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Committee of Public Accounts

DCMS management of COVID-19 loans

Twentieth Report of Session 2024–25

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Committee of Public Accounts

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Summary

Over the period October 2020 to March 2022, the Department for Culture, Media and Sport (the Department) lent a total of £474 million to 120 borrowers in the culture and sports sectors, to help these bodies survive the COVID-19 pandemic. In October 2021, it brought these loans together to manage them in one loan book. By October 2024, just under half of borrowers had started repaying their loans, paying the Department £41 million in total, 97% of expected repayments. There remains a high degree of uncertainty over how much of the loan book will ever be repaid. The cost of managing the loan book has been significant, with the Department spending about £17 million on it so far.

There have been severe weaknesses from the start in the arrangements for managing its loan book. Too many bodies are involved (the Department itself, Sport England and Arts Council England as its loan agents, and PwC as its managed service provider). There is no evidence that the Department considered outsourcing to a specialist loan management service provider. The Department has yet to identify its long-term options for managing the loans. The Department's management of its contract with PwC has also been poor. The Department expanded PwC's brief to include delivery of a fully-functioning loan management system, but, despite delays to delivery and increased costs now totalling £1.2 million, the Department still does not have such a system in place.

Owing to a conflict of interest involving the Accounting Officer's connections with rugby union, there is a gap in accountability to Parliament for a significant amount of public money. Loans to top-tier professional rugby union clubs in the Premiership Rugby League accounted for 57% (£124 million) of the Department's COVID loans to sports bodies, with three clubs having since become insolvent and most of the remaining ones facing significant financial difficulties. This gap in senior oversight and accountability for such a significant amount of public money is concerning and avoidable. It strikes this Committee as odd that the Department has not taken steps to address this such as by asking another Permanent Secretary to provide scrutiny and assurance.

The Department has been overly optimistic about the future levels of loan repayments and insolvencies. As at October 2024, nine borrowers, which had collectively received loans totalling £46 million, had become insolvent, more than the Department had expected. Over half of borrowers had still to

make any loan repayment, and loans of over £400 million were outstanding. The Department's emphasis on the need to consider maintaining the financial viability of the sectors it has given loans to poses a risk to the future repayment of these loans. The Department must use the latest information on financial viability when considering whether to agree any further loans or grants and ensure that public money is not put at high risk. These loans were introduced to help culture and sports sectors to survive the pandemic. They should not be extended to providing support for bodies which are still not financially viable some five years after the pandemic began.

Introduction

Organisations in the culture and sports sectors were required to close by law on 23 March 2020 when the UK entered the first national lockdown, which immediately meant that they faced reduced audience, visitor and spectator numbers, severely reducing their income, while paying ongoing costs. Over the period October 2020 to March 2022, the Department for Culture, Media and Sport (the Department) lent £474 million to 120 borrowers in these sectors through three separate schemes, to help these bodies survive the pandemic. The Department appointed two of its arm's-length bodies, Arts Council England and Sport England, as its loan agents for day-to-day monitoring and management of the loans, but decision-making rests with itself. It then, in October 2021, brought these loans together in one loan book.

By October 2024, just under half of borrowers had started repaying their loans, paying the Department £41 million in total, 97% of expected repayments. As at October 2024, nine borrowers (two on the culture side and seven on the sports side), which had collectively received loans totalling £46 million, had become insolvent. Over half of borrowers had still to make any loan repayment, and loans of over £400 million were outstanding. The Department had also incurred costs of about £17 million in managing the loan book over the last three years.

