



National Audit Office



Investigation into the Culture Recovery Fund

Department for Digital, Culture, Media & Sport


REPORT

**by the Comptroller
and Auditor General**

SESSION 2019–2021

12 MARCH 2021

HC 1241



We are the UK's independent public spending watchdog.

We support Parliament in holding government to account and we help improve public services through our high-quality audits.

The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent.

In 2019, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.1 billion.



National Audit Office

Investigation into the Culture Recovery Fund

Department for Digital, Culture, Media & Sport

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 10 March 2021

This report has been prepared under Section 6 of the
National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

5 March 2021

Investigations

We conduct investigations to establish the underlying facts in circumstances where concerns have been raised with us, or in response to intelligence that we have gathered through our wider work.

The Culture Recovery Fund is the Department for Digital, Culture, Media & Sport's response to the impact of the COVID-19 pandemic on the arts, heritage and culture sectors. This report provides a summary of the Department's progress with implementing its Culture Recovery Fund. It does not assess the value for money of the measures adopted by the Department or the effectiveness of its response.

The material featured in this document is subject to National Audit Office (NAO) copyright. The material may be copied or reproduced for non-commercial purposes only, namely reproduction for research, private study or for limited internal circulation within an organisation for the purpose of review.

Copying for non-commercial purposes is subject to the material being accompanied by a sufficient acknowledgement, reproduced accurately, and not being used in a misleading context. To reproduce NAO copyright material for any other use, you must contact copyright@nao.org.uk. Please tell us who you are, the organisation you represent (if any) and how and why you wish to use our material. Please include your full contact details: name, address, telephone number and email.

Please note that the material featured in this document may not be reproduced for commercial gain without the NAO's express and direct permission and that the NAO reserves its right to pursue copyright infringement proceedings against individuals or companies who reproduce material for commercial gain without our permission.

Links to external websites were valid at the time of publication of this report. The National Audit Office is not responsible for the future validity of the links.



Contents

What this investigation is about	4
Summary	6
Part One Government's support for the sector	11
Part Two The process for awarding the Culture Recovery Fund	15
Part Three Progress in distributing the funding	20
Part Four Oversight and governance	27
Appendix One Our investigative approach	30
Appendix Two Development and distribution of the Culture Recovery Fund	32

This report can be found on the National Audit Office website at www.nao.org.uk


If you need a version of this report in an alternative format for accessibility reasons, or any of the figures in a different format, contact the NAO at enquiries@nao.org.uk


The National Audit Office study team consisted of:


Kemi Duroshola, Chris Groom, Joanna Lewis, Ollie Martin, Dani Miller and Sarah Perryman, under the direction of Louise Bladen.

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

 020 7798 7400

 www.nao.org.uk

 @NAOorguk

What this investigation is about

- 1** The COVID-19 pandemic has hit the arts, culture and heritage sector hard. The sector is diverse and large. It includes museums, galleries, cinemas, music venues, nightclubs, theatres, arts centres, archives and heritage sites. Many of these organisations closed their doors to visitors from mid-March 2020 and were required to close by law on 23 March 2020 when the UK entered the first national lockdown. Some were able to reopen partially in the summer and autumn. Many organisations in the sector have remained entirely or mostly closed for nearly a year.
- 2** These organisations are important to communities and economies of towns and regions, supporting other businesses, such as food, drinks, retail and transport. The Department for Digital, Culture, Media & Sport (the Department) estimates that the arts and culture industry directly contributed around £34.6 billion to the UK economy in 2019 and supported around 670,000 jobs. It includes many charitable, non-profit organisations, small businesses and the self-employed.
- 3** The sector's funding comes from a range of sources, including around £1 billion annually from government grants, donations, sponsorship and commercial income such as ticket sales. Local authorities spend around £770 million a year on culture and heritage. The Department funds some large museums and galleries directly but distributes most of its grants through its arm's-length bodies, such as Arts Council England.
- 4** The performing arts and other venues have seen commercial income significantly decline since March 2020. Without targeted support, the Department expected the pandemic to cause large-scale financial failure across the sector as organisations ran out of money around the end of September 2020. In June 2020 the Department estimated that the cultural sectors had seen commercial income fall by 95%. Many of the sector's charitable, non-profit or small organisations run on low reserves and the loss of income, combined with refunding for cancelled future events, created significant cashflow challenges.

5 The UK government's initial response to the pandemic to May 2020 focused on frontline services and financial support to businesses and individuals.¹ Despite there being some support available for businesses in general, the Department's arm's-length bodies recognised that the arts, culture and heritage sector was struggling and made several sector-specific emergency funding packages available immediately following lockdown. In June 2020, an Office for National Statistics survey found that 78% of the workforce of arts, entertainment and recreation businesses that had not permanently stopped trading, had been furloughed under the terms of the UK government's Coronavirus Job Retention Scheme. Employer contributions to furlough, which government introduced from August 2020, left many organisations facing significant staffing costs with limited income to cover them. Smaller organisations often did not qualify for government support, such as from the Coronavirus Business Interruption Loan Scheme.

6 In July 2020, the Culture Secretary announced a £1.57 billion package, the Culture Recovery Fund (CRF) to help the UK's cultural, arts and heritage institutions survive the pandemic and the Department is accountable for this fund. This investigation covers the period up to 19 February 2021, presenting a snapshot based on the fund data at that point. As the CRF continues to operate, our report does not represent the final position on the fund and how it has been awarded and paid out. The Department plans to evaluate the CRF later in 2021. The report presents a factual summary of:

- government's support for the sector;
- the process for awarding the CRF;
- progress in distributing the funding; and
- oversight and governance of funding.

7 We cover the CRF in England only and not the funds given to the devolved administrations. We have not assessed the impact of the funding on the applicants or those who use their services as it is too early to do so. Nor does this report assess the future financial prospects of individual organisations in receipt of support. Appendix One provides details of our audit approach and our evidence base.

¹ Comptroller and Auditor General, *Overview of the UK government's response to the COVID-19 pandemic*, Session 2019-2021, HC 366, National Audit Office, 21 May 2020.

Summary

8 The COVID-19 pandemic meant that museums, galleries, cinemas, music venues, nightclubs, theatres, arts centres, archives and heritage sites were required by law to close their doors to visitors on 23 March 2020 when the UK entered the first national lockdown. Many organisations in the sector have remained entirely or mostly closed for nearly a year. Without targeted support, the Department for Digital, Culture, Media & Sport (the Department) expected large-scale financial failures arising from the pandemic during 2020-21. The Department considered the end of September 2020 represented a cliff-edge for the sector, with many organisations likely to close permanently if support was not available by then.

9 In July 2020, the Department announced its £1.57 billion Culture Recovery Fund (CRF) 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. Revenue grant funding could be used by organisations, for example, to prepare business plans to cover future viability, for costs towards enabling re-opening or towards 'mothballing' operations (keeping venues in good condition so that they can open again quickly). It could not be used to cover costs that could be met from other government support schemes (such as the Coronavirus Job Retention Scheme). A condition of the awards made was that all revenue (and some capital) funding had to be awarded by 31 March 2021.

Key findings

10 The Department's funding package comprised different types of financial support aimed at discrete parts of the sector. The Department's July 2020 announcement covered five main funding areas targeted at different groups of organisations (**Figure 1**):

- £880 million (56%) in revenue grants (including £258 million for contingency), described by the Department as "recovery grants", for organisations across the arts, culture and heritage sector in England;
- £270 million (17%) in loans (repayable finance) to culture and heritage organisations in England;
- £120 million (8%) in capital grants for construction of cultural infrastructure in England;

- £100 million (6%) extra grant-in-aid for English cultural heritage organisations and English Heritage; and
- £188 million (12%) in grants for devolved administrations to be used as they saw fit.
- It also allowed for extra costs of £15 million to administer the fund (paragraphs 1.7, 2.5 and 2.15, Figure 2).

Figure 1

The Culture Recovery Fund's (CRF's) main funding streams, 2020-21

The Department for Digital, Culture, Media & Sport's funding package comprised different types of financial support

Funding stream	Type of funding	Amount (£m)
Grants the Department targeted at organisations across a range of arts, culture and heritage sectors in England	Revenue grants ¹	622
Loans to culture and heritage organisations in England	Loans (repayable finance)	270
Capital funding for construction of cultural infrastructure in England ²	Capital grants	120
Additional cashflow support to arm's-length bodies	Grant-in-aid	100
Total available for England in phase one		1,112
Funding for Scotland, Northern Ireland and Wales ³	Grant, to be used as the devolved administrations see fit	188
Contingency	Revenue grants ¹	258
Administration cost allowance		15
Total across all CRF main funding streams		1,573

Notes

- 1 Revenue grant funding totals £880 million: £622 million in phase one, and £258 million contingency.
- 2 Of the £120 million, £30 million came from reprioritisation of the Department for Digital, Culture, Media & Sport's 2020-21 Cultural Investment Fund capital allocation.
- 3 Scotland received £97 million, Wales received £59 million and Northern Ireland received £33 million. Figures do not sum due to rounding.

