

**Departmental Overview 2019-20**

# Department for Digital, Culture, Media & Sport



National Audit Office



**May 2021**

This overview summarises the work of the Department for Digital, Culture, Media & Sport including what it does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.

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public spending watchdog**

# Department for Digital, Culture, Media & Sport

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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.

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# About the Department

The Department for Digital, Culture, Media & Sport (the Department) is responsible for delivering the government's policies covering arts and culture, communications and media, sport, tourism, and building a shared society and digital connectivity.

## Departmental objectives

In the Department's 2019 Single Departmental Plan it set out seven objectives:

- 1 Drive the UK's digital connectivity.
- 2 Encourage growth in an innovative economy.
- 3 Promote a global UK as a great place to live and do business.
- 4 Maximise participation in culture and physical activity.
- 5 Make society safe, fair and informed.
- 6 Ensure the Department is agile and efficient.
- 7 Help to deliver a successful outcome to EU Exit.

## Priorities for 2020-21

The Department set three main priorities for 2020-21:

- 1 **Driving growth:** performing a key role in supporting and driving the UK's economic recovery, with a focus on digital infrastructure and innovation and domestic tourism.
- 2 **National renewal:** the Department is the lead department responsible for hosting the Commonwealth Games, Festival UK 2022 and the Platinum Jubilee.
- 3 **Preservation of cultural heritage:** the Department will support the UK's cultural institutions' response to the challenges posed by COVID-19.

## The Department's impact

In 2019, prior to the COVID-19 pandemic, the sectors of the economy related to culture, media and sport employed **5.2 million** people (**11.7%** of UK jobs).

This included **2.1 million** employed in the creative industries, **1.6 million** in the digital sector and **1.4 million** in tourism. The number of jobs in the Department's sectors grew by **2.6%** between 2018 and 2019.

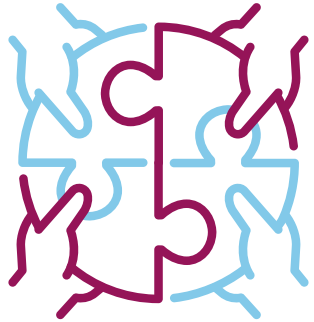
In 2019-20 **76%** of adults participated in or attended arts activities or events, **73%** of adults visited a heritage site, **51%** visited a museum or gallery, and **34%** used a public library service.

The UK's culture, media, and sport sectors were all significantly impacted by COVID-19 – some estimates suggest that the financial sustainability of more than **90%** of grassroots music venues and half of local sports centres has been threatened by the pandemic.

To counter this, the Department has put in place a range of measures, including the **£1.57 billion** Culture Recovery Fund and a **£750 million** support package for charities.

# How the Department is structured

The Department has 45 public bodies with a wide range of policy and operational responsibilities. Its public bodies are governed by their own independent boards, each with their own separate governance and internal assurance structures.



In addition to the organisations in **Figure 1**, the Department:

- sponsors three public corporations, which sit outside the Department's accounts:
  - Channel Four Television Corporation
  - Historic Royal Palaces
  - the Royal Parks Limited
  
- sponsors two non-ministerial government departments:
  - the Charity Commission for England and Wales
  - the National Archives
  
- has responsibility for the operation of the National Lottery Distribution Fund

**Figure 1:** Department for Digital, Culture, Media & Sport (DCMS) structure



# How the Department is structured continued

## Public bodies consolidated into the Department's accounts

### Arts and libraries

- Arts Council England
- British Museum
- British Library

### Civil society

- Big Lottery Fund (operating as National Lottery Community Fund)
- National Citizen Service Trust

### Cultural property

- Reviewing Committee on the Export of Works of Art and Objects of Cultural Interest
- Treasure Valuation Committee

### Gambling

- Horserace Betting Levy Board
- Gambling Commission

### Heritage

- Churches Conservation Trust
- The Historic Buildings and Monuments Commission for England (Historic England)
- National Heritage Memorial Fund (NHMF)

### Media/ creative industries

- British Broadcasting Corporation (including BBC Commercial Holdings Limited and its direct subsidiary holding companies)
- British Film Institute
- S4C (Sianel Pedwar Cymru)

### Museums and galleries

- British Museum
- Geffrye Museum
- Horniman Public Museum and Public Park Trust
- Imperial War Museum
- National Gallery
- National Museums Liverpool
- National Portrait Gallery
- National Maritime Museum
- Natural History Museum
- Royal Armouries Museum
- Science Museums Group
- Sir John Soane's Museum
- Tate Gallery
- Victoria and Albert Museum
- Wallace Collection

### Regulators

- Information Commissioner's Office
- Ofcom

### Sports

- Birmingham Organising Committee for the 2022 Commonwealth Games (Birmingham 2022)
- The English Sports Council (Sport England)
- UK Anti-Doping
- The United Kingdom Sports Council (UK Sport)
- Sports Grounds Safety Authority

### Tourism

- British Tourist Authority (operating as VisitBritain and VisitEngland)

### Other

- Phone-paid Services Authority

# About the Department's internal organisation

## The Department is currently organised into three groups

Permanent Secretary and Accounting Officer

Culture, sport and civil society

Digital and media

Strategy and operations

## HM Treasury has given the Department money to improve its central services

In 2019, the Department commenced a corporate transformation programme. This aims to strengthen its corporate functions and has six strands.