Conclusions and recommendations

1. **There have been severe weaknesses from the start in the Department's arrangements for managing its loan book.** The Department did not draw enough on expertise across government when setting up its loan schemes. It has subsequently improved its governance, procedures and capabilities for managing these loans, but there are still too many parties involved in managing the loans (the Department itself, Sport England and Arts Council England as its loan agents, and PwC as its managed service provider). There is no evidence that the Department considered outsourcing to a specialist loan management service provider. The appointment of separate loan agents for culture and sport meant that there were two separate loan management systems requiring integration. We also have concerns as to whether the Department and its loan agents have the skills needed to undertake insolvency negotiations concerning their borrowers. Finally, there remains a fundamental tension for the Department and its loan agents between the Department's primary objective with the loan book of maximising the financial returns to the Exchequer and the policy objective of maintaining the viability of the sectors the Department has made loans to.

RECOMMENDATION
The Department should address current weaknesses in the management of its loan book including simplifying the management arrangements and ensuring it has the appropriate skills and expertise it needs for the future available to it.

2. **The Department's management of its contract with PwC has been poor.** The Department originally appointed PwC to advise on options for the management of its loans. After PwC identified the need for a managed service provider, the Department appointed PwC to this position after a competition, with a contract running to March 2025. The Department subsequently expanded PwC's brief to include the delivery of an integrated loan management system, paying an extra £900,000 for this. However, the system was delivered in June 2024, 15 months later than originally planned. It also did not provide full functionality required, with loan agents having to maintain their own spreadsheets that the system was meant to replace.

The Department has had to enter into another contract with PwC and pay an extra £300,000 to get the additional functionality required. It expects this to be in place by September 2025 at the latest.

RECOMMENDATION
The Department should ensure that PwC delivers the full additional functionality required to the loan management system before September 2025 at the very latest and for no more than £300,000, and should begin preparations now for the approaching end of PwC's original contract.

3. **The Department does not yet know which options for the loan book's future management would provide best value for the taxpayer in the long term.** The costs of managing the loan book to date have been significant, at about £17 million over three years. The Department has not forecast the costs of running the loan book beyond the current Spending Review period (2025–26). As a result, it cannot identify when the cost of the current arrangements for managing the loans in-house would start to exceed the level of repayments received and these arrangements would therefore cease to provide value for money. Nor has the Department undertaken a review of its options for the future of the loan book since 2022. Its future options include: the continuation of the current in-house arrangements for the management of the loan book; the sale of the loan book which would give the Government cash immediately and eliminate future running costs; its consolidation with other government loans; and the appointment by the Department of specialists to manage its loans. The Department plans to undertake such a review later in 2025–26. An up-to-date valuation of the potential receipts from the loan book's sale will form an essential benchmark for this review.

RECOMMENDATION
The Department should assess which long-term strategic options for the loan book, including, for example, its sale, would provide best value for the taxpayer.

4. **The Department is being overly optimistic in the management of its loan book in the face of continuing uncertainty over future repayments.** The Department, as at October 2024 had received less in repayments than was due, the level of insolvencies among its borrowers had been higher than it forecast, and over half of borrowers remained on a repayment holiday. Despite this, the Department continues to be optimistic in its expectations over the future levels of loan repayments and insolvencies. It expects repayment of all outstanding loans, but is unclear about the actions it would take for borrowers in financial difficulties. The Department stresses the need to take account of its policy objective of maintaining the viability

of the sectors where it has made loans when considering such actions, and any final decisions will be taken by ministers on a case-by-case basis. The Department also considers the level of potential fraud to date, of £2.2 million, to be relatively low, compared to other COVID-19 schemes.

RECOMMENDATION

a. The Department should revisit its estimates of expected repayment levels and insolvency rates by December 2025 to reflect its experience once all borrowers have started to make repayments

b. The Department should demonstrate a tough approach on behalf of taxpayers to managing those borrowers in trouble, including when considering these borrowers for any future additional financial support, such as grant funding or further loans from the Department.

