damian Green:** Absolutely. East Kent is a huge argument for how the creative sector can become an economic driver.

Looking perhaps specifically at theatre, one in four theatre freelancers has gone out of business and has gone out of the business during the pandemic. Is that level of fallout threatening the future of the sector as a whole?

**Dr Henley:** It is worrying. We will do everything we can to keep people able to work in the sector. I have a very deep hope that, by keeping the infrastructure there, the people who unfortunately have not in the short term been able to stay in our world will have an opportunity to come back. That is important.

Again, the real struggle is that none of us has absolute certainty as to exactly how things will be as we come out of the pandemic and post-pandemic. That is a risk. We think about this a lot. Through Let's Create, we will be trying to identify the mechanisms that can help to reset once we get going again and to invest in getting organisations to update.

We also want to make sure that young people coming through realise that this is a sector in which they can build a career. That is a bit scary at the moment. I can imagine it is a very tough conversation for a young person and their parents if they are considering being a performer or a technician or working elsewhere in our sector. We need to make sure we keep that world-class talent pipeline coming through for the future. Before the pandemic, this was one of our fastest-growing sectors and on the international stage was something we were renowned for. We want to do everything we can to get back to that position and to grow it.

**Q38 Damian Green:** Against that, are you proceeding with the assumption that we are now on a pretty inexorable, slow but sure path back to full theatres, cinemas and performances as we used to know them?

**Dr Henley:** Yes. With no greater knowledge than anybody else, we have to take that as our planning position at the moment, because it means we are ready to go when we can. We are working on that basis. We know it might change and we are realistic to that. I believe we should be optimistic. We have had amazing creative talent and amazing people running these organisations over the last 12 months. They have had to soak up a lot of punches. There may be more along the way that you and I cannot predict. I am confident we will do our very best to get to that position.

**Q39 Damian Hinds:** Sir Nicholas, I return to where Giles left off on repayable finance. As Giles noted, you have very long experience of awarding grants but not of managing a loan book on this kind of scale. You are not the only arm's-length body, particularly at the moment, administering loans. How much cross-working, cross-learning and discussion about that is there with other Government branches and arm's-length bodies?



**Sir Nicholas Serota:** As you quite rightly point out, this is an area new to the Arts Council, relatively speaking. The Arts Council is developing new ways of funding organisations and, in the longer term, repayable loans may be part of that support. In this particular instance, we will be working with and through DCMS, picking up any advice that may come from other arm's-length bodies. There are repayable loans envisaged for sporting bodies as well as the arts bodies, and it is likely that DCMS will want to see those two funds, which are both Covid-19 funds, aligned in some way.

Q40 **Damian Hinds:** Is there an argument for pooling resources, particularly expertise in managing the loan book?

**Sir Nicholas Serota:** Undoubtedly there will be a pooling of knowledge and experience but, for the kinds of organisations that we are working with, an examination of their books and programmes requires expertise of a kind that the Arts Council has and which the sports bodies have in their field.

Mr Watling asked whether we would be seeking to recover funds and what we would do if there were organisations that were not able to repay funds. I will simply say that many organisations are taking loans that will begin to be repaid only after four years. I can assure you that the Arts Council from now on, over the next four years, will be working with the boards of those organisations and holding them to account to ensure that we are in a position to recover that funding. We will find ourselves in difficulty unless we are able to do that.

Q41 **Damian Hinds:** To cover administration costs in administering the funds, a formula was applied by the Treasury for how much money should be allocated to the arm's-length bodies. Did that administration cost allocation actually cover your costs? Do you know how the figure was set? What would be a more appropriate figure if it was not done correctly?

**Sir Nicholas Serota:** Dr Henley can probably talk about the detail. Coming into the Arts Council four years ago, I was impressed by the level of efficiency and the relatively slim size of the organisation for its responsibilities and the way in which it considers grant application and monitors payments. This year, more or less the team that would normally administer some 17,000 grants has looked at 43,000. That is a tribute to the staff, many of whom have worked extremely long hours, and to the effectiveness of the system.

Dr Henley might wish to speak about the specific administration costs associated with the Culture Recovery Fund.

**Dr Henley:** You are clearly right, Mr Hinds. We have incurred more costs because of doing this with our team of people. I believe that the funds to cover administration costs set by the Government are proportionate and effective, and we will work within them. We always have to work within those funds. We are one of the most cost effective arm's-length bodies in our percentage costs, and we will continue to strive to do that.