Source: National Audit Office analysis of the Department for Digital, Culture, Media & Sport's documentation

On determining the size of the CRF and awareness of risk

11 The Department aimed to support the survival of 75% of the organisations in the sector at risk during 2020-21. The Department wanted to prevent permanent loss of cultural assets and organisations and, by extension, their workforces. It analysed information it had about the sector to determine the level of support it needed to provide and agreed £1.57 billion of funding with HM Treasury. It secured funding within the range it had requested (paragraphs 1.3, 1.6 and 1.7).

12 The Department's scenario planning for determining the overall funding extended up to March 2021. To determine the overall package the Department considered various scenarios about activity in the sector and the pandemic's impact. Its worst-case scenario assumed that social distancing measures would remain until the end of March 2021 and that demand would remain at 40% of pre-COVID-19 levels. As of the end of February 2021, the current situation exceeds this worst-case scenario. The scenarios also took account of the government's Coronavirus Job Retention Scheme (widely referred to as the furlough scheme) and the Self-Employment Income Support Scheme. The Department has had to adjust elements of its response over time to take account of the pandemic's progression and the impact it has had on the sector, for example, in terms of operating with COVID-19 safety measures and further lockdowns and extended use of employment schemes (paragraphs 1.2 and 1.4).

On transparency of responsibilities and how decisions are made

13 While not involved in specific award decisions, ministers, the Department and HM Treasury determined the overall criteria for awarding funding. The overall criteria for awarding funding included: that organisations were financially viable before COVID-19; had exhausted all other funding options; were 'culturally significant' internationally or nationally or were essential to the cultural fabric of a place or supported the government's wider 'levelling-up' agenda (paragraph 1.8).

14 The Department gave responsibility for awarding the funding to four arm's-length bodies (ALBs). The Department determined the overall amounts of funding for each of its four funding streams for England. It then decided that four of its ALBs: Arts Council England (ACE), Historic England (HE), the National Lottery Heritage Fund (NLHF) and the British Film Institute (BFI), would be responsible for the award, distribution and administration of £1 billion of funding in the CRF's first phase. The Department delegated decision-making responsibilities for loans to the Culture Recovery Board (CRB) (see paragraph 19). ACE then acted as the loans delivery agent, reporting to the CRB and to the Department (paragraphs 1.9, 2.2, 2.3, 2.15 and 4.2).

15 The four ALBs ran their own, mostly separate, competitions to award funding using their established governance and assurance processes. They ran the processes to differing timescales. For example, the BFI invited applications for funding from independent cinemas over 12 weeks, compared with two weeks for other funds, to allow cinemas to modify their applications throughout the process to adapt to changing conditions (paragraphs 2.2 and 2.9).

On progress awarding and distributing the CRF

16 Overall, of the £1 billion of funding available, the ALBs awarded a total of £830 million to the sector with £495 million paid out to recipients.² Applications for both revenue and capital grants were oversubscribed in the first funding phase (which invited applications up to the end of November 2020). Loans funding was undersubscribed. The speed at which different funds have paid out to recipients varies (paragraph 3.2 and Figures 6 and 7). By 19 February 2021:

- the Department's ALBs had awarded £660 million in revenue and capital grants, to 3,525 organisations, with £462 million paid out (70% of the grant funding awarded). By 15 January, nearly all awards (98%) made by the ALBs were under £1 million. The first awards were made in August 2020, and funding is still being distributed (paragraphs 3.2, 3.10, Figure 3 and Figure 7). Among the ALBs:
 - the BFI awarded grants totalling £21.1 million to independent cinemas, against a budget of £30 million. It had paid out £10 million; and
 - ACE moved quickly and provided grants totalling £3.4 million to 135 music venues through its Emergency Grassroots Music Venues Fund. It began to pay out by 24 August 2020, within one month of receiving applications (paragraphs 2.9, 3.6 and Figure 7 in Appendix Two).
- following the decisions of the CRB, ACE had offered loans totalling £170 million to 12 applicants. The largest loan awarded, £40 million, was to Historic Royal Palaces. Almost £33 million has been paid out (paragraphs 3.2, 3.13 and Figure 7).

17 The four ALBs awarded funding to a diverse range of organisations across England. By December 2020, of the £510 million total revenue grants awarded by then, the ALBs had awarded around 85% to the arts and 15% to heritage organisations. Overall, 59% of the £510 million was awarded by ACE to theatre, music and combined arts organisations. By location, London received 31%, followed by the North West and South East which each received 12% of the total. The North East, which received 4% of the funding overall received the highest average revenue grant (more than £217,000). The North West was awarded 28% of the capital grant funding (£29.7 million) (paragraphs 3.4, 3.10 and Figure 4).

2 Excluding the £100 million grant-in-aid for the Department's ALBs (Figure 1).

18 The Department has not yet paid out any funding from its second phase of funding, totalling £400 million. It added funding not awarded in the first phase to the £258 million revenue grant funding that it had held back as contingency. On 11 December 2020 it announced phase two funding of £300 million in revenue grants and £100 million in loans to support organisations' transition back to usual operations from April 2021. It intends to distribute this second phase funding based on the lessons learned from the first phase with decisions scheduled to be made in March 2021. By 19 February 2021 the ALBs had received more applications for revenue grant funding than in the first phase, with £646 million in total requested against the £300 million available. In addition, ACE had received applications for loans of £145 million against the £100 million available. A further £300 million has since been made available to the CRF by HM Treasury as part of the 3 March 2021 Budget (paragraphs 3.16 and 3.17).

On oversight and governance

19 The Department created the Culture Recovery Board in July 2020 to increase assurance over the fund. It established the board to bring in external expertise to support decision-making. Given the pressing timescales, its chair and members were appointed on invitation by ministers and approved by HM Treasury. While the ALBs had overall responsibility for the award, distribution and administration of funding, the board was required to approve loans, advise the ALBs on the allocation of grants between £1 million and £3 million, and provide assurance on revenue grants under £1 million (paragraphs 2.2, 4.1 and 4.2).

20 In common with other emergency COVID-19 funding, implementing the CRF has presented risks of fraud, error, duplication and overpayment.³ The Department acknowledged an increased risk of fraud and error under the CRF. This was due to the speed at which the ALBs were designing programmes, assessing and awarding large volumes of grants, combined with awarding public funding to organisations that had not previously received it. To try and minimise these risks the Department used both Cabinet Office standards and guidance and worked within its existing framework for grant-giving to undertake due diligence on applications together with some post-award checks. The Cabinet Office's Government Counter Fraud Function reported in January 2021 that three reports of fraud were made through the COVID Fraud Hotline relating to two grants administered by ACE. The grants, totalling £473,000, were withheld by ACE. ACE told us that in no cases where a grant had been paid out had fraud been identified (paragraphs 4.3 to 4.5 and 4.8).

³ Comptroller and Auditor General, *Investigation into the Bounce Back Loan Scheme*, Session 2019–2021, HC 860, National Audit Office, October 2020.

Part One

Government's support for the sector

1.1 The Department for Digital, Culture, Media & Sport's (the Department's) core objective for the Culture Recovery Fund (CRF) is to support the long-term sustainability of the cultural, creative and heritage sectors, by rescuing cultural and heritage organisations at risk of financial failure in the financial year 2020-21 due to COVID-19. When the Department launched the CRF, it assumed that the sector was working towards reopening, albeit with lower demand because of ongoing social distancing requirements, reduced consumer confidence and lower levels of tourism.

1.2 In May 2020, 31% of businesses in the arts, entertainment and recreation sector indicated that they would run out of money by the end of September 2020. In June 2020, an Office for National Statistics survey found that of all UK sectors the arts, entertainment and recreation sector reported by far the largest percentage of businesses (65%) that had stopped trading and were not intending to restart in the next two weeks. The Department considered the end of September 2020 represented a cliff-edge for the sector, with many organisations likely to close permanently if support was not available by then. The progression of the pandemic has continued to have an impact on the sector. The sector, and the Department's support for it, has had to adjust to a changing public health environment throughout the pandemic, for example, with new restrictions preventing any significant reopening of venues and with extended use of employment schemes for individuals working in the sector.

The Department's assessment of the funding needed

1.3 The Department aimed to support 75% of the organisations in the sector at risk during 2020-21 so that enough would survive to prevent permanent loss of cultural assets and organisations, and by extension, their workforces. The Department analysed information it had about the sector to assess the support needed. The arm's-length bodies (ALBs) needed detailed information about the sectors they were responsible for, so rapidly carried out surveys of their sectors to inform their decision-making.

1.4 The Department assessed the funding it considered necessary to support the sector by considering various scenarios about activity in the sector and the pandemic's impact. Its best-case scenario assumed a phased reduction of social distancing up to 1 October 2020 and a sustained return of sector demand to pre-COVID-19 levels by the end of March 2021. Its worst-case scenario assumed that social distancing measures would remain until the end of March 2021 and that demand would remain at 40% of pre-COVID-19 levels. As of the end of February 2021, the current situation exceeds this worst-case scenario.⁴ The scenarios also took account of the government's Coronavirus Job Retention Scheme (furlough) and the Self-Employment Income Support Scheme. It also knew that smaller organisations often did not qualify for the Coronavirus Business Interruption Loan Scheme.