**Strategy, departmental planning and structures**

**Analysis, use of evidence, and specialist expertise**

**Public bodies partnership programme**

**Finance, commercial and IT**

**People, workplace and culture**

**Communications**

In the first year of the programme, the Department focused on recruitment and the support offered by key corporate functions. The next phase will be to develop 'centres of excellence' across the corporate centre to enhance services and ensure improvements become business as usual.

In September 2020, the Department expanded the programme's remit and shifted the focus to benefit the whole Department.



### Investing in our People

- Locations Programme
- Skills and Capabilities
- Workforce Strategy
- Hybrid Working



### Enhancing our Ways of Working

- Risk Assurance
- Commercial Transformation
- Public Bodies Partnerships
- Science
- Analysis



### Improving our Systems

- HR Systems
- ERP/Shared Services
- Data, Digital and Telecoms (DDaT)

# How the Department spent its money in 2019-20

## The Department spent £8,864 million in 2019-20

- The Department spent £1,646 million (23%) more in 2019-20 than in 2018-19 (£7,216 million). Of this increase:
  - £846 million related to BBC capital spending due to a one-off impact in 2019-20 to recognise more property held under leases as assets following a change in accounting standards;<sup>1</sup> and
  - £640 million related to BBC revenue expenditure, primarily due to impairment and downward revaluations of its lease, financial and investment property assets at 31 March 2020.
- The BBC accounted for £4,929 million (56%) of the Department's spending in 2019-20 (£3,444 million 2018-19). The licence fee collected by the BBC, which is used to fund BBC expenditure, was £3,267 million in 2019-20 (£3,222 million 2018-19).<sup>2</sup>
- Excluding expenditure on the BBC, the Department spent £415 million on its broadcasting, media and digital responsibilities in 2019-20. This included £77 million in private capital funding for Channel Four Television, the majority of which was to ensure it had access to sufficient finance during the COVID-19 pandemic.
- The Department spent £205 million on sports in 2019-20, £12 million of which was used to prepare for the Birmingham 2022 Commonwealth Games.
- The Department spent £102 million on its running costs (administration and research) in 2019-20 – 1.2% of its spending.

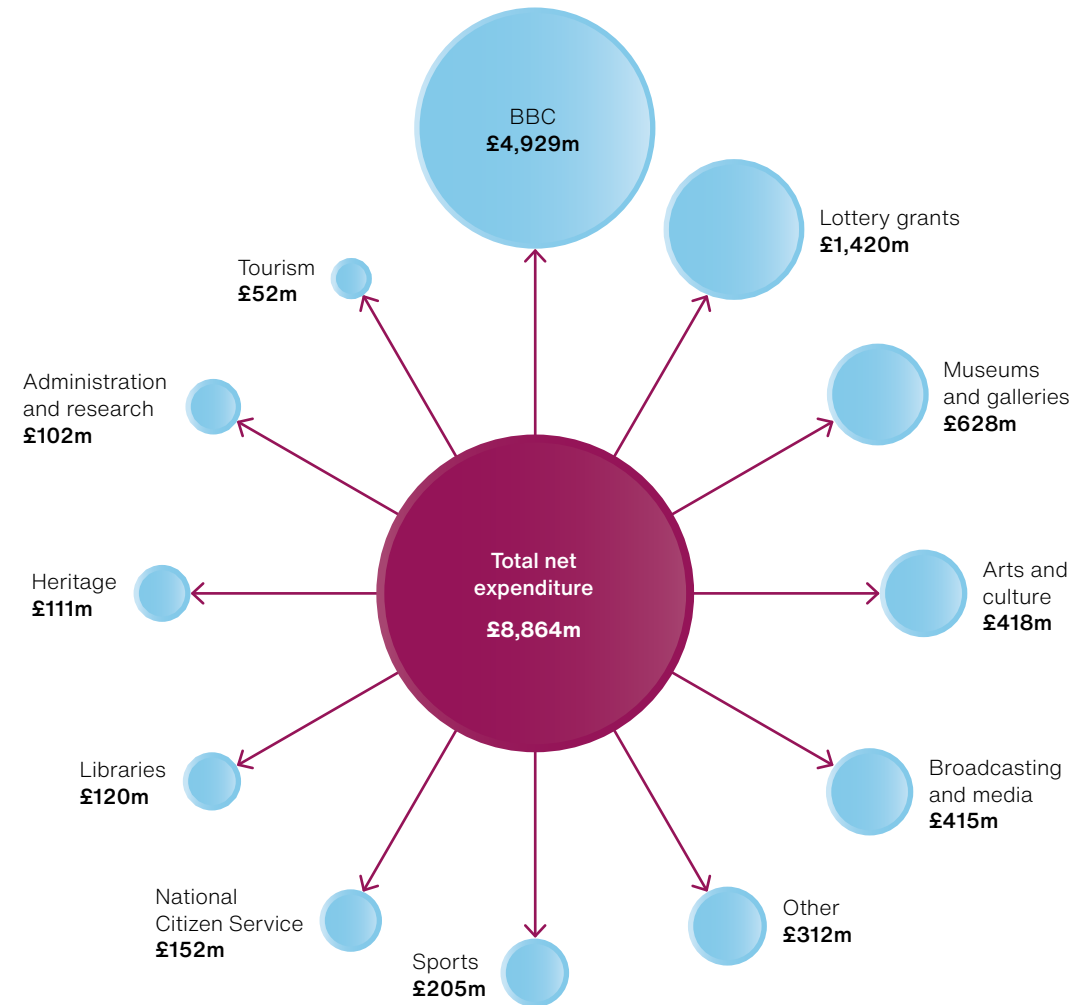
## The Department generated £142 million in income in 2019-20