5. **The Department is displaying an inconsistent approach to its engagement with professional sports.** The majority of the Department's loans to sport bodies went to professional sport. For example, 57% (£124 million) of the Department's sports loans went to top-tier, professional rugby union clubs in the Premiership Rugby League. The Department insists that these clubs were financially viable when it awarded the loans, despite public reports at the time to the contrary and the subsequent insolvency of three of the clubs by June 2023, owing the Department £41.6 million. The Department says it took a common approach when lending to borrowers in different sports, but, in our view, its subsequent actions display different approaches in practice. It has appointed consultants and engaged with the Rugby Football Union, the Premier Rugby League and CVC Capital Partners on the future of rugby union. In contrast, the Department was less certain about the extent of engagement by itself and Sport England with professional basketball over proposed structural changes to the game that could put at risk repayment of the last outstanding loans from four of the 11 professional clubs that received loans. When the Department did provide us with more information, it was clear to us that it has been less engaged with basketball than with professional rugby union.

RECOMMENDATION

The Department should work with Sport England to compile a strategy for engaging with borrowers in future in order to ensure that they engage consistently and fairly with different sports as more borrowers start to repay their loans.

6. **Owing to a conflict of interest, the Department has allowed a gap to arise in accountability to Parliament for a significant amount of public money relating to the loans it made to rugby union.** Since her appointment as Permanent Secretary in 2023, the Department's Accounting Officer has had a conflict of interest regarding rugby union. She has properly declared this conflict and recused herself from relevant discussions and decisions, and the Department has put in place arrangements involving other Department staff to handle the conflict. However, the Department is most heavily exposed to rugby union in terms of both the amount of loans it has made and the financial health of the sport. The conflict of interest meant that we could not question the Permanent Secretary directly about the £124 million that the Department had loaned to top-tier rugby union clubs (57% of its total COVID loans to sports bodies) and its subsequent management of these loans.

RECOMMENDATION

The Department should consider alternative arrangements for filling the accountability gap to Parliament relating to rugby union loans, for example involving the Permanent Secretary of another department, who could be appointed as the Accounting Officer for this item.

1 The arrangements for managing the loan book

Introduction

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department for Culture, Media and Sport (the Department) on the management of its COVID-19 loan book.[1]

2. COVID-19 hit the culture and sports sectors hard. Organisations were required to close by law on 23 March 2020 when the UK entered the first national lockdown, which immediately meant that they faced reduced audience, visitor and spectator numbers, severely reducing their income, yet also faced ongoing costs. In response, over the period October 2020 to March 2022, the Department provided around £2.6 billion of support to these sectors, with the vast majority of this being grant funding. However, as part of this support, the Department also lent £474 million to 120 borrowers via three separate schemes. The loans have favourable terms, such as repayment holidays (on average for three years) and 2% interest for the whole loan period. The average loan term is 15 years and three loans were for 25 years.[2]

3. In October 2021, the Department brought these loans together in one loan book for their ongoing management. It appointed two of its arm's-length bodies, Arts Council England and Sport England, as its loan agents for day-to-day monitoring and management of the loans, including relationships with borrowers. However, decision-making rests with the Department, for example if borrowers request changes to the terms of their loans.[3]

4. By October 2024, just under half of borrowers had started repaying their loans, paying the Department £41 million in total, 97% of expected repayments. However, nine borrowers (two on the culture side and seven on the sports side), had become insolvent, more than the Department had expected, and it will not recover between £25 million and £29 million

1 C&AG's Report, DCMS's management of its COVID-19 loan book, Session 2024–25, HC 472, 11 December 2024
2 C&AG's Report, paras 1 and 6
3 C&AG's Report, paras 1 and 3

of the £46 million loans received by these. In addition, over half of the 120 borrowers had still to make any loan repayment, and loans of over £400 million were outstanding. The Department had also incurred costs of about £17 million in managing the loan book over the last three years.[4]

Current arrangements for managing the loan book

5. In setting up its approach for managing its loan schemes, the Department drew on relevant expertise from HM Treasury (HMT) and UK Government Investments (UKGI) and, later, from the British Business Bank. It also liaised with colleagues who led on Future Builders fund, a loans-based investment scheme supporting third sector organisations. However, the National Audit Office found that the Department could have gone further in reaching across government to distil learning from similar loan schemes, including appropriate governance structures, developing the right expertise and skills, developing its risk management approach; and experience of long-term modelling and costing.[5]