1.5 The Department's analysis estimated the total financing gap in the sector (the difference between funds available and the funds the sector needed to operate) to be between £1.9 billion and £3 billion depending on assumptions it made about the best- and worst-case impacts of the pandemic. In June 2020, the Department proposed a mixed package of grant funding, loans and capital grants. This package recognised that:

- grants needed to be available quickly to support the rescue of organisations most at risk of failure;
- the majority of organisations in the sector were not profitable enough to pay back loans but loans could be suitable for those with the ability to repay including larger, profit-making organisations; and
- to support the self-employed and small creative businesses within the sector, capital grants could be used to fund projects but these were expected to take more time to implement.

1.6 The Department requested funding from HM Treasury in the range of £1.45 billion to £1.67 billion. It expected to make 41%–45% of the funding available to the sector as loans. It secured funding within the range it had requested.

1.7 The Department announced the CRF on 5 July 2020, after receiving HM Treasury approval for funding of £1.57 billion. Following its June 2020 proposals, the Department split this into five main areas (Figure 1). It used a combination of revenue grants (£880 million, 56%), capital grants for projects in progress (£120 million, 8%) and loans (£270 million, 17%) targeted at different groups of organisations across the sector. The devolved administrations received £188 million funding (12%). The package included £100 million (6%) to help offset a net cash deficit across ALBs it normally funds, including national museums and galleries.

4 The Prime Minister announced on 22 February 2021 that the sector would begin reopening no earlier than 17 May 2021.

The Department's role in determining the funding awarded

1.8 Ministers, the Department and HM Treasury were not involved in specific funding decisions but determined the overall criteria for awarding funding. The main criteria set were whether organisations were financially viable before COVID-19, had a clear plan for future viability, had exhausted all other funding options and were:

- 'culturally significant' – for example, organisations recognised as internationally or nationally excellent within their sector or art form, or that care for cultural assets that are nationally important or irreplaceable; or
- essential to the cultural fabric of a place, such as a town's single theatre or art gallery, or a significant employer regionally, or if funding would support the government's wider 'levelling-up' agenda.

1.9 In line with its usual delivery model for making decisions about culture funding, the Department delegated decision-making about individual awards and administration of the funding to its ALBs so as to protect both ALBs and government from criticism that decisions were politicised. The Department thought working through the ALBs would also help to speed up the award and distribution of funding as the Department did not have capacity to do the work, and would make use of the ALBs' sector-specific expertise and grant-giving experience. HM Treasury required the ALBs to develop methods for assessing both the financial resilience and sustainability, and the cultural significance, of applicants before they could be considered for a grant or loan.

1.10 The Department made the largest pot of funding available via revenue grants (which it describes as "recovery grants"). It determined that most organisations in the sector made insufficient profit to take on and repay loans. It expected larger, more commercially-focused organisations able to make repayments to take out loans. Awards of more than £3 million could only be paid to recipients as loans. Other sources of funding were available to parts of the sector.

1.11 The CRF could not be used to cover costs that could be met from other government support schemes (such as the Coronavirus Job Retention Scheme (CJRS)). In June 2020, an Office for National Statistics survey found that 78% of the workforce of arts, entertainment and recreation businesses that had not permanently stopped trading, had been furloughed under the terms of the CJRS.⁵

5 Office for National Statistics, Coronavirus and the economic impacts on the UK, 18 June 2020.

1.12 In our report *Implementing employment support schemes in response to the COVID-19 pandemic*, we found that a combination of policy decisions and constraints in the tax system meant that as many as 2.9 million people were not eligible for the government's financial support schemes (CJRS and the Self-Employment Income Support Scheme (SEISS)).⁶ The creative industries are heavily reliant on freelancers or individuals with mixed PAYE/freelance arrangements and the sector has indicated that many of these individuals have had limited recourse to support. Many of the sector's charitable, non-profit or small organisations run on low reserves and the loss of income, combined with refunding for cancelled future events, created significant cashflow challenges.

⁶ Comptroller and Auditor General, *Implementing employment support schemes in response to the COVID-19 pandemic*, Session 2019–2021, HC 862, National Audit Office, October 2020.

Part Two

The process for awarding the Culture Recovery Fund

2.1 This part examines the award of grants and loans through the Culture Recovery Fund (CRF) by the arm's-length bodies (ALBs) of the Department for Digital, Culture, Media & Sport (the Department). It examines:

- revenue grants;
- capital grants;
- loans; and
- administration costs.

2.2 The Department decided that four of its ALBs would be responsible for the award, distribution and administration of £1 billion in grants and loans from the CRF. Arts Council England (ACE), Historic England (HE), the National Lottery Heritage Fund (NLHF) and the British Film Institute (BFI) ran their own separate (or joint) competitions to award funding using their established governance and assurance processes. The ALBs were required to agree a common approach to communications and press activity for the CRF. The ALBs had flexibility over the length of time for accepting applications and how they ran the process within the overall set criteria and funding.

2.3 The Department created the Culture Recovery Board (CRB) in July 2020 to support its decision-making. Its role in approving and advising on funding decisions is discussed in Part Four where we look at the oversight and governance of the CRF.

2.4 Recipients had to agree to funding conditions such as pay restraint, commitments to increasing the diversity of their audiences, educational outreach, and a commitment to net zero. Conditions could apply differently across the sector – for example, the Department recognised that grassroots music venues and independent cinemas were less accustomed to public funding and measuring social outcomes. A condition of the awards made was that all revenue (and some capital) funding had to be awarded by 31 March 2021. The Department required ALBs to include a provision that enabled them to recover any grants not used appropriately. Applicants could apply for either a revenue grant or a loan, but not both.

Revenue grants

2.5 The Department made £622 million in revenue grants (described by the Department as “recovery grants”) available through three competitive funding pots administered by its ALBs, each targeted at a different part of the sector. It held back £258 million contingency (**Figure 2**).

Figure 2

Initial allocation of the 2020-21 Culture Recovery Fund’s (CRF’s) revenue grant funding

The Department for Digital, Culture, Media & Sport made £622 million available through three competitive funding pots each targeted at different parts of the sector

Arm’s-length body	Funding pot	Sub-sectors targeted	Amount (£m)
Arts Council England (ACE)	Culture Recovery Fund (Grants)	National Portfolio Organisations (NPOs ¹) – organisations that receive substantial funding from ACE	118
		Non-National Portfolio Organisations	209
		ACE-accredited museums and museums working towards accreditation ²	137
		Music venues – independent grassroots music venues, including indoor arenas and concert halls	36
ACE total			500
Historic England and the National Lottery Heritage Fund	Heritage Restart and Rescue Grants (CRF for Heritage)	Heritage sites, venues or attractions in England, and organisations managing culturally significant assets or collections (including non-accredited museums)	92 ³
British Film Institute	Independent Cinema Grants	Independent cinemas that provide a year-round programme	30
Total available in phase 1 for England			622
Contingency			258
Revenue grants total			880

Notes

- 1 The arts organisations, museums and libraries, ranging in size and location, in which ACE invests.
- 2 Museum accreditation is the benchmark for a well-run museum. Accreditation is made by ACE. There are about 1,700 accredited museums in England. Accredited museums and those working towards accreditation had to apply for CRF through ACE. All other museums could apply to the CRF for Heritage.
- 3 £2 million of this was for the Architectural Heritage Fund and up to £2 million was for digital support and business support programmes.

Source: National Audit Office analysis of the Department for Digital, Culture, Media & Sport’s documentation

2.6 In its July 2020 business case, the Department wanted to award all revenue grants by 25 September 2020 to avoid widespread financial failure in the sector. It expected organisations to have to close permanently if support was not forthcoming by then.

2.7 The ALBs invited organisations to bid for revenue grants to help cover expenditure incurred in the financial year ending 31 March 2021. They focused on helping businesses to re-open or restart their operations or to ‘mothball’ operations until they could re-open. Mothballing is used where a venue needs to close but needs to be kept in good condition to allow it to re-open again quickly.

2.8 Eligible expenditure included that on staff salaries; maintaining buildings and fixed or operational costs; equipment to help ensure social distancing; up-front costs for activities to drive future income (such as performances, exhibitions and marketing); debts incurred as a direct result of the COVID-19 pandemic; and redundancy pay-outs. The CRF could not be used to cover costs that could be met from other government support schemes (paragraph 1.11), to promote the cause or beliefs of political or faith organisations or any activity contravening government advice on COVID-19.

2.9 Of the subsectors targeted by the four ALBs (Figure 2):

- ACE awarded grants over two consecutive funding rounds (Figure 6, Appendix Two). Of the up to £500 million it had to administer it invited grant applications from £50,000 to £3 million from cultural organisations within its remit, which includes visual arts, music, literature, theatre, dance, museums and combined arts. It ringfenced £2.25 million for its Emergency Grassroots Music Venues Fund to support live music venues and invited grant applications from £1,000 to £80,000 to help them remain solvent until the end of September;
- HE and the NLHF jointly administered £88 million of Heritage Restart and Rescue Grants and invited grant applications from £10,000 to £3 million from local or national heritage organisations; and
- the BFI administered £30 million of revenue grants. In May 2020, it had estimated that without intervention, 95% of independent cinemas would permanently close by April 2021. It invited grant applications from independent cinemas in England for business sustainability (£30,000 to £200,000) to help them to break even under social distancing restrictions, and for safety (up to £10,000) to cover personal protective equipment and make their buildings safe for cinema-goers and staff. Large commercial chains, which together generate an estimated 80% of UK cinema audiences, were not eligible to apply. The BFI invited applications for funding over 12 weeks compared with two weeks for other funds, to allow cinemas to modify their applications to adapt to changing conditions or worsening financial positions, for example as the release dates of new films shifted.