- Some activities generate income for the Department. The largest of these is the arts sector, which generated £80 million in 2019-20.
- Others include 'Ceremonial and support for the Heritage sector' (£26 million) and the Horseracing and Gambling sector (£16 million).

### Notes

- 1 The BBC and Departmental group's accounts adopted International Financial Reporting Standard 16 in 2019-20.
- 2 BBC licence fee income is reported in the BBC Television Licence Fee Trust Statement for the Year Ending 31 March 2020 and is not reported within revenue in DCMS' Annual Report and Accounts.

**Figure 2:** Department for Digital, Culture, Media and Sport's spending by activity, 2019-20



### Note

- 1 Figures given include both resource and capital funding, and are net of any income received by the Department.

Source: Department for Digital, Culture, Media & Sport's Annual Report and Accounts 2019-20, Statement of Parliamentary Supply 1.1 and 1.2.

## Part One

# Department activities and staffing

The Department for Digital, Culture, Media & Sport undertakes a broad variety of activity across its different sectors. This Part looks at how the Department has managed public money, recent activities across its sectors and programmes and the staffing of the Department.

## Managing Public Money

The Comptroller and Auditor General (C&AG) certified the Department's 2019-20 accounts with an unqualified audit opinion on 15 December 2020.

### **COVID-19 has significantly impacted the valuation of the Department's assets at 31 March 2020.**

Due to the impact of COVID-19, there is material uncertainty over the valuation of the Department's and the Departmental group's land and buildings as well as its assets from lease arrangements (right of use assets). Consequently, less certainty and a higher degree of caution should be attached to management's valuation than would normally be the case. The C&AG's audit opinion was not qualified in respect of this matter as the valuations were prepared reasonably using the information available at the time.

The Departmental group's right of use assets were downward revalued or impaired by £999 million (42%) and its investment in the BBC's commercial holdings downward revalued by £318 million (20%) at 31 March 2020. Other financial assets related to the BBC and in particular their refinancing of New Broadcasting House also dropped in value by £49 million (11%).

The NAO's Covid-19 cost-tracker is available [here](#).

### **The Department's expenditure (notwithstanding impairments on its assets) will continue to grow as the Department supports the economic recovery from COVID-19 and spends on other priorities.**

- In the 2020-21 period there was a significant increase in the funding of arts, heritage and charity organisations as a result of COVID-19. Additional support includes the Culture Recovery Fund, charity support package and sports support package.
- Spending on Broadband Delivery UK (BDUK) programmes will increase. In the 2020 Budget statement, the government confirmed its commitment to invest a total of £5 billion on rolling out gigabit-capable broadband in the most difficult to reach areas of the UK. In November 2020, the government announced £1.2 billion of spend for the roll-out from 2021-22 to 2024-25.
- Spending on the Birmingham Commonwealth Games organising committee will also increase.



## Managing Public Money *continued*

**The Department has, however, consistently spent less than its budget. In 2019-20 the Department spent £619 million (6.53%) less than budgeted as a result of the following:**



The BBC had an underspend of £233 million. Of this, £200 million related to lower borrowing and lease requirements by BBC's commercial subsidiaries.



Impairments of assets and provisions expenditure (for example, for the outcome of legal cases against bodies in the Departmental group) was £88 million lower than expected.



Museums and galleries sponsored by the Department underspent by £87 million due to lower depreciation on assets, additional income and other operational savings. Museums and galleries also spent £28 million less capital expenditure than forecast.



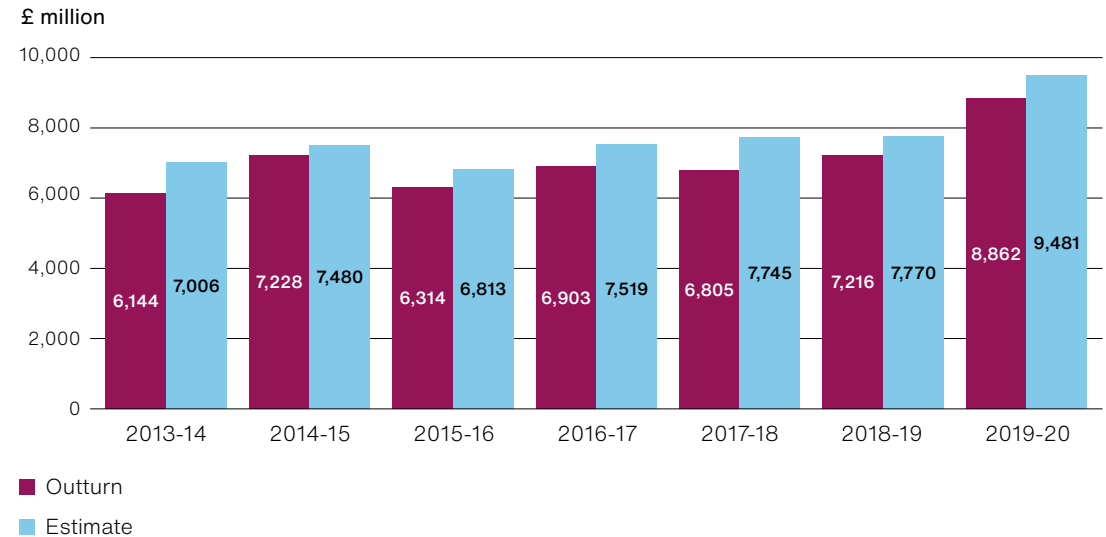
£47 million underspend supporting the Broadcasting and Media sector and sponsored bodies, the majority of which is due to delivery delays on digital programmes.



