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

17 December 2021

Dear Dame Meg Hillier MP,

Eight 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 First and Sixth Recommendations in the report:

- **[Recommendation One:]** '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'.
- **[Recommendation Six:]** 'What she sees as the key challenges facing the sector following the Department's Culture Recovery Fund investment'; '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, 'How the Department will realise future cultural and economic impacts, including for export, from its investment'.

Recommendation one

Following confirmation of budgets at the SR, DCMS officials are now working closely with HM Treasury to establish the most appropriate mechanism for managing the loan book over the long term, factoring in best practice from across government and industry experts.

It is clear that the appropriate structures underpinned by relevant expertise will be needed to minimise the likelihood of losses to the public purse.

We envisage regular monitoring will be undertaken by Arts Council England and Sport England. Both organisations have recruited teams with relevant commercial skills to complement their sectoral expertise. They will be overseen by a dedicated team within the department and ultimate decision-making responsibility for loan book matters will sit with a specialist sub-committee of the department's Performance, Audit and Risk Committee. Recruitment for the dedicated team has started already, with the expectation that numbers will grow through the remainder of this year and into next year.

Officials are also assessing the necessary blend of sector-specific knowledge and technical accounting and finance skills and experience for the specialist sub-committee. It's likely this will comprise both public and private sector expertise.

Recommendation six

The Culture Recovery Fund has successfully supported organisations across the culture, heritage and creative sectors. In England, around 5000 organisations and sites have received £1.3 billion in awards to date, providing a lifeline to organisations up and down the country.

The CRF is first and foremost an emergency fund set up to prevent the loss of England's irreplaceable cultural assets. It has been designed to provide time limited funding to help support the sector to return to future sustainability. However, it is likely that the longer term impacts of the pandemic will present challenges for the sector in the 1-2 year period following the CRF.

<u>Key challenges facing the sector</u>

In line with other customer facing sectors, such as wider retail and hospitality, DCMS expects the key challenges facing the culture, heritage and creative sectors in the 1-2 years post-CRF to be:

- Uncertain future demand - CRF sectors rely heavily on physical attendance to generate income and are therefore vulnerable to fluctuations in consumer confidence and suppressed demand.
- Changes to its workforce & workforce retention - Unstable demand has had knock on effects for the retention and labour supply, with CRF sectors facing challenges with workforce retention.

DCMS are already working to ensure the appropriate resources and support are available to the sector in this period, with disadvantaged groups as a priority.

Uncertain future demand

- DCMS's recent Spending Review settlement will build on the unprecedented government support during the pandemic, and our long-term investment in these areas, through:
    - The £800 million Live Events Reinsurance Scheme and an extension to the £500 million Film & TV Production Restart Scheme, to enable UK events and productions to thrive and plan with certainty; and,
    - Investing over £850 million over the SR21 period for cultural and heritage infrastructure to safeguard national treasures and boost culture in local communities and on high streets.
    - In addition to temporarily increasing the headline rates of tax relief for theatres, museums and galleries, and orchestras across the UK from 27

October 2021 to 31 March 2024, increasing the relief organisations can claim as they invest in new productions and exhibitions.

- The Museums and Galleries sector will continue to benefit from the VAT Refund scheme (Section 33A), which allows eligible museums and galleries providing free admission to reclaim VAT.

- DCMS, alongside ALBs and key stakeholders in the sector, have also been working to help boost consumer confidence and engagement and drive demand through:
    - Escape the everyday, led by the British Tourist Authority (VisitBritain / VisitEngland, DCMS' Arms-Length Body and the delivery partner for the GREAT campaign), a UK-wide domestic marketing campaign to inspire people to travel and enjoy the country's amazing visitor offer (including its cultural and heritage assets), with a focus on city-centre destinations to drive demand to places that are still seeing low footfall, like Newcastle and Manchester.
    - Days Out vouchers administered by VisitBritain in partnership with the National Lottery, a £10 million initiative which allows National Lottery players to redeem a £25 voucher to use for bookings (between 1 October 2021 and 31 March 2022) at hundreds of top attractions and venues.
    - Unboxed 2022: Creativity in the UK, a celebration of creativity, taking place in-person and online from March to October 2022.
    - Coventry is the UK City of Culture 2021: since May, 400,000 people have engaged with Coventry's programming. A record 20 places across the UK entered the competition for the 2025 City of Culture this year, highlighting the power of culture in transforming places.
    - Commonwealth Games Cultural Programme 2022, a six-month cultural programme starting in March 2022 that will shine a spotlight on Birmingham's cultural sector. The Festival is designed to reflect the people of the region, exploring heritage, diversity, and youth both in person and online.
    - BFI's Audience Fund, awards money from the National Lottery to support audience-focused film and cinema activities. Types of funding include::
        - Project awards that support culturally ambitious proposals that increase audience diversity; and,
        - Organisational awards to support experienced organisations offering activities to find new audiences to engage with film.