Capital grants

2.10 The Department's primary objective for the CRF's capital element (£120 million) was to restart key culture and heritage capital projects that had stopped due to the COVID-19 pandemic that posed a risk to the financial sustainability of the organisations leading them. By restarting these projects it hoped to support jobs, supply chain businesses, growth and longer-term sustainability. The heritage sector, in particular, relies on a skilled supply chain to maintain historic buildings, including heritage architects, stonemasons and other skilled craftspeople.

2.11 The ALBs awarded capital grants through open and closed competitions to various organisations. There were three sub-streams: the Cultural Capital Kickstart Fund (£55 million), the Heritage Capital Kickstart Fund (£15 million) and the Heritage Stimulus Fund (£50 million).

2.12 The Cultural Capital Kickstart Fund was awarded through a competitive process administered by ACE. The Heritage Capital Kickstart Fund was administered by the NLHF. Both were aimed at their existing grant-holders to help restart projects underway. Eligible projects had to have started by 1 April 2020. ALBs release funding in phases and recipients have to request a first payment no later than 30 April 2021, and a final payment no later than 30 April 2022.

2.13 The Heritage Stimulus Fund was administered by HE to restart construction and maintenance on heritage sites. It had three parts covering around:

- £11 million for the COVID-19 Emergency Heritage at Risk Response Fund to cover around 750 minor repairs and maintenance grants of up to £25,000 for listed buildings and scheduled monuments.⁷ HE planned to make decisions by 18 December 2020;
- £34 million in Grants for Programmes of Major Works offering grants of between £1 million and £10 million for repair works to major tourist attractions. HE planned to make decisions by 27 September 2020; and
- £5 million in Repair Grants for Heritage at Risk. This was additional funding for projects already receiving HE grants. HE awarded the funding through closed competition and had planned to make its decision by 2 November 2020.

2.14 Capital grants could be used to cover costs of purchasing or improving assets, or repair or conservation works, but could not be spent on general running costs such as staffing or rent.

⁷ A scheduled monument is an historic building or site that is included in the Schedule of Monuments kept by the Secretary of State for Digital, Culture, Media & Sport.

Loans (repayable finance)

2.15 The Department agreed £270 million with HM Treasury for a new loans scheme, which ACE administered and will manage on behalf of the Department and the ALBs. The Department delegated decision-making on loan awards to the CRB (see Part Four). Loans were aimed at large and nationally or internationally significant organisations that ordinarily have stable and robust sources of income and required more than the £3 million available as the maximum revenue grant. The Department intended organisations to use loans to meet costs up to 31 March 2021 but agreed with HM Treasury that the CRB could have the discretion to allow loan funding to cover costs up to 31 March 2022 in exceptional cases.

2.16 Following the decisions of the CRB, ACE offered fixed-term loans, with loan terms tailored to organisations. Typically, loans were to be repaid over at most 20 years with an initial repayment holiday of up to four years, annual interest charged at 2%, with conditions such as limits on future borrowing. ACE has taken on the administration of these loans although it has not previously had to manage a loan book on this scale.

Administration costs

2.17 In agreeing the funding package, HM Treasury allowed for extra costs of £15 million (1.2% of total funding for grants and loans in England) to administer the CRF which included £10 million to cover the ALBs' costs for administering revenue grants, £1.6 million for administering capital grants and £2.4 million for the Department's costs. Administration costs included temporary staffing, overtime, professional, legal and consultancy costs and post-award checks.

Part Three

Progress in distributing the funding

Funding bid for and allocated

3.1 This part examines the progress of the Department for Digital, Culture, Media & Sport (the Department) and its arm's-length bodies (ALBs) in awarding and distributing the Culture Recovery Fund (CRF). It examines award and distribution of:

- overall funding;
- revenue grants;
- capital grants;
- loans; and
- remaining funding to be awarded and distributed in 2021.

Overall funding

3.2 Overall, by 19 February 2021, of the £1 billion of funding available a total of £830 million had been awarded to the sector with around £495 million paid out to recipients.⁸ Applications for both revenue and capital grants were oversubscribed in the first funding phase. Loans funding was undersubscribed (**Figure 3**). By this date, seven months after the funding was announced, the ALBs had:

- awarded revenue and capital grants of £660 million to 3,525 organisations and paid out £462 million (70% of the grant funding awarded);
- awarded revenue grants of £533 million and paid out £421 million (79%);
- awarded capital grants of £127 million and paid out £41 million (32%); and
- offered loans of £170 million and paid out three loans totalling almost £33 million (following the decisions of the Culture Recovery Board (CRB)) (19%).

⁸ Excluding the £100 million grant-in-aid for the Department's ALBs (Figure 1).

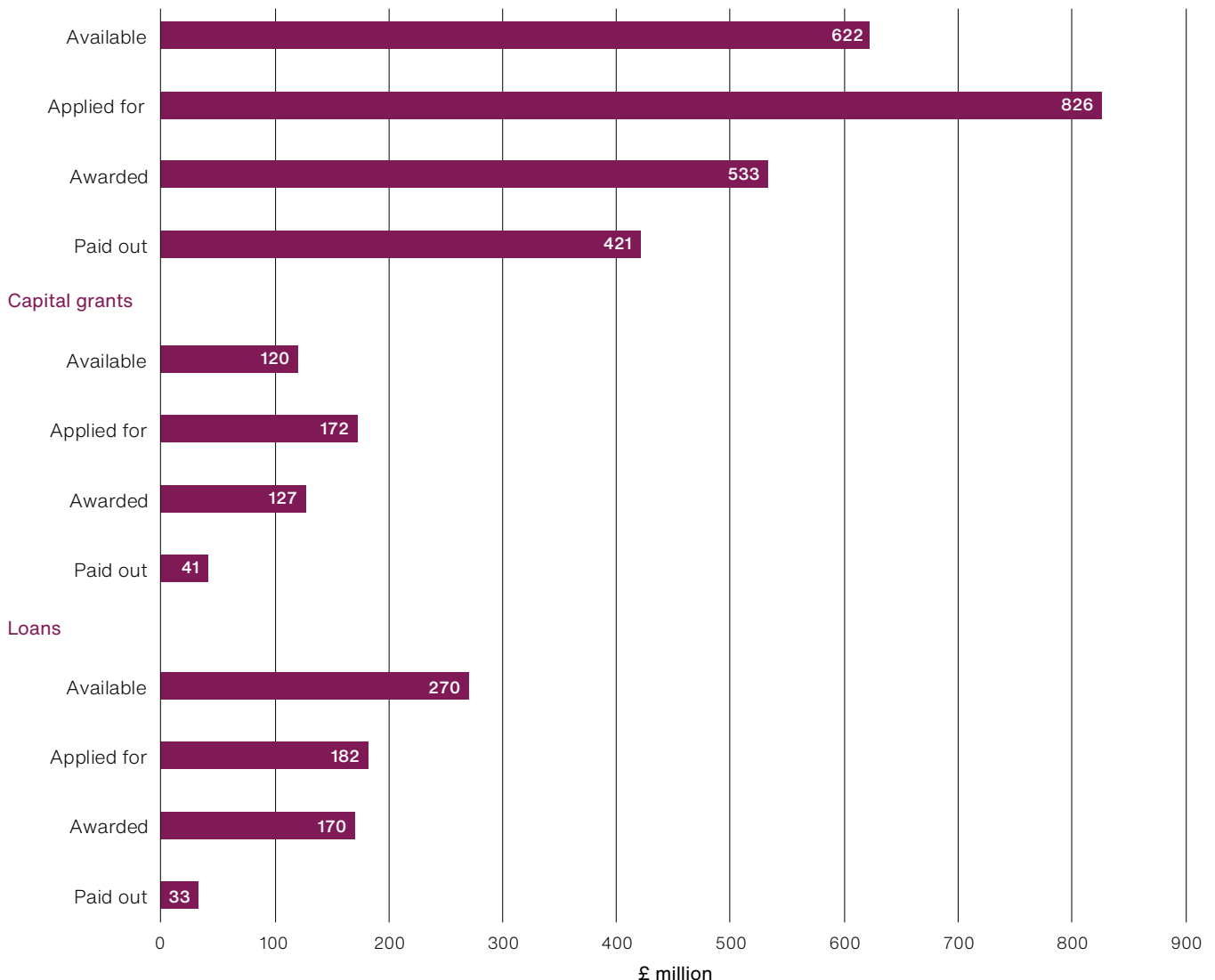
Figure 3

Culture Recovery Fund: Amount available, applied for, awarded and paid out by 19 February 2021

Both revenue and capital grants were oversubscribed. Loans funding was undersubscribed

Type of funding

Revenue grants



Source: National Audit Office analysis of the Department for Digital, Culture, Media & Sport's management information reports

3.3 Regarding the number of applicants, the ALBs had approved 68% of applications for revenue grants and 72% of applications for capital grants. Following the decisions of the CRB, Arts Council England (ACE) offered loans to 57% of applicants. In terms of the amount of funding approved, the ALBs awarded 65% of the revenue funding applied for. They had also awarded 74% of the capital funding applied for, although Historic England (HE) was still processing applications at this time. The CRB awarded 93% of the loans funding applied for.