## HOUSE OF COMMONS

Over the last year we stopped doing some things because we were working in an emergency environment. As Sir Nicholas said, our team has been incredibly flexible. Bear in mind, like many other people, they were working completely from home. Our technology more than held up—it worked. We are trading and doing 100% of our core business. We have had to do one or two workarounds, as you can imagine, but people are getting paid. It is going into their bank accounts. All of the other work we do for the Government and in the sector has continued.

It is not easy, and we are certainly not awash with cash, but we will do our best with what we have. The Government have understood that, particularly around things like the loan book, we are now bringing expertise inhouse that we did not have before.

**Q42 Chair:** Dr Henley, you mentioned how money had been distributed to the likes of Historic England. Did you have any say in how those organisations distributed funds?

**Dr Henley:** Historic England is one of the other arm's-length bodies working alongside us. We all talk to each other and we work within the DCMS family. The BFI is another example. If there was some crossover, we were working together as a team. Our teams that have been working on developing the funds with DCMS have sat in many meeting rooms all the way through with our colleagues from DCMS and there was a good dialogue. We are not in competition with each other. We are all working to the same aim.

**Q43 Chair:** I understand they had a good dialogue, but I am trying to nail down precisely who presses the button on this. Was it a case of you saying, "This is your portion of money here," or was that a ministerial decision and then they went out and did it and you did not have any say on where they assigned their money?

**Dr Henley:** There was a ministerial decision about the allocation between the arm's-length bodies, and then we work together at that point.

**Q44 Chair:** There was a bit of controversy over Historic England's decision to loan £6 million to the National Trust, which has reserves of over £1 billion. Admittedly, most of it is tied up and cannot be accessed, so I wonder about the point of it being reserves. Did you have any input in that respect? Was there any crossover where they were putting some money in one organisation and you would then say, "You have done that one. Now we are not going to do that one"? Is there a general blurring of the lines?

**Dr Henley:** Absolutely. We were mindful of the possibility of double funding, and we looked at that as an issue. Each of the arm's-length bodies made those decisions, so we would not have been involved in the actual decision making of another arm's-length body.

**Q45 Chair:** Dr Henley, you mentioned how you strive to ensure you continue to be cost effective. It is all very well striving for something, but can you quantify the percentage by which you expect the running costs of your



## HOUSE OF COMMONS

organisation to go up over the next few years as you effectively become a medium-sized building society in the size of your loan book?

**Dr Henley:** I can write to you with that detail. I do not have an exact number in my head, but we will sit within the criteria that are set by the Government. Percentages are set and we will not go above those, and we have not gone above those. I can set that out for you.

Q46 **Chair:** Thank you for that, and it is most welcome, but has there been any discussion with Government about what precisely you expect to land with this and where you expect your costs to rise? Do they understand this, or will you face a fight down the line?

**Dr Henley:** For every Government I have worked with, cost control is always important. We have always seen that. We will always make fair and proportionate budgets and will put those forward to people, but we also have to cut our cloth accordingly and work within the parameters that are set. I am mindful that in the public sector there is a huge demand, so we are realistic about that. Having said that, we need enough to be able to do our job properly and I will continue talking about that.

Q47 **Chair:** Forgive me, Dr Henley. That is not really an answer. Have you had discussions with Ministers about what they expect you to hold your costs to over the coming years, or only when you get there will you see exactly what you need to keep your organisation going?

**Dr Henley:** I have not had conversations with Ministers about it, but we continue to discuss our budgets with officials.

**Chair:** That is a no, then. You have not set out a plan for how you will manage this within the confines of the budgets you can expect.

**Sir Nicholas Serota:** We are talking here about the administration of the repayable loans book, and we are talking about a limited number of loans across the country. It was only two weeks ago that we were finally aware of exactly how many loans would need to be administered. The Culture Recovery Board has established which organisations should receive loans and are capable of repaying those loans. The Arts Council has been involved in giving advice, but the final decisions were made by the Culture Recovery Board. We are in discussion with the Culture Recovery Board and with DCMS about the costs that will be involved in servicing those loans. As I point out, there is a limited number. It is new business for us, and we expect the Government to cover the costs in a reasonable fashion.

Q48 **Chair:** Are you employing people with financial services backgrounds?

