Eighth Report of Session 2021-22

Department for Digital, Culture, Media, and Sport

COVID 19: Culture Recovery Fund

Introduction from the Committee

The COVID-19 pandemic hit the arts, culture and heritage sectors hard. Museums, galleries, cinemas, music venues, nightclubs, theatres, arts centres and heritage sites closed their doors to visitors on 23 March 2020 when the UK entered the first national lockdown. Many organisations in the sector remained entirely or mostly closed for a year. Without targeted support, the Department for Digital, Culture, Media and Sport (the Department) expected large-scale financial failures arising from the pandemic during 2020–21, with many organisations likely to close permanently if support was not available by September 2020. In July 2020 the Culture Secretary announced a £1.57 billion package, the Culture Recovery Fund, to help the UK's cultural, arts and heritage institutions survive the pandemic, supporting their long-term sustainability. The fund's primary objective is to rescue cultural and heritage organisations at risk of financial failure in the financial year 2020–21 due to COVID-19. The Department is accountable for this fund.

Based on a report by the National Audit Office, the Committee took evidence on Monday 26 April 2021 from the Department for Digital, Culture, Media and Sport. The Committee published its report on 23 June 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Investigation into the Culture Recovery Fund – Session 2019-21 (HC 1241)
- PAC report: COVID 19: Culture Recovery Fund – Session 2021-22 (HC 340)

Government response to the Committee

1: PAC conclusion: The Department's biggest ever single investment in the arts and culture sector will require skilled oversight and management for years to come.

1: PAC recommendation: 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.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: mid-September 2021

1.2 The Department for Digital, Media and Sport (DCMS or the department) will write to the Committee on this matter by mid-September 2021. DCMS works with 45 public bodies to deliver its goals. A number of DCMS's ambitions relating to the department's relationship to its arm's-length bodies (ALBs) are set out in the department's recently published Outcome Delivery Plan for 2021-2022.

2: PAC conclusion: We are concerned about the Department's and Arts Council England's ability to manage the significant and ongoing loan book commitments created by the Culture Recovery Fund.

2: PAC recommendation: In its Treasury Minute response, the Department should set out how it will make sure it has the resources in place to take on the new responsibilities for managing loans, and how it has drawn on learning from across government about managing the operation and future risks of its loan book commitments, including risks of organisations defaulting.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

2.2 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.

2.3 The Committee has asked for further updates on the Culture Recovery Fund in December 2021, and the department will include further information on this at that point.

3: PAC conclusion: In implementing the fund during the pandemic, the Department's need to act quickly to provide funding to applicants while also protecting taxpayers' money meant some applicants' experiences could have been better.

3: PAC recommendation: In its Treasury Minute response, the Department should set out what more it is doing to communicate with those who were unsuccessful in securing funding and streamline its funding processes to cut out any unnecessary demands on recipients that slow down funding, consistent with protecting taxpayers' money from fraud.

3.1 The government disagrees with the Committee's recommendation.

3.2 Firstly, on the point concerning streamlined funding processes and demands on applicants, the Culture Recovery Fund (CRF), characteristic of all COVID-19 pandemic funding, was delivered at pace and at unprecedented scale to provide emergency relief to a sector in severe economic distress. However, the need to ensure that money was distributed quickly needed to be balanced with factors such as ensuring proper allocation of taxpayers' money, reducing the risk of fraud, and the need to provide a high-quality service to people who interacted with the programme.

3.3 The funding process for CRF was made as streamlined as possible in order to fulfil the core policy aims of the fund, and the conditions on the funding determined by government ministers. In DCMS's view, any further streamlining or reduction in the grant making process would have put at risk the propriety of the fund's delivery.

3.4 Secondly, on feedback, the provision of very detailed feedback to all unsuccessful applicants gives rise to an immediate opportunity cost by taking effort away from the delivery of funds to successful applicants, and can lead to delays particularly when DCMS ALBs are delivering an unprecedented scale of funding at pace.

3.5 After the delivery of CRF1, some adjustments were made to feedback, such that applicants received slightly more detail (specifically - Arts Council England increased the level of feedback provided to unsuccessful applicants). In CRF2, all unsuccessful applicants were either provided with specific reasons why their application had been rejected, with reference to the criteria they had not met, or further information was available on request. In DCMS's view, the level of feedback being provided during CRF2 was right in the context of needing to prioritise the delivery of an emergency economic response.

4: PAC conclusion: The Department lacks a comprehensive understanding of the coverage and impact of its funding on parts of the sector which found themselves without funds.