3.4 The percentage of applications approved by the ALBs varied by region. By the end of January, 64% of applicants in the South East received a revenue grant, as did 79% of applicants for capital grants in the North East (**Figure 4**). Overall, by December, London had received 31% of the total revenue grant funding, followed by the North West and South East which each received 12% of the total. The North East received the highest average revenue grant, more than £217,000. The ALBs had awarded 88% of revenue grants to organisations based in urban areas and 12% to those based in rural areas.

3.5 One aim of the CRF was to help ‘level up’ cultural resources for deprived communities. In December 2020, the Department’s analysis found that generally, the 10% of local authorities most in need of levelling up were more successful in their grant applications than those least in need. It also found that the 10% of local authorities most in need had applied for less funding and received a smaller proportion of total funding compared with the least needy 10%.

Timeliness of payments

3.6 The Department did not meet its original timescale to award all revenue grants by 25 September 2020 (paragraph 2.6), but ALBs were making the first awards for grants by then. The ALBs told us that they wanted to allow applicants to update their requests to reflect changes in the public health situation; applicants often needed support with documentation; and many applications arrived on the closing date. An exception to this was the rapid distribution of the Emergency Grassroots Music Venues Fund. ACE began to pay out by 24 August 2020, within one month of receiving applications (Figure 7, Appendix Two), to tide over venues at immediate risk of insolvency until they could make applications for the main revenue grants.

3.7 For most of the funding sub-streams, the ALBs made payments to successful applicants in instalments across the year (typically three in the ratio 50:40:10 or 60:30:10) (Figure 7). This is in line with their usual grant-making practice and reduces the risk of fraud. ALBs’ policy when making grants is to make payments as the funding need arises. For example, for building work, payments are made at key stages of construction.

Flexibility in how the CRF was administered

3.8 The Department allowed the ALBs some flexibility in the amounts they could award. For example, the funding for independent cinemas was oversubscribed, and in December the BFI requested an extra £1.6 million from the CRB, beyond the £30 million initially available to meet BFI’s estimate of eligible applications. BFI is, however, still making decisions about applications and the additional £1.6 million will not be needed. Similarly, ACE added £3.9 million from its own budget to the Cultural Capital Kickstart Fund after it received applications for £60.7 million, 10% more funding than was available.

Figure 4

The Culture Recovery Fund 2020-21 grant success rates, awards, and average award amounts by region¹

Across the regions, the percentage of applications approved by the arm's-length bodies varied from 64% of revenue grant applications in the South East to 79% of capital grant applications in the North East

	Revenue grants				Capital grants		
	Success rate ²	Awarded ³	Share of total awarded	Average award	Success rate ⁴	Awarded ⁵	Share of total awarded
	(%)	(£m)	(%)	(£)	(%)	(£m)	(%)
North East	74	22.2	4	217,305	79	2.5	2
North West	69	62.5	12	192,403	73	29.7	28
Yorkshire and The Humber	71	43.1	8	193,213	66	7.5	7
East Midlands	73	29.6	6	158,247	72	5.8	5
West Midlands	72	45.5	9	206,828	67	6.5	6
East	65	34.4	7	168,027	70	5.3	5
London	67	158.8	31	210,871	66	11.2	11
South East	64	62.6	12	181,993	69	6.2	6
South West	68	50.5	10	170,709	66	14.0	13
Unassigned or outside England	67	0.3	0	63,713			
National organisations ⁶					57	16.0	15

Notes

- 1 From the latest data available from the Department for Digital, Culture, Media & Sport as at 19 February 2021.
- 2 Data on revenue grant success rates (number of awards divided by number of applications) are at 28 January 2021.
- 3 Data on the amount of revenue awards are at 7 December 2020. Does not include £4.7 million awarded by the British Film Institute to independent cinemas.
- 4 Data on capital grant success rates (number of awards divided by number of applications) are at 28 January 2021 and include the Culture Capital Kickstart Fund, the Heritage Stimulus Fund and Heritage Capital Kickstart Fund.
- 5 Data on capital grant awards are at 7 December 2020 and include the Culture Capital Kickstart Fund and Heritage Stimulus Fund only.
- 6 National organisations operate across more than one region.
- 7 Total of percentages awarded by region do not sum to 100% due to rounding.

Source: National Audit Office analysis of the Department for Digital, Culture, Media & Sport's management information reports

Revenue grants

3.9 The Department wanted to award all revenue grants by 25 September 2020. By 2 October 2020, £2.76 million had been awarded, 0.3% of the available funds. By 19 February 2021 it had distributed £421 million of the £533 million awarded (**Figure 5**). Although the ALBs awarded almost all their funding after the intended September date, the CRB chair told us in December 2020 that no culturally significant businesses had failed since the CRF had been announced.

3.10 The four ALBs awarded revenue grants to a diverse range of organisations across England. By December 2020, of the £510 million awarded by then, the ALBs had awarded around 85% of total revenue funding to the arts and 15% to heritage organisations (mostly historic areas, buildings and monuments). Overall, of the total revenue funding awarded, ACE awarded 24% to theatre, 22% to music and 13% to combined arts organisations. Applicants for revenue grants covered the work of 206,400 freelancers and self-employed people. Organisations with fewer than 50 employees made up 88% of successful applicants (2,329 organisations) and were awarded 65% of the funding. By 15 January, nearly all revenue grant awards made (98%) were under £1 million, with only 47 awards of between £1 million and £3 million.

3.11 The CRF has reached many organisations that had no prior funding relationship with public bodies. ACE, the National Lottery Heritage Fund (NLHF) and HE told the Department that around half of their applicants were first-time applicants. ACE calculated that nearly half the recipients of revenue funding came from 'diverse led' organisations (that is, leadership defining themselves as being black and minority ethnic, disabled, women or LGBT). Of the 135 (£3.4 million) emergency music venue awards made, £1.1 million was given to 36 black or minority-led venues and £0.59 million to 16 disabled-led venues.

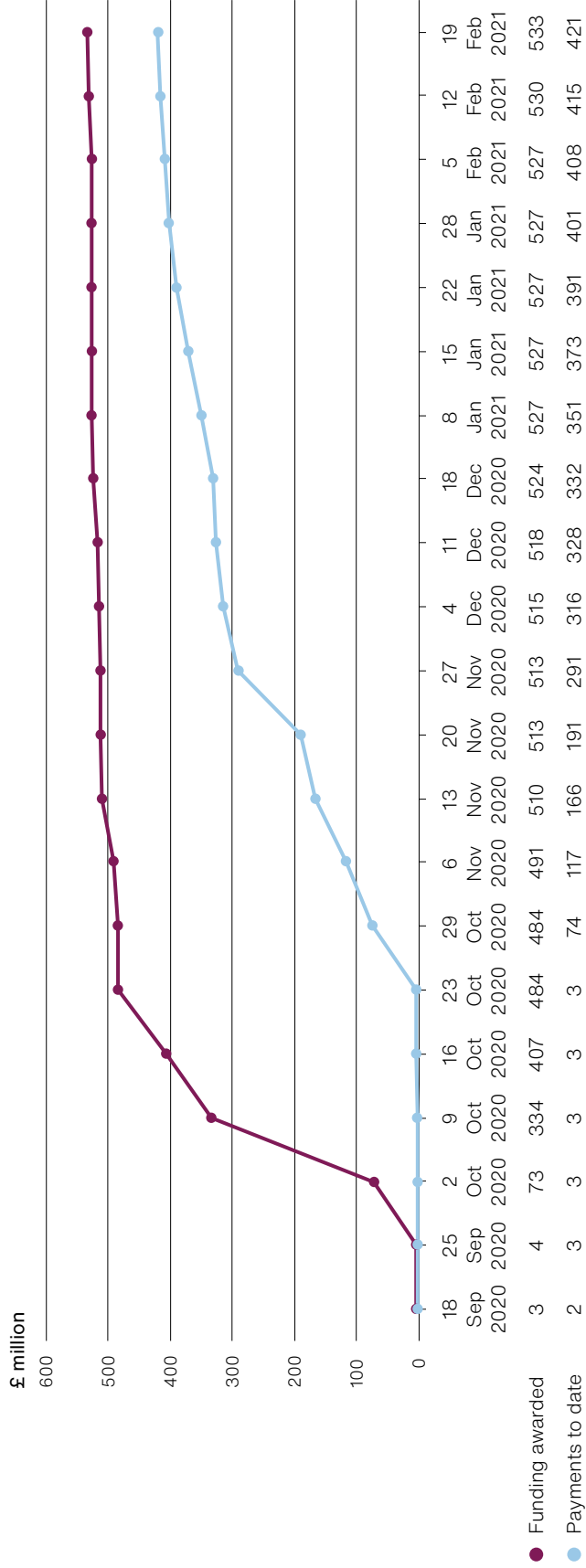
Capital grants

3.12 By December, the ALBs had awarded capital grants to 67 arts organisations, nine museums and 184 other heritage organisations across the three capital grant funds. These awards included:

- several large capital grants including £21 million to Manchester City Council; £10 million to the Archbishops' Council of the Church of England to support works at 68 cathedrals and churches; and £6 million to the National Trust;
- 46% of the funding available from HE's Heritage Stimulus Fund to places of worship and 33% to charity or third-sector organisations; and
- a reflection of the location of existing grant recipients, in terms of, by 28 January, the number of grants awarded by ACE from its Cultural Capital Kickstart Fund (24% in London) and by NLHF from its Heritage Capital Kickstart Fund (29% in the South West).