**Sir Nicholas Serota:** We are, indeed, as it stands. The senior director at the Arts Council, who has been engaged in the detail of these repayable loans and will continue to be involved in administering the scheme during the next several years, has PricewaterhouseCoopers experience long before he came to the Arts Council.

Q49 **Chair:** You have this loan book to administer, you say, for several years.



## HOUSE OF COMMONS

Is that three? Is it five? Is it seven? Where is the sweet spot when you can say you have administered them out of the system?

**Dr Henley:** Our assumption is that we will be working on the loan book for up to 20 years. There will be more work at different points. Sir Nicholas mentioned that this is an area we were already starting to think about pre-pandemic: what are the funding mechanisms other than grants that we could use in the Arts Council? We see this area as growing. We see some benefits in bringing in expertise that can be used in different areas alongside the loan book.

**Chair:** When you are writing to the Committee, could you outline the recruitment programme you have used to get in the expertise to administer this loan book? There are concerns. This is an area that you have not been in before. Twenty years of loans is potentially burdensome for the administration and the nature of your organisation.

Q50 **Clive Efford:** I heard you say that you are talking to the Department about the costs of administering these loans and the grants you are required to allocate, but are you confident that the Government will respond and provide you with the resources you need to carry out that additional administration? This must be fundamentally changing your core funding and how it is administered.

**Dr Henley:** As far as we are aware, the Government are listening and we will get to a satisfactory position. I have no evidence to the contrary.

Q51 **Clive Efford:** Are you expecting any announcements in the spending review that will address this issue?

**Dr Henley:** It is interesting that, along with many other public sector organisations, only our 2022 funding is known to us. I hope we will be making the case for continued investment in arts and culture, given the amount that the Government have invested so far. Yes, we will continue to make that case.

Q52 **Clive Efford:** Going back to freelancers, you said that you had managed to get support to over 13,460 individuals. How far did that reach into the scale of the problem? Do you have any feel for how many others out there were struggling?

**Dr Henley:** There was a considerably larger number of people whom that did not touch. To say anything else would be wrong. Yes, we know that there is a large number of people. I do not have data as a percentage, but we know that any programmes we have for individuals are becoming increasingly oversubscribed. To our earlier conversation about making more investments in individuals directly, we will have to look at that to keep pace with demand.

Q53 **Clive Efford:** I heard what you said earlier about protecting the infrastructure and how that puts us in a stronger position to bounce back, and that will create jobs and opportunities for freelancers to return. Do you have any feel for how many we have lost who will not return, who have moved on to new professions and will not be available to come





## HOUSE OF COMMONS

back?

**Dr Henley:** No, I do not have that data at the moment.

Q54 **Clive Efford:** You encouraged the organisations you have assisted that have reserves to use those reserves rather than sit on them and take money that could be used elsewhere, which is a sensible approach. Did you also assess their ability to generate other forms of income? Some are big, internationally renowned organisations that could perhaps get patrons and members to contribute or could have access to resources that smaller or less well-known organisations do not. Was that also a factor in your calculations on how to support organisations?

**Dr Henley:** Definitely. It did not occur to me until we went into this process that among those organisations that were hardest hit were those that were the best at generating other forms of income. Those income streams would be ticket sales but they would also be restaurants, bars, sponsored events with other businesses and so on. That all stopped straightaway. Those organisations that had a greater proportion of public funding were probably able to last a bit longer. That was not necessarily blindingly obvious at the start. We have learned that. For those organisations, we are keen to make sure that all the people we work with bring in other forms of funding alongside us and it is not just one route.

Q55 **Clive Efford:** Could DCMS be more effective at making the case to the Treasury for funding the organisations it represents?

**Dr Henley:** We have £1.57 billion. It is the biggest investment in arts and culture in the history of the country. I feel grateful for what they have done. That is not a party-political view. It is a view of reality. A lot more money has flowed into the arts and culture sector in the last 12 months than ever before.

**Sir Nicholas Serota:** As Dr Henley has said, this is the largest grant that has come to the arts since the Second World War. DCMS made a strong case. It is one of the few sectors in the economy that has benefited from this special funding. I pay tribute to the Secretary of State for making the case at Treasury on this occasion. I hope he is able to make a similar case when it comes to the spending review in the autumn, because undoubtedly there will be a need and we look to him to do that.