6. We therefore asked the Department why it did not draw more on the learning of other departments. It told us that, as managing the loan book was a novel thing for it to do, it had sought expertise on how to set this up. It had talked to HMT, UKGI, the British Business Bank and the former Department for Business, Energy and Industrial Strategy, which oversees student loans, as well as those within the Department who had given loans under the Future Builders scheme or to museums and galleries as part of the Department's normal business. It acknowledged, however, that it could have done more, but, at the time, there was a lot of activity underway in the unique circumstances arising from COVID-19.[6]

7. We therefore asked the Department what it would have done differently if it had to set up a similar loan scheme again. It told us that it had tried to build in lessons learned as it went through the process. For example, it had been optimistic about the number of staff and the capability it required to manage the loans. It had since, therefore, increased significantly the resources in its loan team, with recruitment almost complete by July 2024, and had embedded in this team digital, data and technology expertise, which it previously had not had. It had also clarified the scheme's governance arrangements in July 2024 and codified its processes. The Department emphasised that it was now in a solid place with regard to

4 C&AG's Report, paras 14, 15, 17 and 21
5 C&AG's Report, para 6
6 Qq 7, 9

the scheme's objectives, governance and expertise, and had managed the scheme in a solid and effective way. It was cautiously optimistic about the effectiveness of its management model going forward.[7]

8. During 2020, the Department had appointed two of its arm's-length bodies, Arts Council England and Sport England, as its loan agents for the day-to-day monitoring and management of the loans, including relationships with borrowers. However, both Arts Council England and Sport England were new to loan management on this scale and were initially short on loan-specific expertise, such as knowledge of loan restructuring and the use of digital technology to identify problem cases.[8] The Department told us that it had subsequently appointed PwC as the managed service provider for its loan book in February 2023 as it required additional specialist help.[9]

9. The Department did not employ a specialist loan management company. It told us that it adopted a hybrid approach, with separate loan agents for culture and sport and a managed service provider, to the management of its loan book in line with a recommendation from PwC.[10] The Department also said that the insights its loan agents had on those bodies in receipt of a loan had been invaluable in helping it to understand the borrowers,[11] and that the range of professional services available from PwC includes loan management and insolvency.[12]. However, the two loan agents had initially set up separate loan management systems, which subsequently required integration.[13] The Department also acknowledged that there was a tension for both itself and its loan agents between its primary objective for the loan book of maximising the financial returns to the Exchequer, and the policy objective of maintaining the viability of the culture and sports sectors, which it had sought to address with clear protocols for decision-making.[14]

Management of PwC contract

10. The Department originally commissioned PwC in 2022 to assess the different options for the long-term management of its loan book. In line with PwC's advice, the Department decided to retain management of the loan book in-house, with day-to-day management through the loan agents, supplemented by appointing a managed service provider.[15]

7 Qq 3–7, 13, 21, 52, 83; C&AG's Report, paras 11, 2.2 and 2.10
8 C&AG's Report, paras 3, 9, 1.15 and 2.3
9 Qq 54, 55, 60; C&AG's Report, paras 10 and 1.16
10 Qq 53, 54, 57
11 Q 43
12 Q 55; Letter from DCMS Permanent Secretary, 25 February 2025
13 Q 63; C&AG's Report, para 2.7
14 Qq 3, 14–16, 20, 21, 27
15 Letter from DCMS Permanent Secretary, 25 February 2025; C&AG's Report, paras 1.16 and 3.5