Figure 5
 Cumulative amount of Culture Recovery Fund revenue grants awarded and distributed between September 2020 and February 2021

By 19 February 2021 the arm's-length bodies had distributed £421 million of the £533 million they had awarded



Note

1 The Department for Digital, Culture, Media & Sport did not prepare management information reports for the weeks ending 25 December 2020 and 1 January 2021.

Source: National Audit Office analysis of Department for Digital, Culture, Media & Sport's management information reports

Loans (repayable finance)

3.13 On 11 December 2020 the Secretary of State announced that loans had been offered to organisations including the National Theatre, Southbank Centre, the Royal Albert Hall and the Royal Shakespeare Company. By 19 February 2021, following the decisions of the CRB, ACE had offered loans totalling £170 million to 12 applicants – seven charities and five commercial organisations. Ten of the recipients are London-based. The largest loan, £40 million, was awarded to Historic Royal Palaces. The smallest, £3.5 million, was to Mark Goucher Productions Ltd (a producer of West End and touring theatre shows).

3.14 In November 2020 HE summarised the likely reasons the loans funding was undersubscribed by heritage organisations. They include that making applicants choose between grants and loans was not in line with the way the heritage sector was usually financed; commercial heritage organisations did not think that they would be eligible for a loan from an arts organisation (ACE); and the timings for the loans programme meant it was better for supporting longer-term recovery than as an immediate response.

Grant-in-aid for the Department's ALBs

3.15 The Department made available £100 million to support 19 of its ALBs, should they need extra funds in 2020-21. Allocations, which were proportionate to the size of the ALB and took into account its reliance on self-generated income, ranged in size from £0.3 million to £19.7 million, and could be drawn upon during 2020-21.

Remaining funding to be awarded and distributed in 2021

3.16 The Department added funding allocated but not awarded in the first phase to the £258 million of revenue grant funding it had held back as contingency. On 11 December 2020 it announced phase two funding of £300 million in revenue grants and £100 million in loans to support organisations' transition back to usual operations from April 2021. It intends to distribute this second phase funding based on the lessons learned from the first phase. For example, smaller loans will have standard conditions rather than ACE negotiating terms individually.

3.17 For this second phase, the same four ALBs will be administering applications. The funding is due to be awarded to organisations by the end of March 2021 and will be used to cover their transitional reopening costs in April to June 2021. By 19 February 2021, the ALBs had received more applications for revenue grant funding than in the first phase. Some 5,182 applicants had requested £646 million in total against the £300 million available. In addition, ACE had also received 43 applications for loans totalling £144.6 million against the £100 million available. ACE has until the end of March 2021 to distribute loans to recipient organisations. The Department has not yet paid out any funding from this second phase. Its decisions are scheduled to be made in March 2021. This was the planned schedule set out in December 2020. As part of the 3 March 2021 Budget, HM Treasury announced it was making a further £300 million available for the CRF.

Part Four

Oversight and governance

The Department created the Culture Recovery Board to increase assurance over the Culture Recovery Fund

4.1 As a condition of funding, HM Treasury told the Department for Digital, Culture, Media & Sport (the Department) to create an independent Culture Recovery Board (CRB) to provide assurance to the Secretary of State over the whole programme and to approve loans.⁹ The CRB reports to the Secretary of State and the Department's Permanent Secretary. Given the timescale, CRB members were appointed on invitation by ministers and approved by HM Treasury. Sir Damon Buffini was appointed chair.¹⁰

4.2 The CRB first met on 7 September 2020 and has met monthly or more frequently since. The Department delegated decision-making responsibilities for all loans to the CRB. The CRB made decisions on applications for loans, reviewed applications and provided recommendations to the arm's-length bodies (ALBs) about grants between £1 million and £3 million and provided assurance on revenue grants under £1 million. Arts Council England (ACE) then acted as the loans delivery agent, reporting to the CRB and to the Department. The Department regards the decision-making process for awards as independent from ministers and Number 10.

The Department's approach to assurance and monitoring

4.3 In common with other emergency COVID-19 funding, implementing the Culture Recovery Fund (CRF) has presented risks of fraud, error, duplication and overpayment. The Department and its ALBs worked with the Cabinet Office Government Grants Management Function (GGMF), which advised on grant design, helped the Department to assess and identify fraud and error, and conducted analysis to support post-award assurance.

⁹ Its membership is listed at: www.gov.uk/government/groups/culture-recovery-board.

¹⁰ Sir Damon Buffini was a founder of the private equity firm Permira. He is also chair of the National Theatre.

4.4 The Department acknowledged an increased risk of fraud and error under CRF due to the speed at which the ALBs were designing programmes, assessing and awarding large volumes of grants and because they were accepting applications from organisations with whom they had not previously had a funding relationship. It considered risks around most capital grants to be lower as these were only open to existing grant recipients who were known to the ALBs.

4.5 The Department used Cabinet Office GGMF standards and guidance aimed at those administering COVID-19 emergency funding. In line with the Grants Functional Standard and the Department's usual processes for awarding grant funding ALBs were required to conduct and regularly update fraud risk assessments for the grant schemes and to conduct post-event assurance. This work was aligned to the government standards for fraud risk assessment and fraud management. These processes were used to identify the appropriate level of due diligence and post-award counter-fraud controls. The ALBs aimed to undertake due diligence checks at the application stage using the GGMF's Spotlight system, with identification and bank account verification checks carried out before making payments. For post-award controls, the Department requires ALBs to undertake sampling exercises to check that expenditure is used for the intended purpose and limit future payments where irregularities are identified.

4.6 Checks are made before first payments are transferred to recipients but due to the large volume of applications and to speed up the process, ACE conducted some at the pre-award stage and some at post-award. In December 2020, the Department recognised that it might need to increase pre-award due diligence for its second phase of funding. This followed concerns raised as a result of applicants being awarded funding significantly in excess of their prior year annual income. The ALBs decided to keep some awards on hold pending investigation.

4.7 Following its awards process, on 28 January 2021 ACE reported to the CRB that it had identified 44 possible incidents of fraud. Of these, 38 had concluded with no fraud identified, one was still under investigation and five grant awards had been withdrawn.

4.8 Separately, the Cabinet Office's Government Counter- Fraud Function reported in January 2021 that three reports of fraud were made through the COVID Fraud Hotline relating to two grants administered by ACE. The grants, totalling £473,000, were withheld by ACE. One was a fraudulent application that has been referred to the police for action, and the second, rather than fraud, was a breach of terms and conditions for failing to disclose county court judgements and misfiling of financial information. ACE told us that in no cases where a grant had been paid out had fraud been identified.

The Department and board considered what has been learned from the first round

4.9 In November 2020 the CRB secretariat collected information from the four administering ALBs about what had gone well and what could be improved for the second phase of CRF.

4.10 Their suggestions for the next phase of revenue grant funding included:

- allowing extra time for planning as insufficient time to plan in the first phase of grants caused duplication and confusion when the funding streams were put into operation;
- streamlining processes for applicants and within the ALBs and ensuring more clarity about the Department's and the ALBs' roles and responsibilities;
- allocating more staff resources to work on the administration of the funding. The ALBs said not enough people were available in the first phase, which meant many people worked long hours to meet deadlines;
- managing deadlines better. They asked for better signalling of priorities and deadlines, that communications deadlines should not drive decision-making and for the impact of missed deadlines to be spelt out; and
- improving consistency in the criteria and guidance for applicants, the capturing of data and decision-making and monitoring activity.

The Department's plans to evaluate the fund's impact

4.11 The Department outlined its evaluation plans for both grants and loans in the business case for the fund. The evaluation will include 'process' and 'impact' elements. Process evaluation will explore how the CRF was delivered and the extent to which the fund was implemented as intended. The impact evaluation will assess the CRF's effectiveness in achieving the Department's ultimate goals to support the sector. The Department has commissioned an external supplier to deliver the evaluation, which will report later in 2021. The Department will approve the evaluation plan including its governance and milestones.

Appendix One

Our investigative approach

Scope

1 This report provides an overview of the UK government's response to the impact of the COVID-19 pandemic on the culture, arts and heritage sectors through the Department for Culture, Digital, Media & Sport's (the Department's) Culture Recovery Fund (CRF). We chose to examine the design and operation of the fund given its large size, the need to work at speed, and the need to give funding to vulnerable organisations many of which were not usual recipients of government funding.

2 This report sets out the facts relating to:

- the government's response;
- the process for awarding the CRF;
- progress in distributing the funding; and
- oversight and governance.