Q56 **Julie Elliott:** Good morning, Darren and Sir Nicholas. I looked out for the Secretary of State and the spending review early in April.

I want to move on to the investment the Arts Council makes across the country and this genuine move towards developing opportunities for culture and creativity across the country. I am a strong supporter of doing that, but how do you secure the place of London as a strong cultural destination?

**Dr Henley:** It is important that we have a strong capital city. It is a world-class city that takes its rightful place on the world stage. There is a lot of money there, and we will continue to invest in London. We are in no way trying to disinvest in London. At the same time, historically, there



## HOUSE OF COMMONS

has been underinvestment in other parts of the country and we need to balance that for two reasons. First, it is quite exciting when you do not have all the creativity coming from one place. Creativity is about bringing together different people with different stories and backgrounds. That is when we get that spark.

In Sunderland, a place close to my heart that I visited many times over the five years before the last year, the time is ripe for investment. We have good civic leadership in the council and the university. We have good business people and an interesting creative infrastructure that is coming up from the ground. The Creative People and Places programme, which we will be taking to more parts of the country during the next few years as part of Let's Create, takes places with traditional under-engagement in arts and culture and works to co-create brilliant cultural activities in those places. The Cultural Spring is a strong example. We are balancing that all the time. It will be necessary to prioritise more places around the country and to understand how we can make that change.

I believe strongly in the investment of public money to help people create happier lives and better quality lives. There is no greater reason for taxpayers' money being invested in a place than to help people have a better existence.

**Q57 Julie Elliott:** You mentioned priority areas. That is important and has been hugely helpful to us in Sunderland. You will have a larger list to develop. How will you choose those places? What priorities will you use in deciding which areas to pick? Will you balance it around the country or are you going to perform a tick-box exercise even if they are all in one part of the country? How are you going to do that?

**Dr Henley:** That is a good set of questions to ask. It will be data-based. We have to have data of one sort or another. But of course the data inputs are vital, so we are looking at that at the moment and trying to understand the best model. Economic considerations will come into play. Previous investment or underinvestment and the opportunity on the ground will come into play. By having our teams in nine offices across the country, we know that moment. Sometimes it is the right moment to invest in a place and sometimes maybe two or three years down the line will be the right moment. We see ourselves as a development agency, and in place X or place Y we might need to spend some time developing that journey so that we can sensibly invest at the right point.

**Julie Elliott:** That is a sensible answer. Sir Nicholas, would you like to comment on that?

**Sir Nicholas Serota:** Yes. I have a couple of points about London. Of course we want to continue to fund the major organisations that sit within the centre of the city, within zone 1. Those are leading organisations that have international reputations and attract international audiences. They bring enormous reputational value to this country.

We are also interested in smaller organisations that are based not in the centre of London but outside. We were delighted when a major orchestra



## HOUSE OF COMMONS

relocated to Wembley, as happened this year. It is, therefore, important that we continue to support the organisations that are working in some of the outer London boroughs as well as in central London. But we do have priorities, within London and elsewhere, that we want to pursue to reach new audiences and provide opportunities for people who have not traditionally been engaged in the arts to do so.

**Q58 Julie Elliott:** The Arts Council has talked strongly about collaborative working and partnerships between the cultural sector and other public services such as health, education and criminal justice. How effectively is that being supported by decision making in those Government Departments at the moment? How is that working?

**Dr Henley:** I am excited that you mentioned health. Areas like social prescribing are exciting and important areas for us. We thought health and wellbeing was important already, but what we have seen and learned over the last 12 months about people's wellbeing—in all age ranges but particularly for young people's mental health and wellbeing—is hugely important. We have had positive dialogue and are co-funding with the Department of Health.

We also have a long heritage of working with the Department for Education, which has announced continued funding for the cultural education and music education hubs that we deliver. We are working more now with MHCLG on some of those big place-based funds that have been announced.

There is a good start to the conversation. It has been quite nascent in some places, and the health one is the most progressed. We have co-funded some good programmes in this area, which will really make a difference in people's lives.

**Q59 Chair:** Dr Henley, you said you thought a new funding model would involve the potential for some loans. Does the fact that two thirds of them were taken up or assigned show that there is under-capacity and that this may not be a model that suits the sector? What is your reason for thinking that you can apply loans going forward?