The Department subsequently appointed PwC as the managed service provider in February 2023, with a contract running to March 2025, with an optional extension period of up to an additional two years. PwC's contract included, among other things, its development of a data collection and storage platform to help support management of the loan book.[16] The Department subsequently decided to increase the scope of PwC's work in October 2023, asking PwC to develop a loan management system. As well as supporting the collection and storage of borrowers' data, it intended the system to build on existing work by Sport England and be rolled out to Arts Council England, to provide a better reporting experience for borrowers, and to include data analysis functions for the loan agents, producing a risk rating and dashboard for each borrower.[17]. This increase in scope contributed to an increase in the value of PWC's contract of £900,000 (47%), from £1.9 million to £2.8 million.[18]

11. We observed that the above arrangements appeared favourable to PwC and that it was not unheard of for government to appoint consultants to implement the advice they have given and for the scope of such implementation work, and therefore its costs, to increase subsequently. The Department pointed out that it had originally appointed PwC as the managed service provider after an open procurement which PwC had won after meeting the required criteria.[19] It, not PwC, had then increased the scope of the work, as it wanted the system to have greater functionality as this was integral to its ability to manage the loan book in a professional way.[20] It also said that it was not sure that it could have procured a bespoke, off-the-shelf loan management system for this loan book.[21] The Department assured us that, while the intellectual property rights to the underlying software system were owned by Singlify, delivery of the loan management system had been set up in such a way that it could procure a different party to provide the system in future.[22]

12. The Department planned to have the original data platform in place in March 2023. However, the loan management system only went live in June 2024, 15 months later than originally planned. The Department's decision to increase the scope of PwC's work to develop the system contributed to it taking longer to deliver.[23] It launched the system in June 2024 on the basis that it had in place the key operational functionality needed. However, Arts

16 Letter from DCMS Permanent Secretary, 25 February 2025; C&AG's Report, paras 10 and 2.7
17 Qq 59, 61–63; C&AG's Report, paras 10 and 2.7
18 Q 62; C&AG's Report, paras 10 and 2.7
19 Qq 56–58, 61, 64; C&AG's Report, para 1.16;
20 Qq 53, 64, 69
21 Q 68
22 Qq 61, 72, 84; Letter from DCMS Permanent Secretary, 25 February 2025
23 Q 53; C&AG's Report, paras 10 and 2.8

Council England was concerned that the system was not providing the full functionality needed, with loan agents having to maintain their own spreadsheets that the system was meant to replace.[24] In response, the Department told us that it was sometimes the case that there was a learning and testing period when new systems are launched, and that there should not be the need now for the kind of duplication involved in maintaining separate spreadsheets.[25]

13. The Department recognised, at the time of the system going live, that it had to resolve a small number of issues to ensure the system was operating as intended, and it planned further improvements to functionality around, for example, automatic reprofiling.[26] It told us that it had entered into another contract with PwC to get this additional functionality at an extra cost of £300,000. It assured us that delivery of this functionality was underway and it was very confident that this would be in place well before September 2025 at which point all borrowers will be repaying their loans.[27]

Future options for managing the loan book

14. The Department has conducted minimal analysis of the costs of managing the loans over their lifetime, with no assessment of the factors that might increase costs or reduce income. It forecast that it would spend £17.3 million over the three years to March 2025, which we calculated would already represent 22% of its total expected income from interest on its loans.[28] Beyond that, it expects its one-off costs to fall after the introduction of its loan management system and its ongoing management costs to come down, with overall costs lower from 2025–26.[29] However, the Department had only carried out detailed forecasts of the costs of running the loan for the current Spending Review period ending in 2024–25, and had not estimated its costs beyond March 2025.[30] The Department informed us that it had now been given its spending settlement to March 2026. It therefore has an expectation of the costs of running the scheme in 2025–26, and was in the process of undertaking its business planning for this year.[31]

15. We therefore asked the Department how, if it did not have estimates of future costs beyond 2025–26, it was modelling the expected balance of costs against income in future years. It replied that it was conducting

