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Dame Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London SW1A 0AA
Sent by email only

30th September 2021

Dear Dame Meg Hillier MP,

Eighth Report of Session 2021-22 - Covid 19: Culture Recovery Fund

On 23 June 2021 the Public Accounts Committee published a report on "[Covid 19: Culture Recovery Fund](#)".

This letter responds to the first and fourth recommendations in the report:

- 'The Department should write to us within three months setting out its plans for overseeing the capability and skills in its arm's-length bodies given their ongoing role in monitoring the Culture Recovery Fund'; and
- 'The Department should write to us within three months setting out what it intends to do to support those that were under-represented in terms of the funding they received from the Culture Recovery Fund such as freelancers and festivals.'

Capability and Skills in DCMS's Arm's-Length Bodies

The Department for Digital, Culture, Media, and Sport (DCMS) has high confidence in its arm's-length bodies (ALBs). All four ALBs involved with the Culture Recovery Fund (CRF) have extensive grant administration and monitoring experience. In the spirit of constant improvement and recognising that the CRF represented an investment of unprecedented size made at unprecedented speed, we have been working with the ALBs on a range of areas to further optimise their skills, capability, and processes.

DCMS officials are working carefully in order to establish the most appropriate mechanism for managing the loan book over the long term, factoring in best practice from across government and from industry experts. As a novel form of government investment, it is clear that sufficient resources must be provided to whomever ultimately manages the loan book - and that the appropriate structures underpinned by relevant expertise will be needed to reduce risks of default.



Ongoing DCMS governance and sponsorship improvements

- We are already delivering improvements to the governance and oversight of our ALBs by strengthening common standards and requirements; which predates the Culture Recovery Fund. This work focuses on driving high standards of corporate governance, encouraging collaboration between our ALBs, and ensuring clear accountabilities and expectations. Our approach reflects the recommendations from the recent cross-government report by the National Audit Office (NAO), which looked at central oversight of ALBs, as well as the Cabinet Office and HM Treasury Public Bodies programme.
- As part of this work, we have initiated a full refresh of Framework Agreements for individual bodies across all sectors. We are also further strengthening and upskilling our sponsor network within DCMS, and ensuring that engagement with our ALBs is at the right level. The Annex to this letter sets out ongoing improvements specific to the CRF delivery ALBs.

ALB Counter-Fraud and Post-Event-Assurance Measures

- Each CRF delivery ALB has developed a fraud risk assessment and post event assurance programme. These have been reviewed by Counter Fraud teams in both the Cabinet Office and DCMS to ensure high standards for counter fraud. The feedback from reviews has led to improvements in documentation and in some cases increased staffing resources across the ALBs.
- There is scheduled reporting of assurance plans and exercises between ALBs, DCMS, and Cabinet Office. A monthly Delivery Confidence Assessment of the CRF is completed for the Government Grants Management Function and reviewed by the Director of Arts, Heritage and Tourism at DCMS, who is Senior Responsible Officer for the Culture Recovery Fund. An update is also provided to the DCMS Performance, Assurance and Risk Committee (PARCo) attended by the Senior Responsible Officer and DCMS Senior Leadership.
- On account of the very high number of applications received, Arts Council England (ACE) in particular has responded to significant new demand on its Counter Fraud team:
 - Since May 2021, ACE has bolstered the internal resourcing of its Counter Fraud team - expanding to a team of 1 Counter Fraud manager, 2 officers and six temporary auditors. This has enabled staff to undertake the time-intensive CRF Post-Event-Assurance work.
 - DCMS and ACE have worked together at operational and strategic levels to improve counter fraud documentation and processes. ACE is now on a Cabinet Office Fraud, Error, Debt and Grants Function pilot scheme which aims to improve data sharing between HMRC and ALBs, in this instance to access information pertaining to potential CRF / Coronavirus Job Retention Scheme dual funding.
- In the third CRF round, further external financial assessments will be undertaken on organisations applying for large value CRF grants. This is an additional layer of financial diligence to ensure the allocated funds are distributed responsibly across the cultural and heritage sectors.

Support for Particular Sub-Sectors, such as freelancers and festivals

- DCMS does not agree that it lacks an understanding of the coverage or impact of its funding, nor that the CRF has not supported the sectors identified by the Committee.
- For example, by ACE's estimates, so far at least £44 million from the CRF has supported festival activity, including Glastonbury, Hay Literary Festival, Bath International Comedy

Festival, and Liverpool Biennial of Contemporary Art. Across all competitions, ACE estimates that more than £22 million has been awarded to music festivals and supply chain organisations who support them.¹

- Furthermore, in September, DCMS announced that it had partnered with Lloyd's to launch the Live Events Reinsurance Scheme, to further support the live events sector.
- Secondly, DCMS does not agree that it has not supported freelancers and the self-employed.
- The CRF has had significant indirect benefits for freelancers. In Round 2, organisations were asked to estimate how many FTEs and freelancers were protected by the fund until the end of June. Collectively, applicants reported that almost 100,000 freelancers would be supported until the end of June 2021.
- Overall, the CRF is supporting freelancers by supporting organisations to survive, reopen, and restart performances and therefore provide meaningful opportunities to freelancers. These organisations will be supporting freelancers through activity that has been made possible through the CRF.
- Government did not make the CRF open for individuals to apply for. This policy decision was due to the existence of a pan-economy scheme open to the self-employed in every sector of the economy, the Self-Employment Income Support Scheme (SEISS). To date (up to 15/08/21) £27.1bn has been paid in SEISS grants in total. Across the five grants, 2.9 million individuals have received a grant, and 9.9 million total grants have been claimed. Details on future SEISS support were announced by the Chancellor in his Budget Statement in March, with an extension of the scheme to September 2021.