The underspend was also partly as a result of overprovision for accounting treatments (including the new treatment for leases), as well as lower than anticipated net expenditure in museums which have greater discretion over their own budgets, and therefore not solely within the Department's control.

**Figure 3:** The Department for Digital, Culture, Media & Sport's total expenditure versus Estimate (budget)

The Department has consistently spent less than its budget



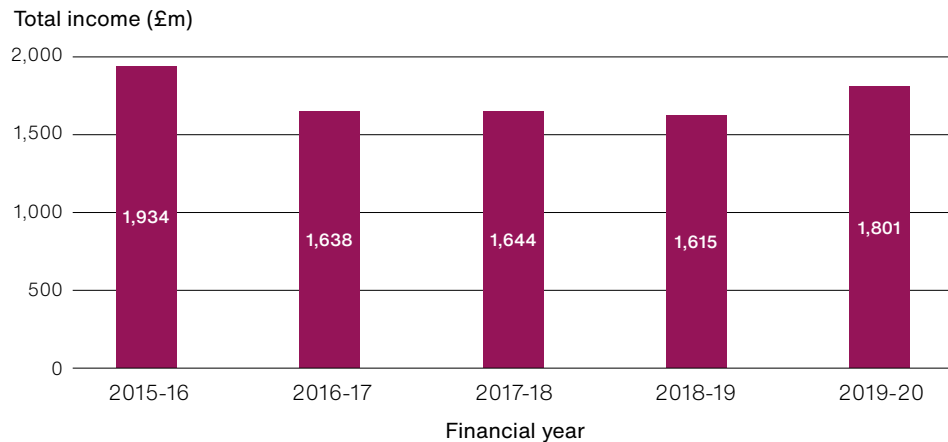
Source: National Audit Office analysis of the Department for Digital, Culture, Media & Sport Annual Reports and Accounts 2013–2020

## Funding for good causes: the National Lottery

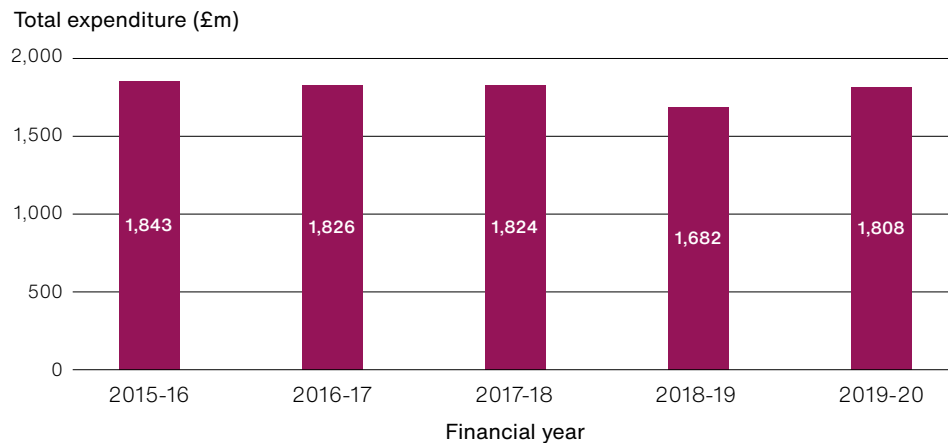
# £1.8 billion

distributed to 12 Lottery Distribution Bodies by the National Lottery Distribution Fund in 2019-20.

**Figure 4:** Total lottery income over time



**Figure 5:** Total drawdowns by Lottery Distributing Bodies over time



### Lottery income in 2019-20

Factors contributing to this year's success include:

- the unusual EuroMillions rolls series in autumn 2019 where the maximum jackpot amount was reached and continued to rollover for several weeks without a winner;
- the new 'Set for Life' game performing significantly above expectations;
- the increased publicity around the National Lottery's 25th Birthday in November 2019; and
- additional marketing and advertising spend.

### Lottery expenditure in 2019-20

- Of the £1.8 billion, 40% was distributed to the National Lottery Community Fund, 20% to the National Lottery Heritage Fund, 20% to arts distributing bodies and 20% to sports distributing bodies;
- 30,204 projects have been funded by the National Lottery Community Fund, with 57% of grants going to groups never funded before; and
- the National Lottery Heritage Fund launched its new Strategic Funding Framework, a five-year, £1.2 billion investment programme, to support and enhance heritage across the UK.