24 Qq 62, 73; C&AG's Report, paras 10 and 2.9
25 Qq 67, 71, 72
26 Q 80; C&AG's Report, paras 10 and 2.9
27 Qq 73–75, 81–82; Letter from DCMS Permanent Secretary, 25 February 2025
28 Q30; C&AG's Report, paras 17 and 3.3
29 C&AG's Report, paras 17 and 3.4
30 Q 28; C&AG's Report, para 3.3
31 Q 29

a review of its strategic options for the future of the loan book.[32] The Department had undertaken such a review in 2021 and into 2022 when PwC had given it advice on all its options for the loan book, including the current hybrid approach to its management and its sale.[33] It told us that it intends to undertake a similar review later in 2025–26 once all borrowers have made at least one repayment and the scheme is in a steady state with a solid operating model, experience of operating the loan management system, and a track record of repayment in place.[34] The review will include more detailed costings and a review of various options.[35] The Department said that it was keen to look at as many scenarios as it could think of. Future options include: the current arrangements for managing the loan book; the loan book's sale; its consolidation with other government loans; or the appointment by the Department of specialists to manage its loans.[36] The Department informed us that it had obtained an indicative range of the sale price back when PwC had advised it on its options in 2021 and 2022.[37] We noted that an up-to-date valuation of potential receipts from the loan book's sale will form an essential benchmark for this review.[38]

32 Qq 30, 31
33 Q 35; Letter from DCMS Permanent Secretary, 25 February 2025; C&AG's Report, para 3.5
34 Qq 10, 12, 29–32
35 Qq 28, 30
36 Qq 31, 33, 35
37 Q 36
38 Q 33

2 Managing future risks

Future repayment and insolvency levels

16. By October 2024, 45% of solvent borrowers had made at least one repayment on their loans, with the remaining 55% yet to make a repayment. The 45% had paid the Department £40.9 million in total, less than the £42.1 million it had scheduled to receive by then (97%).[39] However, nine borrowers, two on the culture side and seven on the sports side, had also become insolvent, with loans totalling £46.1 million, almost 10% of the total loans awarded of £474 million. These nine insolvencies represented 7.5% of all borrowers against the Department's expectations in December 2022 of 5% of borrowers failing in the first three years, with up to 14% failing by ten years. The Department also expects that it will not recover between £25 million and £29 million in the capital value of these loans and will miss out on a further £11 million of future interest.[40]

17. The Department told us that, to some extent, the fact that some borrowers had become insolvent was outside its control.[41] However, it considered that it has a good degree of financial information about borrowers and therefore has a good sense of their financial positions. Borrowers had also, in some cases, had repayment holidays of up to four years to prepare for repayment.[42] As a result, the Department assured us that it expected that all remaining borrowers will have made their first repayment by September 2025. However, it could not give similar assurances that there would be no extensions to repayment holidays as, in some cases, giving such an extension might maximise the financial return to the Department in the long term. It noted that less than 5% of borrowers had been granted reprofiles of their repayment to date.[43]

18. The Department has not updated its assumptions on borrower failure since December 2022, for example, in light of the number of insolvencies to date.[44] We therefore asked what actions it would take for borrowers in financial difficulties. The Department told us it would need to make decisions on a

39 C&AG's Report, para 14
40 Qq 41, 42; C&AG's Report, para 21
41 Q 41
42 Qq 21, 32
43 Qq 37–39
44 Qq 92, 93; C&AG's Report, para 2.20

case-by-case basis. It said that it would not hesitate to use all the financial levers it had to get the maximum of taxpayers' money back. It would, for example, be willing to initiate insolvency procedures for those who started defaulting on their loans, except if there was a policy objective not to because of the impact of the insolvency on the wider sport or cultural area. In such cases, it would go to ministers for a decision.[45] The Department told us that it and its loan agents would carry out negotiations on individual insolvencies, supported by external advisers as required, and that the loans team within the Department and loan agents included professionals with experience of insolvency.[46]

19. As at December 2024, the Department had identified two possible incidents of fraud among its borrowers, relating to loans valued at £2.2 million.[47] It told us that it considered the level of fraud in its COVID-19 loans to be relatively low, compared to other COVID-19 schemes, but that it was in no way complacent about, and was very focused on, this fraud risk.[48]