Yours sincerely,



Sarah Healey
Permanent Secretary, Department for Digital, Culture, Media and Sport

¹ These estimates are based on ACE's analysis of the ACE CRF funding data-set (for which the most recent published data is [here](#)).

Annex - Specific ALB Detail

Arts Council England

- Over the three rounds the Arts Council England (ACE) will have delivered the majority of CRF grant funding. It is also currently managing the £254m loan book until a final decision is reached by DCMS on the most effective governance mechanism for managing both this loan book, and the Sport Survival Package.
- Given the volume of awards made to both new and existing organisations at speed, ACE have upskilled themselves in particular on counter fraud, as detailed above, and will continue to work closely with DCMS and the Cabinet Office on monitoring of grants into the next financial year.
- Beyond Counter Fraud, broader efforts on assurance are happening across the CRF grants and Repayable Finance programmes - this entails designing the systems and processes (guidance, assessment, monitoring) to focus funding on those who need it, and following this up through a monitoring process.
- DCMS has robust accountability and oversight processes with all of its ALBs, such as through quarterly meetings where KPIs and delivery of Government priorities are reviewed. ACE's monitoring of and learning from their delivery of the Culture Recovery Fund, forms one such priority - which is also reflected in ACE's Delivery Plan on how they will continuously improve as an organisation over the next 3 years. Further, in 2017 DCMS published its Tailored Review of ACE² to help ACE deliver its strategy. It highlighted the need for:
 - More innovative forms of funding;
 - Alternatives to traditional grants, which would benefit small and medium sized organisations.
- As a result, DCMS have created specific priorities in the DCMS/ACE Framework Document. This document highlights more longitudinal priorities that the department expects to see delivered by its ALBs. For example, DCMS have asked Arts Council England to prioritise increasing the business mentality of cultural organisations to drive the resilience of the sector.

National Heritage Memorial Fund and National Lottery Heritage Fund

- The National Lottery Heritage Fund (NLHF) has robust procedures in place derived from many years of administering grants.
- Following a recommendation in the National Heritage Memorial Fund/ NLHF Tailored Review in 2017, the NLHF has strengthened its internal Audit and Risk Committee (ARC) to provide robust monitoring of NLHF counter fraud procedures. The NLHF Audit and Risk Committee receives a full report on all fraud risks, risk assessment and potential/actual cases at each meeting. In addition they receive a report on compliance with CO standards as well as NAO and Internal Audit Reports.
- In response to the NLHF/ DCMS Framework Document (2021), the NLHF has agreed to use the experience of Covid 19 grant funding (including post event assurance), to drive

² Tailored Review of Arts Council England. Department for Culture, Media, & Sport, April 2017:
<https://www.gov.uk/government/publications/tailored-review-of-arts-council-england>

counter fraud improvements in its organisation through internal monitoring and reporting to DCMS/ OGDs.

- As with other ALBs, NLHF submitted a quarterly Post Event Assurance (PEA) Action Plan, PEA Testing Plan, PEA Results Report, Fraud Risk Assessment and Funding Allocations and Disbursements Report to DCMS.
- Due diligence checks are performed by trained and experienced assessors on all applications as part of their assessment process. Further to this, they also use the Government's due-diligence tool to conduct pre-award checks which highlights areas of risk to inform grant-making decisions.
- Post-award checks include validating data with fraud prevention agencies, auditing and monitoring throughout the life-cycle of the grant.

Historic England

- Historic England's counter fraud and PEA functions were reviewed by the Government Internal Audit Agency (GIAA) in 2016, 2019 and as part of the Historic England Tailored Review (Nov. 2020).
- Historic England's fraud prevention policies and risk assessments have been reviewed by specialist counter fraud teams in both the Cabinet Office and DCMS, and were scored in the highest category.
- Historic England staff monitor recipients during the grant making process, with recipients of capital grants above £30,000 attending monthly monitoring meetings with Historic England staff and submitting a monthly report for review.
- Historic England staff also undertake Post Event Assurance activity while grants funded works are live, and once they have completed, reporting results to DCMS.
- Historic England has reported to DCMS about distribution of funding on a weekly or monthly basis depending on DCMS and CRF Secretariat requirements.
- Historic England will also continue to submit a quarterly Post Event Assurance (PEA) Action Plan, PEA Testing Plan, PEA Results Report, Fraud Risk Assessment and Funding Allocations and Disbursements Report to DCMS.

British Film Institute

- Over the first two rounds of the Culture Recovery Fund the BFI has awarded £27.6 million to independent cinemas, and has been allocated a further £8m to administer for Round 3.
- As a grant-awarding body that regularly administers public funds, the BFI has a robust set of practices which have been utilised in the delivery of this Fund.
- For example, the BFI has adopted for CRF applicants the complaint and escalation routes used in its grant-award processes more widely, which have successfully managed and resolved individual issues that have arisen. The BFI has alerted DCMS when such issues have been raised and provided updates as they progress.
- DCMS officials have met weekly with BFI counterparts to provide support and discuss *ad hoc* grant-making issues related to CRF to be resolved.
- In addition, the BFI are always considering how their systems and processes can be improved and are currently implementing a small number of appropriate changes following a self-assessment in late 2020 on grants maturity, on which they are regularly updating DCMS officials.