### Latest developments

- The current licence to run the National Lottery comes to an end in 2023. Last year the Gambling Commission launched the competition for the next licence.
- Despite an initial 18% hit to sales at the start of the COVID-19 pandemic Camelot has reported only a 1.7% decrease in sales for the first half of 2020-21, citing a shift to digital advertising and sales for strong performance.
- The Department is monitoring the impact of the COVID-19 pandemic on lottery sales.
- Good cause returns this year have been better than expected despite the COVID-19 pandemic.
- National Lottery distributors have delivered £1.2bn of funding for projects across the UK to help cope with the challenges of COVID-19.

## The Department's response to COVID-19

### The COVID-19 pandemic presented substantial risk to the sectors of the UK economy which the Department oversees

Some key examples of the impact of the pandemic on the UK's cultural economy:

#### Arts and entertainment

The Music Venue Trust has estimated that 93% of the grassroots venue network faces permanent closure. The National Arenas Association projects that the 23 UK arenas it represents lost almost £235 million worth of ticket sales over a six-month period. UK Music estimates that 90% of all festivals in 2020 were cancelled. The Association of Independent Festivals reports that 92% of its members face permanent collapse and that 98.5% are not covered by cancellation insurance.

#### Sport

The England and Wales Cricket Board has estimated that COVID-19 could cost the game as much as £380 million through lost income. The British Horseracing Authority estimates that racing is expected to lose around £100 million. The Rugby Football Union had lost £15 million in revenue by the end of July 2020, with further predicted losses of up to £107 million. At the grassroots level, in December 2020 UK Active reported that nearly half of the UK's leisure centres risked being closed for good.

#### Digital

During the pandemic, there has been an unprecedented increase in daytime demand for internet services as more people work and study from home and keep in touch with friends using video conferencing tools. In March 2020, the Department agreed measures with telecoms companies to support vulnerable consumers through the COVID-19 pandemic. Measures included lifting data allowance caps and working with customers who found it difficult to pay their bill because of the pandemic.

#### Charities

The Covid-19 crisis has resulted in many charities, especially those working with vulnerable persons, facing increased demand for their services. More than 70% of charities surveyed by the Directory for Social Change reported that without financial support they would "go bust" before the end of 2020.

### The Department changed the way it worked to adapt to the pandemic

In response to the pandemic, the Department restructured by establishing a COVID-19 hub to coordinate its response and temporarily reallocated around 50% of staff.

### The Department also responded by introducing a number of schemes and strategies to support the cultural and sporting sectors

The Culture Recovery Fund (CRF). The Department announced a £1.57 billion rescue package for arts and cultural heritage on 5 July. This included £1.15 billion for cultural organisations in England to be delivered through £270 million of repayable finance and £880 million in grants. An extra £300 million investment in the CRF was announced as part of the Budget in March 2021.

National Lottery distributors have delivered £1.2bn of funding for thousands of initiatives and programmes designed to tackle loneliness and isolation, provide support for the elderly and vulnerable young people, and those promoting physical and mental health in the community.

A £750 million support package for charities for the continuation of their work. The government also unlocked £150 million from dormant bank and building society accounts to help charities, social enterprises and vulnerable individuals during the COVID-19 outbreak.

A £500 million scheme was established to compensate film and TV productions after they have restarted, when costs are incurred due to delays or abandonment as a result of the COVID-19 pandemic. This will be a temporary measure, compensating for losses until 30 June 2021.

A Sport Winter Survival Package worth £300 million to support through winter those spectator sports impacted by coronavirus restrictions. A further £300 million investment to support sport reopening was announced in Budget 2021.

The Events Research programme (ERP) will explore ways to enable people to attend a range of event settings and venues safely and will provide evidence to inform the government's decisions around step 4 of its roadmap to lifting the COVID-19 lockdown.

## The UK's exit from the European Union

**On 31 January 2020 the United Kingdom left the European Union (EU) and, under the terms of the Withdrawal Agreement between the UK and the EU, entered a transition period during which existing rules continued to apply. New rules on trade, travel and business between the UK and the EU came into place on 1 January 2021.**