Engagement with professional sport

20. The Department loaned £218 million in total to 83 sports bodies. Of this £124 million (57%) was loaned to the 13 clubs in the Premiership Rugby League, the top division of professional rugby union.[49] We asked the Department whether it was appropriate to give so many loans to one professional sport. The Department told us that there had been no special treatment and it had used the same requirements for all applicants when awarding the loans. Applicants had to be financially solvent before COVID-19 and be able to repay the loans, they had to have exhausted all other commercial support, and they had to be important for the sustainability of their sector.[50] We questioned whether clubs were financially solvent, given rugby's financial problems at the time and the investment by CVC Capital of £200 million in 2019 in the Premiership Rugby League to keep clubs going but the Department assured us that there was an independent board responsible for deciding on loans to the sports sector, which included external members, and that this had assessed the clubs as being financially solvent. The Board had also received information after the loans had been made to keep them abreast of the performance of its loans to the League.[51]

45 Qq 16, 20, 24–27, 39, 105, 125
46 Qq 119 – 121; Letter from DCMS Permanent Secretary, 25 February 2025
47 C&AG's Report, para 2.22
48 Qq 3, 44–46
49 C&AG's Report, paras 1 and 7 1.8
50 Qq 95–98; Letter from Director General for Policy at DCMS, 25 February 2025
51 Qq 96–101, 116; Letter from Director General for Policy at DCMS, 25 February 2025

21. We noted, however, that, by June 2023, three of these clubs had become insolvent before they had made any repayment of the loans of £41.9 million they had received (London Irish £11.8 million; Wasps £14.1 million; and Worcester Warriors £15.7 million).[52] Written evidence we received from professional services group, Leonard Curtis, highlighted that, in 2022–23, seven of the remaining ten top-tier clubs could be classed as balance sheet insolvent, meaning they were reliant on financial support from their owners, as they were loss-making businesses.[53] We therefore sought assurance from the Department that it was taking a hard line in getting the money from the rugby clubs that was still owed. It said that it would do exactly the same as with all its loans; it would do whatever it needed to do to get the maximum of taxpayers' money back, except if its policy objective outweighed its financial objective, where it would then be a decision for ministers.[54]

22. We asked the Department if it thought about the financial sustainability of sectors as a whole, and not just of individual borrowers, when considering future insolvency projections. It confirmed that it did and cited the example of rugby union. It told us that it cared deeply about the insolvencies of rugby clubs and it had used its convening power to help with the financial sustainability of professional rugby union.[55] In June 2023, it had appointed two independent advisors to work with itself, the Rugby Football Union (the national governing body for rugby union in England), the Premiership Rugby League and CVC Capital Partners, which owns a significant proportion of League assets.[56] This work had resulted in the signing in September 2024 by the Rugby Football Union, Premiership Rugby League and The Rugby Players Association of a new Men's Professional Game Partnership to create world-leading English teams and thriving professional leagues.[57]

23. We asked the Department what it was doing with regard to professional basketball and the proposals by the British Basketball Federation to franchise out the running of the professional league which some have claimed is putting at risk the Department's loans to some of the clubs. The Department replied that it was not for the government to intervene in commercial decisions, such as franchising, as these were a matter for the sport's governing body.[58] However, it would expect Sport England, as its loan agent, to be working closely with any clubs which felt they could not repay their loan.[59] It highlighted that, of the 11 professional basketball clubs