4: PAC recommendation: 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.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: mid-September 2021

4.2 DCMS will write to the Committee on this matter by mid-September 2021. However, the government does not agree that it lacks an understanding of the coverage or impact of its funding, nor does the government agree that it has not supported the sectors identified.

5: PAC conclusion: It remains to be seen whether the Department has achieved its objectives for the Culture Recovery Fund and secured longer-term value for money.

5a: PAC recommendation: The Department should set out:

- ***in its Treasury Minute response, the metrics it is using to evaluate the performance of the Culture Recovery Fund against its initial objectives; and***

5.1 The government agrees with the Committee's recommendation

Recommendation implemented

5.2 The evaluation of the CRF has been externally commissioned by DCMS to a consortium led by Ecorys UK, with Ipsos MORI and BOP Consulting, and will conclude by March 2022. The evaluation will include 'impact' and 'process' elements of the CRF. Impact evaluation will assess CRF effectiveness in achieving its objectives. Process evaluation will explore how the CRF was delivered and the extent to which the CRF was implemented as intended. The principal objectives of the evaluation will be to assess the following:

- did the intervention lead to the sustainability of organisations of cultural, creative and heritage significance, ensuring the maintenance of the cultural ecosystem?
- did the investment provide value for money?

5.3 The CRF impact evaluation will include a range of methods including surveys, case studies and econometric analysis. A process study is also being conducted to gather lessons learnt.

5.4 DCMS is currently finalising the methodology to assess the direct impacts of the fund but metrics are likely to include:

- financial sustainability (for example, reserves, assets, liabilities, operating income, operating costs, survival rates),
- trading status (visitor/audience numbers, adoption of new business models), and
- employment (number of workers employed, number of furloughed workers, number of redundancies).

To assess the wider impacts of the fund on the cultural ecosystem the department aims to obtain data on survival of local cultural organisations and spending placed with supply chains.

5.5 The evaluation will also assess the value for money of CRF. The approach will be based on a methodology compliant with the Treasury Green Book. The approach will draw on data collected across the evaluation to assess the economy, efficiency and effectiveness of the intervention. A cost-benefit analysis will be central to this assessment which the department expects will include:

- opportunity costs resulting from public sector funding,
- administrative costs,
- economic and social value of cultural assets preserved,
- net gross value added (GVA) from productivity gains, and
- public health benefits.

5b: PAC recommendation: The Department should set out:

- ***once its evaluation is complete, what it will do to apply lessons to achieve value for money from its Culture Recovery Fund spending for the whole sector including subsectors that may have been missed.***

5.6 The government agrees with the Committee’s recommendation

Target implementation date: Spring 2022

5.7 The government will prepare a policy paper for publication in parallel with the evaluation of the Culture Recovery Fund, setting out lessons learnt from the process.

6: PAC conclusion: The taxpayer’s investment in the sector, and the Department’s future role in overseeing it, present a huge opportunity for the Department to step up its support and advocacy for the sector.

6a: PAC recommendation: The Permanent Secretary should write to us by the end of 2021 setting out:

- ***what she sees as the key challenges facing the sector following the Department’s Culture Recovery Fund investment.***

6.1 The government agrees with the Committee’s recommendation.

Target implementation date: December 2021

6.2 The DCMS Permanent Secretary will write to the Committee in December 2021 to outline what she sees as the key challenges facing the sector following the department’s Culture Recovery Fund investment.

6b: PAC recommendation: The Permanent Secretary should write to us by the end of 2021 setting out:

- ***what opportunities the fund has offered for the Department to be a better advocate for the vibrancy of the creative arts and culture sector in all parts of the country; and***

6.3 The government agrees with the Committee’s recommendation.

Target implementation date: December 2021

6.4 The DCMS Permanent Secretary will write to the Committee in December 2021 to outline the department's approach to advocating for the vibrancy of the creative arts and culture sector in all parts of the country and the way that DCMS has leveraged the fund to support this approach. However, the government considers that DCMS is already a good advocate for the vibrancy of the creative arts and culture sector in all parts of the country. The Here for Culture campaign, and the Rediscover Summer campaign represent strong examples of this role.

6c: PAC recommendation: The Permanent Secretary should write to us by the end of 2021 setting out:

- ***how the Department will realise future cultural and economic impacts, including for export, from its investment.***

6.5 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

6.6 The DCMS Permanent Secretary will write to the Committee in December 2021 to outline how the department will realise future cultural and economic impacts, including for export, from its investment.