**Dr Henley:** This was a specific programme at a specific time. I am interested in the alternative financial instruments that we might use that might not be just grant funding. We would need to research that to understand the appetite and the price points. It may be loans; it could be co-investment; there are models around taking equity shares. There are lots of things we could start to look at. I am not ruling any of those in and I am not saying grants will stop. I would not want anybody to think that. But it will be interesting if we can use some of our public money to grow the sector. It would be silly of us at this stage to have done that learning on loans and not to look at it in the future.

**Q60 Chair:** It will not be business as usual. Is that what you are saying?

**Dr Henley:** Absolutely, particularly as we know that public finances will be under a lot of pressure. In organisations like ours, we have to ask



ourselves all the time how we can make the money we are lucky enough to have from taxpayers work as hard as it possibly can.

Q61 **Chair:** Do you have any concerns about whether you have instilled a competitive advantage in certain parts of the arts? One institution may have received a grant or a loan and another institution may not have done so. Do you look to redress that in any way in the long term?

**Dr Henley:** All our funding programmes are open and the criteria are set, so there is equality at that point. We will continue to look at it and will always understand what we do and how it affects marketplaces overall. This is still new. They are legitimate questions to ask.

Q62 **Alex Davies-Jones:** Dr Henley, we have heard a lot in recent months about the challenges facing musicians and artists who want to tour in Europe. You mentioned the importance for young people to have a shared cultural experience. My own cultural experience was massively enhanced through being able to tour in choirs, youth orchestras and brass bands across Europe when I was younger. Are the Government doing enough to support artists and organisations in adapting to these changes?

**Dr Henley:** I absolutely recognise what you are saying about the importance of touring internationally for many individual artists and organisations. We talked earlier about diversifying income streams, and international touring is an important part of their business as individuals and as organisations.

We work all the time to see what we can do to increase the international footprint. We also work with the other Arts Councils around the UK in Wales, Northern Ireland and Scotland, and with the British Council. A whole host of people have been able to go to South By Southwest digitally. In previous years we have showcased them physically.

There are some real challenges right now around trading internationally as we come out of the European Union, and they are live. We continue to gather data and to share it with the Government. It is not our role to do those sorts of negotiations, but we are inputting the challenges that people are facing to the Government and they are alive to that.

Q63 **Alex Davies-Jones:** What impact is the deal that the UK currently has with Europe, and the impact that it is having on the cultural sectors, having on the work of Arts Council England?

**Dr Henley:** Our international team is spending a lot of time continuing to build and grow relationships we had previously, and we are looking for export opportunities all the time. That is hard, as you will appreciate, at the moment, given the various travel restrictions. There is a huge layer of complexity in business planning for those organisations. As part of the Culture Recovery Fund, we have tried to understand how those organisations are impacted. When we are able, this is an area that we hope to be able to spark things back off against.

In the short to medium term, it is key to understand the practical challenges. I pay tribute to a lot of the sector bodies and the



## HOUSE OF COMMONS

representative organisations that have gathered strong data across theatre, music and dance and have done a lot to inform that.

It will not be for us to do those negotiations internationally. It is a Government issue. But I am keen that, when we are able, we get out there to tell that international story and to showcase our great artists and cultural practitioners. It is not just the performing arts. In the museum sector, some of the exhibitions we tour around the world are magnificent. All those things are important.

**Q64 Alex Davies-Jones:** I could not agree more. How much of the work that Arts Council England supports also receives funding from Creative Europe? How will the lack of domestic alternatives affect that now we have left the Creative Europe programme?

**Dr Henley:** We made an assessment of the organisations that might be affected, and it ran into the relatively low tens of millions of pounds. A lot of our organisations do not trade with Europe. It is worth saying that. For some, it is incredibly important and they have a lot of their income and a lot of their business with Europe. The challenge we have at the moment is that, because of the pandemic, it is quite hard to make a sensible assessment as to how their businesses have been impacted. We are ready to do that. This is not me trying to dodge the answer. We simply do not know because the pandemic has added this whole other layer. We cannot really tell what the new normal is after exiting the EU.

**Q65 Alex Davies-Jones:** When things settle down with the pandemic, we would appreciate your coming back to answer that again to see what impact it has had on some of the programmes and organisations you are supporting.