52 Qq 23, 97; C&AG's Report, paras 16 and 2.21
53 Leonard Curtis Rugby Finance Report 2024, 25 September 2024, pages 16, 34, 52 and 56
54 Q 105
55 Qq 91–93
56 Q 91; C&AG's Report, para 16 and 2.23
57 Q 93
58 Qq 106–110, 114; Letter from DCMS Permanent Secretary, 25 February 2025
59 Qq 107–111; Letter from DCMS Permanent Secretary, 25 February 2025

that had received loans, seven had repaid these in full.[60] The Department also told us that it was unclear as to what Sport England were doing with regard to the franchising issue other than that Sport England had an ongoing relationship with the Federation over funding and compliance with its Code of Sports Governance.[61] However, in response to our request for more information, it subsequently confirmed in writing that it, UK Sport and Sport England were engaging on this issue as the British Basketball Federation was in the process of receiving government funding, and that, if it were concerned about any actions by the Federation which were detrimental to either the long-term financial sustainability of basketball or the ability of clubs to afford loan repayments, these issues would form part of discussions with UK Sport and Sport England.[62]

Management of a conflict of interest

24. Since her appointment as Permanent Secretary in June 2023, the Department's Accounting Officer has had a declared conflict of interest regarding rugby union.[63] The Department told us that it has put in place arrangements to handle this conflict whereby its Director General for Policy is responsible for decisions and advice to ministers regarding the Department's involvement in rugby union and its Director General for Finance is responsible for financial matters and acts as Accounting Officer in this area. The post of Director General for Finance is currently vacant, with the role filled by the Department's Finance Director in the interim.[64]

25. The conflict of interest meant that we could not question the Permanent Secretary directly about the £124 million that the Department had loaned to top-tier rugby union clubs and its subsequent management of these loans. Instead, we had to direct our questions to the Director General for Policy.[65] Professional rugby union is the area where the Department is most heavily exposed in terms of both the amount of loans it has made, 57% of all its loans to sports bodies, and the sport's financial health.[66]

60 Q 112
61 Qq 111–114; Letter from DCMS Permanent Secretary, 25 February 2025
62 Qq 115; Letter from DCMS Permanent Secretary, 25 February 2025
63 Qq 1, 3; DCMS register of board member interests
64 Q 90; Letter from DCMS Permanent Secretary, 25 February 2025; Letter from Director General for Policy at DCMS, 25 February 2025
65 Qq 90–105
66 Q 93

Formal minutes

Thursday 20 March 2025

Members present

Sir Geoffrey Clifton-Brown, in the Chair

Mr Clive Betts

Luke Charters

Anna Dixon

Peter Fortune

Rachel Gilmour

Sarah Hall

Chris Kane

Sarah Olney

DCMS management of COVID-19 loans

Draft Report (*DCMS management of COVID-19 loans*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 25 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Twentieth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

Adjournment

Adjourned till Thursday 27 March at 9.30 a.m.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee’s website.

Monday 10 February 2025

Susannah Storey, Permanent Secretary, Department for Culture, Media and Sport; **Polly Payne**, Director General–Policy, Department for Culture, Media and Sport; **Nicola Hewer**, Director–Visitor Economy, Heritage, Loans and Art Collection, Department for Culture, Media and Sport Q1-125

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

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Number	Title	Reference
19th	Energy Bills Support	HC 511
18th	Use of AI in Government	HC 356
17th	The remediation of dangerous cladding	HC 362
16th	Whole of Government Accounts 2022-23	HC 367
15th	Prison estate capacity	HC 366
14th	Public charge points for electric vehicles	HC 512
13th	Improving educational outcomes for disadvantaged children	HC 365
12th	Crown Court backlogs	HC 348
11th	Excess votes 2023-24	HC 719
10th	HS2: Update following the Northern leg cancellation	HC 357
9th	Tax evasion in the retail sector	HC 355
8th	Carbon Capture, Usage and Storage	HC 351
7th	Asylum accommodation: Home Office acquisition of former HMP Northeye	HC 361
6th	DWP Customer Service and Accounts 2023-24	HC 354
5th	NHS financial sustainability	HC 350
4th	Tackling homelessness	HC 352
3rd	HMRC Customer Service and Accounts	HC 347
2nd	Condition and maintenance of Local Roads in England	HC 349
1st	Support for children and young people with special educational needs	HC 353