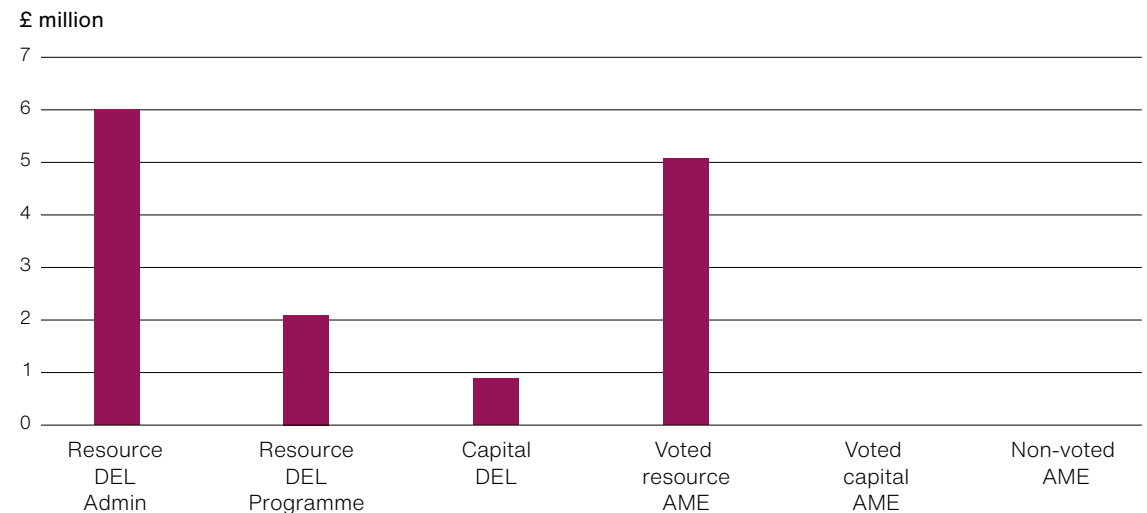
As set out in its Single Departmental Plan, the Department has an objective of helping to deliver a successful outcome to EU Exit.

To achieve this, in 2019-20 it reported that it:

- **worked to ensure that the Department, its sectors and public bodies were prepared and ready for leaving the EU** by preparing legislation and delivering targeted engagement activity for key stakeholders in the tech, civil society, tourism, creative industries and cultural sectors;
- **prepared for and took part in negotiations on the EU-UK Trade and Cooperation Agreement (TCA)** on digital trade, telecoms, data protection, cyber security and cultural property;
- **prepared for negotiations about a future relationship;**
- **supported negotiations and domestic delivery of EU Exit by** coordinating across government for EU Exit negotiations and assisted in influencing EU institutions and member states on Department policies;
- **sought to provide global leadership on digital trade** – the Department reported that it developed ambitious provisions for its sectors in future trade agreements with other countries, ensuring stakeholder objectives are integrated into its trade policy and negotiating objective; and
- **ensured operational readiness for a non-negotiated outcome** – the Department undertook a prioritisation exercise and, between July and November, moved over 180 staff to preparedness roles.

## Resources allocated to EU Exit preparations

**Figure 6:** Net group expenditure on EU Exit 2019-20



### Notes

- 1 The government budget that is allocated to and spent by government departments is known as the Departmental Expenditure Limit, or DEL.
- 2 Annually managed expenditure, or AME, is more unpredictable or difficult to control as it is spent on programmes which are demand-led – such as welfare, tax credits or public sector pensions.

Source: *Department for Digital, Culture, Media and Sport Annual Report 2019-20*

**In our March 2020 report, *The cost of EU Exit preparations*, we set out that the Department spent £54 million between June 2016 and January 2020 on its work to support EU Exit.**

## Staff and pay

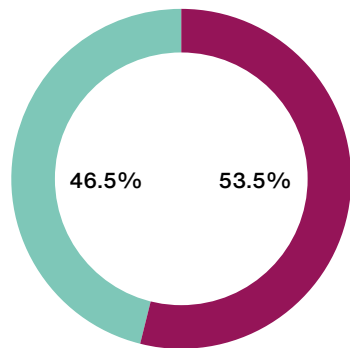
### Between 2018-19 and 2019-20:

- the Department's core staff pay bill rose by 18.4%. In part, this is because the number of staff grew by 16.5%;
- average (median) pay in the core Department rose by 8.6% to £45,722 a year; and
- the pay bill for the Department's arm's-length bodies also increased, by 6.2%, although the number of staff grew by 0.1%.

#### Note:

- 1 The Department actively encourages staff to provide diversity data (Gender, Religion, Ethnicity, Disability, LGBT (lesbian, gay, bisexual and transgender), Nationality); however, these data are incomplete.

### Gender



■ Female  
■ Male

### Staff breakdown 2019-20 (full-time equivalent)

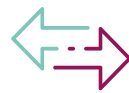
	2019-20			2018-19		
	Core Department	Arm's-length bodies	Total	Core Department	Arm's-length bodies	Total
Staff numbers	1,282	33,899	35,181	1,100	33,858	34,958
Cost (£000)	87,094	2,047,762	2,134,856	73,565	1,928,657	2,002,222

### Pay multiples in the core Department, 2019-20 and 2018-19

	2019-20	2018-19
Ratio	3.55	4.34
Band of highest paid director's total remuneration (£000)	160-165	180-185
Median total remuneration (£)	45,722	42,091

Source: Department for Digital, Culture, Media and Sport Annual Report 2019-20

### Mean Gender Pay Gap



Civil service – 2019

**9.2%**

Department – 2018

**7.5%**

Department – 2019

**5.6%**

## Civil Service Annual People Survey

**The annual Civil Service People Survey looks at civil servants' attitudes to, and experience of, working in government departments. The most recent survey was carried out during October and November 2019.**

### Key findings:

- Across the 10 aspects of employment in the survey, the Department maintained or increased its score in all but two.
- The Department's employee engagement score increased to 70% and is four percentage points higher than the civil service average.
- The ratings its employees give to organisational objective and purpose have fallen the most – the Department remains below the civil service average for this.
- The Department's score for resources and workload decreased by 1% and now sits below the civil service average.
- The Department's staff rate their teams most highly of all of the aspects of employment measured.
- The Department's inclusion and fair treatment score is up four percentage points and is now the highest of the civil service's main organisations.
- Opinions on leadership and change were the greatest area of improvement this year (up 11 percentage points).