**Dr Henley:** I reassure you that we want to make that assessment and share it with you.

**Q66 Alex Davies-Jones:** Thank you. This Committee has heard from the Minister about the Government's Creative and Cultural Touring Project that they have put together to look at the impact this is having on artists and organisations being able to tour in Europe. I understand that you are representing Arts Council England at those meetings. How are you finding them? Are they useful? Are they being productive?

**Dr Henley:** Yes, there is a genuine pragmatism from everybody. I pay tribute to the individuals and representative bodies around the table. I have a sense that there is a desire from the Government to find the most productive route. We will continue to feed into it as much as we possibly can and potentially, when decisions are made, to help implement them.

**Q67 Mrs Heather Wheeler:** Apologies for joining late. I had the joy of opening a new farm shop, Betty's Farm Shop, in Willington in my constituency. I recommend it to everybody.

I am interested in slightly changing tack towards ACE's protection of cultural property being made more or less difficult by debates around contested heritage. Gentlemen, what is your view on the Government's



## HOUSE OF COMMONS

proposals to protect historic statues? Does England's cultural property need greater legal protection?

**Sir Nicholas Serota:** The first point is that the Arts Council is not responsible for protecting cultural property as such. We have a special relationship with museums, where we do have that responsibility. We give guidance to regional museums in particular. The principal arm's-length body responsible for protecting heritage is Historic England, which does have a part to play in advising when an application has been made, for instance, to move or remove a statue.

As far as the current Government policy on such things is concerned, we support the notion of retaining works in place. Within museums, of course, works move all the time and are constantly reinterpreted. We support that reinterpretation where it feels appropriate or when new scholarship emerges.

**Dr Henley:** This is an area where Historic England, as Sir Nicholas said, is the key adviser. The Secretary of State has every right to make policy in this area, and that will generate debate. Institutions will debate and interpret that. I have been heartened to hear that the Government respect the idea of creative freedom for artists and individuals. That has been absolutely central to public investment in arts and culture since after the Second World War when the Arts Council was set up. I realise it is a difficult area, but there is a good and sensible pathway through it.

Q68 **Mrs Heather Wheeler:** Lovely. The Government set out their position in a letter last September. Did you have to do anything specific following receipt of that letter?

**Dr Henley:** There is no change to be made as a result of that. It set out the Government's position and it set it out particularly with the advice that Historic England will give. No, it did not require us to change anything.

Q69 **Chair:** Dr Henley, when you are doling out grants and loans, what weight do you give to a particular institution's appeal to tourists and international visitors in whether you give them the money or whether you have particular clauses in any loan arrangement?

**Dr Henley:** It is important. Stratford-upon-Avon, for example, has a number of Shakespeare-related organisations from the RSC to the Shakespeare Birthplace Trust. We understand that their place culturally is internationally significant and is, therefore, tourism-related. The cultural infrastructure and the economy of that town is very much based on tourism.

It is always important that there are people who choose to live in those places, and we want the organisations to relate to them as well. There is a balance, but tourism is clearly an important sector. Tourism is part of the remit of DCMS. A good way to argue the case for investment in our cultural institutions is because of tourism.

Q70 **Chair:** As part of this recovery period, are you focusing on those





## HOUSE OF COMMONS

institutions that can appeal to particular types of tourist? For example, American tourists spend a lot more than those from any other country. Also, the vaccination programme in America is quite quick and there is a possibility of air bridges with America in the not too distant future. We need American tourists—it is simple. Is that a focus for you as we move to the recovery period?

**Dr Henley:** I am speaking to you from Canterbury with the cathedral just down the road, so I am aware of that. This is one of the places for American tourists. It is very much on their trail as they go around. We are keen to build any incoming revenue streams. At different times we will focus on different places, but we will continue to do anything we can to make our organisations attractive. Yes, we will work in all areas of tourism. In particular, we have good working relationships with the various tourism bodies across the country and in places. We also have good relationships with local authorities. We are happy to turn up at the table and do what we can.

Q71 **Chair:** In this specific period, when there will be limited tourism and everybody will have to grab as much as they can, is there a marrying-up between the institutions involved in tourism and the Arts Council in having a combined offering to bring those tourists in?

**Dr Henley:** We meet regularly and we talk. It is an interesting question. I am happy to have that more exploratory conversation directly, particularly about American tourists, as you suggest.

**Chair:** Thank you. That concludes our session. Thank you very much, Dr Darren Henley and Sir Nicholas Serota from Arts Council England.