3 We restricted this investigation to England. While it identifies the funds made to support responses in the devolved administrations of Scotland, Northern Ireland and Wales, it does not cover the individual responses in the devolved administrations, nor the separate responses implemented by local authorities. This report covers the Department's response up to the end of February 2021. As the CRF continues to operate, our report does not represent the final position on the fund and how it has been awarded and paid out. We have not assessed the impact of the funding on the applicants or those who use their services. We do not speculate about whether future rounds of funding may be necessary. Neither do we cover government funding for other sectors of the economy.

Methods

4 We have produced this report after collecting evidence between 26 November 2020 and 19 February 2021, our cut-off date. The investigation presents a snapshot based on available data at that point. We drew on a variety of evidence sources including the Department's management information reports for the grant and loan amounts awarded and paid out up to 19 February 2021 and its progress stocktake of December 2020 for its analysis of the organisations awarded funds at that point.

5 We interviewed key individuals from the Department for Digital, Culture, Media & Sport and the arm's-length bodies (ALBs) it chose to administer the funds: Arts Council England (ACE), the National Lottery Heritage Fund (NLHF), Historic England (HE) and the British Film Institute (BFI). We aimed to establish their involvement in the design and administration of the CRF. We interviewed people responsible for administering and overseeing the funding streams. We also interviewed the chair of the Culture Recovery Board (CRB), Sir Damon Buffini, representatives from the Cabinet Office and HM Treasury.

6 We reviewed documents that covered the set-up and mobilisation of the funding. These documents included:

- business cases and modelling;
- civil servants' advice to ministers;
- monitoring reports and analyses of awards made;
- board papers for the CRB;
- risk management documentation; and
- guidance to applicants.

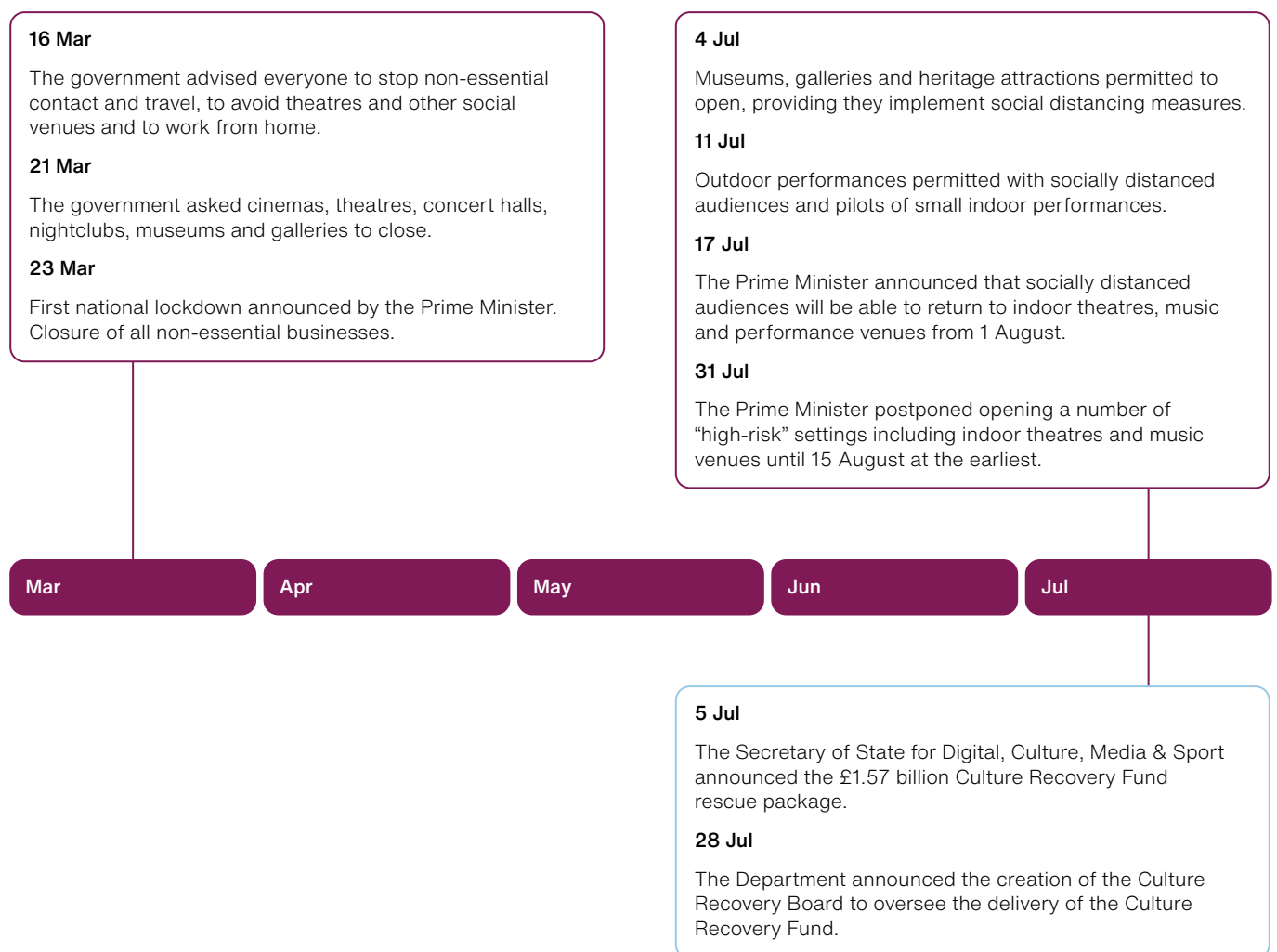
Appendix Two

Development and distribution of the Culture Recovery Fund

Figure 6

Development of the Culture Recovery Fund, March 2020 to January 2021

This figure shows the major government announcements on COVID-19 impacting the sector, the development of the Culture Recovery Fund and when applications were open for its funding streams