Theme	Result in 2019 (%)	Result in 2018 (%)	Change (Percentage points)	Civil service average in 2019 (%)
 Employee engagement index	70	69	+1	66
 My work	82	77	+5	80
 Organisational objective and purpose	78	81	-3	85
 My manager	75	71	+4	74
 My team	88	84	+4	84
 Learning and development	58	58	0	56
 Inclusion and fair treatment	86	82	+4	82
 Resources and workload	73	74	-1	75
 Pay and benefits	38	32	+6	40
 Leadership and managing change	64	53	+11	58

Source: Civil Service People Survey

## Major programmes

**In September 2019, the Department had seven major projects in the Government Major Projects Portfolio (GMPP). Their progress is tracked and rated by the Infrastructure and Projects Authority (IPA). The Delivery Confidence Assessments in September 2019 are below.**

**IPA rating: Red:** Successful delivery of the project appears to be unachievable. There are major issues with project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.

### Local full fibre networks

Programme aim: To stimulate greater commercial investment in full fibre networks across the UK to deliver faster and more reliable connectivity. Whole life cost: £321 million.

### Rural gigabit connectivity programme

Programme aim: To pilot and test innovative approaches to deploying full fibre in the most difficult to reach areas where the market alone is unlikely to deliver. Whole life cost: £213 million.

**IPA rating: Amber/Red:** Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to address these problems and/or assess whether resolution is feasible.

### Birmingham 2022 Commonwealth Games

Programme aim: Delivery of the Birmingham 2022 Commonwealth Games. Whole life cost: £778 million.

**IPA rating: Amber:** Successful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.

### 5G testbeds and trials

Programme aim: To foster, build and lead the development of the UK's 5G ecosystem. Whole life cost: £233 million.

### 4th National Lottery licence competition

Programme aim: To run a competition to award the next National Lottery licence (4th), that delivers statutory duties of due propriety and player protection, while incentivising responsible innovation and maximising returns to good causes. Whole life cost: £64 million.

**IPA rating: Amber/Green:** Successful delivery appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.

### 700 MHz clearance programme

Programme Aim: To clear the 700MHz spectrum by mid-2020 for use for mobile broadband services in the future. Whole life cost: £595 million.

### Blythe House Programme

Programme Aim: Ensure Blythe House (housing the archives of the Victoria & Albert Museum) is put to its most efficient and effective use, maximise value for money and that its museums are able to care for their collections in the most efficient and effective way. Whole life cost: £210 million.

The latest picture of the portfolio will be published in IPA's annual report, July 2021.

## Emerging work and challenges for the Department



**The Department's operations were significantly impacted by the COVID-19 pandemic. As it moved out of its emergency response phase, it identified three main priorities for 2020-21:**

- 1 Driving growth: key areas of focus will be digital infrastructure and innovation and domestic tourism.
- 2 National renewal: in 2022 the UK is hosting the Commonwealth Games, Festival UK 2022 and the Platinum Jubilee.
- 3 Preservation of cultural heritage: support cultural institutions and respond to the challenges posed by COVID-19.

Alongside this, the Department is seeking to ensure that the levelling-up agenda remains at the forefront of its decision-making.



### Online harms

The government plans for new laws to make the UK a safer place to be online, while ensuring strong safeguards for freedom of expression. This legislation is planned for 2021. Ofcom, the communications regulator, will be appointed as the new online harms regulator.



### Public service broadcasting (PSB) review and BBC licence fee settlement

In November 2020, the Department appointed an expert panel to advise ministers on the future of public service broadcasting. Its remit includes considering whether the concept is still needed and the funding model sustainable.

Ofcom is also advising government on how to ensure that PSB adapts and intends to make final recommendations on this in 2021.

In November 2020, the Department and the BBC started negotiations to set the level of the licence fee from 2022-23 until at least 2026-27.

From 2022, the Department will also conduct a mid-term review of the BBC's Charter, focusing on the BBC's governance and regulatory arrangements.





## Part Two

# NAO reporting on the Department and its public bodies

Since the beginning of 2020, the NAO has published a number of reports on the Department and its associated public bodies. Key findings from these reports are summarised on the following pages.



Report on gambling regulation, February 2020.



Report on maintenance of the museum estate, March 2020.



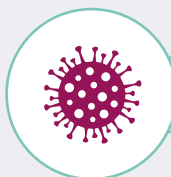
Report on improving broadband, October 2020.



Report on BBC strategic financial management, January 2021.



Report on Culture Recovery Fund, March 2021.



Report on government funding to charities during the COVID-19 pandemic, March 2021.

## Gambling regulation: problem gambling and protecting vulnerable people

We reported on [gambling regulation](#) in February 2020.

### Gambling is a significant economic activity, but has significant costs

- **£11.3 billion:** total gross gambling yield earned by gambling operators in Great Britain in 2018-19, excluding the National Lottery.
- **£3 billion:** annual government revenue from Gambling Duty.
- **395,000:** estimated number of problem gamblers.
- **£260 million – £1.16 billion:** estimated range of costs to public services associated with problem gamblers.