- Through HM Treasury's £4.8 billion Levelling Up Fund, and the £150million Community Ownership Fund, Local Authorities across the UK have been able to access funding that supports capital infrastructure developments including in the cultural, heritage and visitor economy sectors, that improve everyday life, strengthen the local economy, and build civic identity.
- DCMS are working closely with counterparts at the Department for Levelling Up, Housing and Communities to ensure successful delivery of subsequent rounds of both the Levelling Up Fund and the Community Ownership Fund.

Workforce

- Support for young people is already available through the Government's Kickstart scheme, which provides funding to employers to create new jobs for 16 to 24 year olds on Universal Credit who are at risk of long term unemployment. As of 2 November 2021 there were 17,550 jobs made available in Media and Creative sectors with 9,750 job starts, amongst the wider economy's highest take up rates.
- In September 2021, the DCMS-funded ScreenSkills Apprenticeship Pilot with industry partners Netflix and Warner Media launched with 20 apprentices from diverse backgrounds working across multiple productions as production and accountant assistants. This pilot aims to stress-test more flexible ways of using apprentices which, alongside legislative changes to Apprenticeship Levy policy, will enable industry to broaden educational and training pathways into the sector.
- In May 2021, the Department for Education led on a cross-Government package of support for 2021's graduates with a special edition of the Office for Students' Graduate Employment and Skills Guide which included many opportunities in the creative sector.

Advocacy

DCMS recognises the valuable opportunity the fund has provided in enabling the department to work more closely with the sector, which is why we launched the Here for Culture campaign in June 2020 to bring together and amplify support for arts and cultural venues, cinemas and heritage sites across the country. The campaign has also showcased safe ways to enjoy culture during the pandemic, highlighting the sector's ongoing innovation and sustainability.

To date, this campaign has achieved significant reach, with the #HereforCulture hashtag generating over 50 million social media impressions and trending UK-wide. Coverage achieved has also amounted to over 5000 news stories in publications the length and breadth of the country.

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DCMS will continue to advocate for the sector by continuing to encourage cultural participation and supporting the sector-led drive to boost audience confidence.

Cultural and economic impacts

The cultural and economic impacts of the programme will be assessed as part of the evaluation of the CRF commissioned by DCMS. The report is expected in March 2022 and the provider is Ecorys. However, through capital investment, tax relief measures and positive communication (as listed above), DCMS are already working to realise the benefits of the programme, by helping to:

- ensure the diversity of England's cultural offer and stimulate further innovation;
- support jobs and supply chains;
- support educational objectives, attainment and the creative skills pipeline;
- promote well-being, including supporting communities and individuals to deal with the social impacts of the pandemic;
- help build communities and support high-streets; and,
- support the development of local-level economics of scale.

DCMS are also building on these benefits by supporting the sector to expand its international reach through exporting and touring. Support for the sector is already available through:

- The DCMS-led Touring Working Group's work to support the creative and cultural sectors to adapt to new EU touring arrangements. Through this forum we have supported the sector through:
  - Bilateral discussions with EU Member States, to confirm that 21 now Member States offer some visa and work permit-free routes for UK musicians and performers;
  - Specific 'landing pages' on gov.uk to help the sector navigate the guidance online;
  - Ongoing work with the Department for International Trade -and the sector, to ensure the Export Support Service meets the sector's needs.
- ACE's National Lottery Project Grants programme, which has been refreshed to support a wider range of international activity, including touring, showcasing, talent and market development opportunities and collections research and collaboration by museums.
- ACE's Developing Your Creative Practice grant programme, for creative and cultural practitioners seeking to undertake international research and development.

DCMS will continue to work with ACE, the British Council, the sector, and industry on initiatives to support the arts sector to work internationally, as well as continuing to scope additional policy interventions to encourage international exchange and collaboration.

The Culture Recovery Fund was an unprecedented funding package that has already helped ensure culturally and globally significant organisations did not fail as a result of the pandemic. It has protected theatres, museums, galleries, independent cinemas and organisations around the country for future generations and safeguarded hundreds of thousands of creative jobs in the supply chain.

We will continue to build on the success of the programme, to maximise the benefits of the government's investment in the sector and support the sector to place creativity and culture at the heart of social, education and economic recovery and growth across the country.

Yours sincerely,

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