- COVID-19 announcements
- Development of Culture Recovery Fund

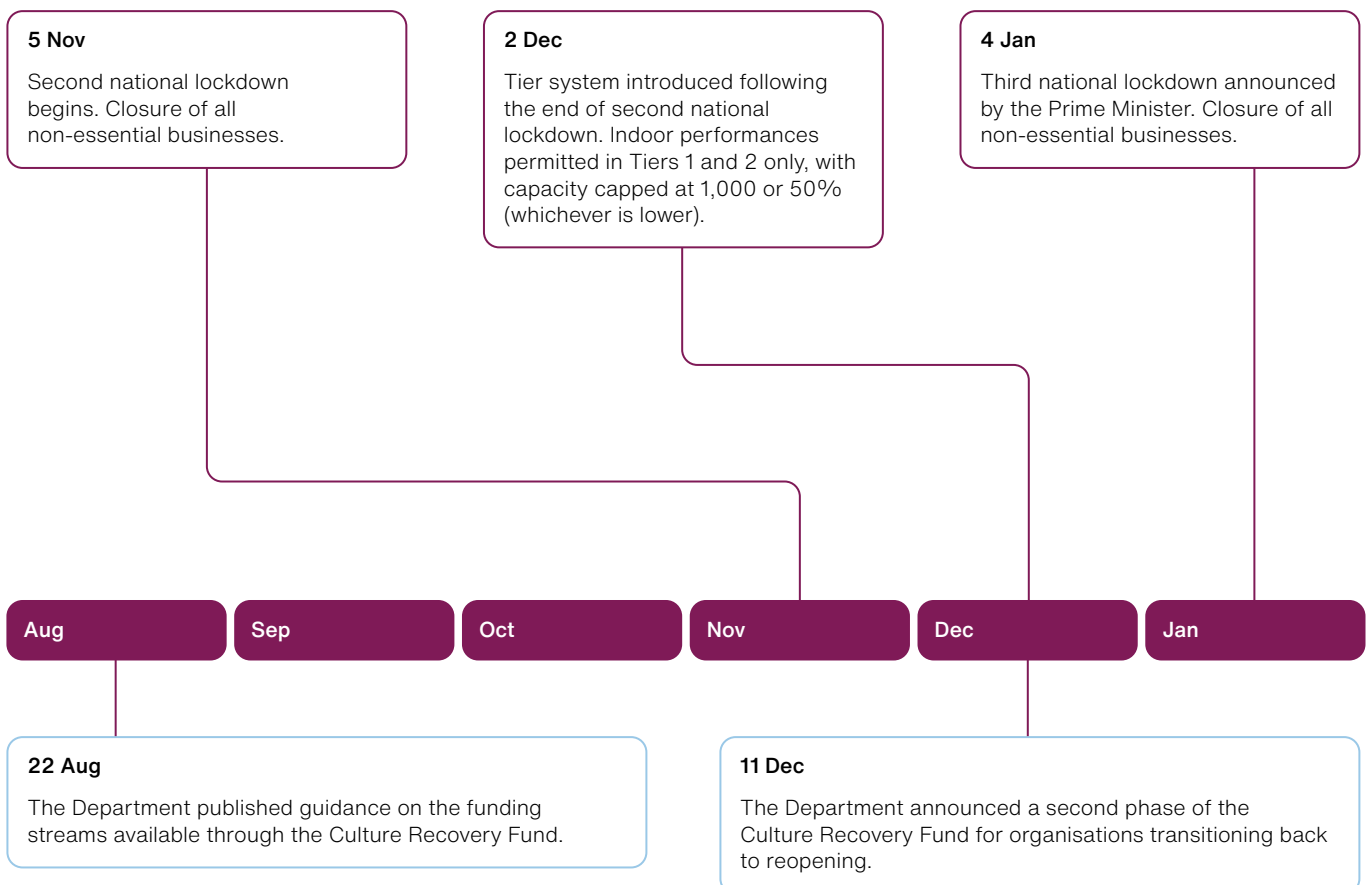
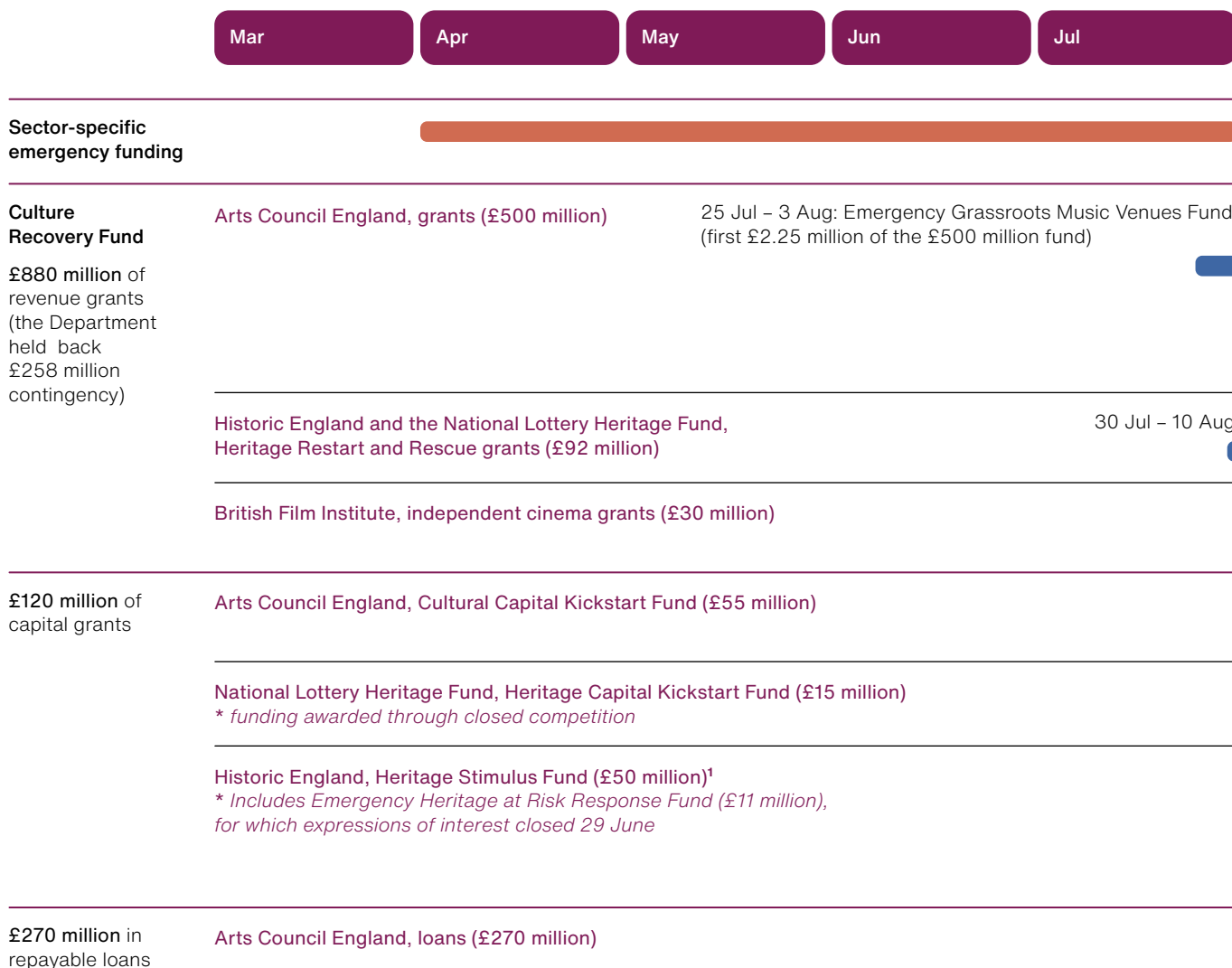


Figure 6 *continued*

Development of the Culture Recovery Fund, March 2020 to January 2021

This figure shows the major government announcements on COVID-19 impacting the sector, the development of the Culture Recovery Fund and when applications were open for its funding streams



- Applications open for emergency funding made available by arm's-length bodies such as Arts Council England
- Applications open for Culture Recovery Fund funding streams

Notes

- 1 Historic England told us that it invited applications to the end of November 2020.
- 2 Figures do not include the £188 million for devolved nations, the £100 million in grant-in-aid available to national heritage organisations and English Heritage and the £15 million administration cost allowance, which make up the complete £1.57 billion fund.

Source: National Audit Office analysis of Department for Digital, Culture, Media & Sport data and GOV.UK website

Aug

Sep

Oct

Nov

Dec

Jan

10 Aug – 21 Aug: Round 1, 21 Aug – 8 Sep: Round 2
(remainder of the £500 million fund)

10 Aug – 30 Oct

24 Aug – 10 Sep

1 Sep – 31 Oct (closed competition): Repair Grants for Heritage at Risk (£5 million)

14 – 28 Aug: Grants for Programmes of Major Works (£34 million)

21 Aug – 9 Sep

Figure 7

Distribution of Culture Recovery Fund money, as of 19 February 2021

This table shows the award and distribution of revenue grants, capital grants, loans and grant-in-aid comprising the Culture Recovery Fund

Funding	Number of organisations awarded funding	Amount awarded (£m)	Over- or under-subscribed (Value of applications as percentage of budget (%))	Success rate (Number of awards as percentage of number of applications (%))
Revenue grants				
Arts National Portfolio Organisations ¹				
Arts Non-National Portfolio Organisations	Collectively ² 2,153	Collectively, 433.7	Collectively, 132	Collectively, 68
Museums				
Music venues: main fund				
Emergency Grassroots Music Venues Fund	135	3.4	325 ³	60
Heritage Restart and Rescue Grants	508	78.6	141	65
The British Film Institute grants for independent cinemas	226 (number of grants awarded, not necessarily number of organisations)	21.1	109 ⁴	88
Capital grants				
Cultural Capital Kickstart Fund	74	58.9	110	100 ⁵
Heritage Capital Kickstart Fund	24	15.0	100	100 ⁵
Heritage Stimulus Fund	540	53.0	194	68
Loans				
Extra £100 million grant-in-aid to national heritage organisations and English Heritage	19	Not applicable	Not applicable	Not applicable

Notes

- 1 The arts organisations, museums and libraries, ranging in size and location, in which Arts Council England (ACE) invests.
- 2 The Department for Digital, Culture, Media & Sport had asked ACE to apportion funding across four sub-sectors. ACE told us this requirement was later dropped because the applications it received did not match this initial allocation.
- 3 Of the initial £2.25 million allocation. As this emergency fund was oversubscribed, the Department added £1.11 million to it.

Source: National Audit Office analysis of Department for Digital, Culture, Media & Sport's documents, and interviews with arm's-length bodies

Amount paid out by 19 February 2021	Planned payment schedule	Amount and date first payments were made	Percentage distributed
(£m)			(Amount paid out as percentage of amount awarded (%))
Collectively, 362.7	Data not available	By 23 October, £3.10 million	Collectively, 83.6
3.4	100%, immediately	24 August, £2.46 million	100.0
48.4	Grants under £100,000 were paid out 90:10. Larger grants paid in instalments, 50:40:10	By 20 November, £15.30 million	61.6
10.0	Most awards were paid in instalments, 60:30:10. Smaller awards paid out 90:10	By 23 October, £0.24 million	47.4
3.2	Data not available	By 8 January 2021, £0.18 million	5.5
0.7	Percentage split was agreed for each project	By 28 January, £0.17 million	4.4
36.8	Percentage split was agreed for each project, with most awards paid out 80:20	By 16 October, £0.02 million	69.5
32.9	Terms tailored to organisations	By 19 February, £32.9 million	19.4
Data not yet available. Amount drawn down will be available at end 2020-21	In instalments every two months to end of March 2021	Amount drawn down will be available at end 2020-21	£100 million is available for organisations to draw down

4 The BFI is still making decisions about applications. By December 2020, 89% of applications were from independent cinemas outside London. The BFI calculated that 85% of eligible independent cinemas had applied for funding.

5 ACE and National Lottery Heritage Fund targeted the two Kickstart funds at existing grant holders and all applicants were successful.

This report has been printed on Pro Digital Silk and contains material sourced from responsibly managed and sustainable forests certified in accordance with the FSC (Forest Stewardship Council).

The wood pulp is totally recyclable and acid-free. Our printers also have full ISO 14001 environmental accreditation, which ensures that they have effective procedures in place to manage waste and practices that may affect the environment.



National Audit Office

Design and Production by NAO External Relations
DP Ref: 009310-001

£10.00

ISBN 978-1-78604-362-7



9 781786 043627