### Two public bodies with primary responsibility for gambling policy and regulation

#### Gambling Commission

Regulates commercial gambling in Great Britain. All gambling operators must have a licence, and the Commission has powers to set licence conditions.

#### Department for Digital, Culture, Media & Sport

Overall responsibility for gambling policy and regulatory framework. The Gambling Commission is sponsored by the Department.

### Gambling Commission's enforcement powers

#### Licensing

- Issue new licences.
- Impose conditions on licences.
- Assess changes to licences, including change of corporate control.
- Assess regulatory data returns.
- Refuse applications.
- Review licences.
- Revoke licences.

#### Compliance

- Carry out reviews and visits.
- Provide advice and guidance to licensees.
- Request corrective action.
- Operator annual assurance statements.
- Review licences.

#### Enforcement

- Investigations.
- Impose financial sanctions.
- Vary or impose conditions to licences.
- Review licences.
- Suspend licences.
- Revoke licences.



### NAO conclusions: there is room for improvements in gambling oversight

- The Gambling Commission has increased its regulatory action and its collaboration with others in the field. However, there is more that it needs to do to identify where problems are occurring and ensure gambling operators raise their standards. The Commission's ability to protect consumers from new risks is constrained by factors outside its control, including inflexible funding and a lack of data on consumers.
- The Gambling Commission is a small regulator in a huge and fast-evolving industry. Gambling regulation lags behind the industry: the Commission and government need to work together to ensure that regulation keeps pace with the risk to gamblers.

## Investigation into maintenance of the museum estate

We reported on [maintenance of the museum estate](#) in March 2020.

### The Department's museum estate is a significant tourist attraction

- **Fifteen** museums and galleries are sponsored by the Department.
- It includes high-profile and culturally significant sites such as the **British Museum, Natural History Museum** and the **Tate Galleries**.
- There were **49.7 million** visitors to these museums in **2018-19**.
- Income generated by these museums in 2018-19 totalled **£766 million**.

### Uncertainty over future funding levels has restricted the ability of museums to plan effectively

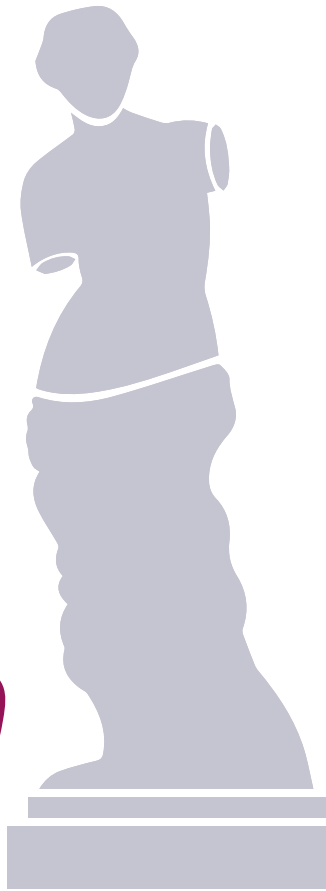
- Museums have faced difficulties getting funders to cover estate maintenance and have also seen real-term falls in grant-in-aid funding in recent years.
- The Department does not collect the information necessary to quantify the funding required and its grant-in-aid funding has not been enough to cover the amounts the museums have requested for repairs to the estate.
- Work on estates takes time to plan and organise, so uncertainty over future funding levels has restricted the ability of the museums to plan effectively.

### The Department was concerned about the condition of the museum estate

- The Department highlighted its own concerns about the estate in its 2017 strategic review, where it found a “lack of sufficient maintenance”.
- The Department’s museum risk register identified 95 risks across the 15 museums. Risks included structural instability, water damage and flooding.
- Grant-in-aid funding received by museums from the Department fell by 20% in real terms between 2010-11 and 2018-19. In recognition of this challenge, the Department allocated £71 million capital to its arm’s-length bodies in 2019-20 and 2020-21 to fund urgent estate maintenance works.

### Similar estate issues are present across government

- The challenges faced by both the museums and the Department are reflective of those we have also reported on in the wider public sector estate, including in prisons, schools and the National Health Service.
- Estimates of backlogs include: a £6.5 billion backlog of maintenance repairs in the NHS estate; a £0.9 billion backlog of major capital works in the prison estate; and a £6.7 billion backlog in school buildings.
- In the context of these estimates, the Committee of Public Accounts has expressed concern about government’s ability to make well-informed decisions about the use of limited resources available given the limitations in data held.



## Improving broadband

We reported on [Improving broadband](#) in October 2020.

### The Superfast Broadband Programme – what is it?

- Broadband is internet access that is ‘always-on’. Superfast broadband is mainly delivered through ‘fibre to the cabinet’ technology and provides download speeds of 80 megabits per second.
- Government views digital infrastructure as central to the future of the UK economy and transforming productivity.
- In December 2010, government published its superfast broadband strategy, which set an ambition for the UK to have the best superfast broadband network in Europe by May 2015.

### NAO conclusions: We found gaps in the programme and a challenging timetable

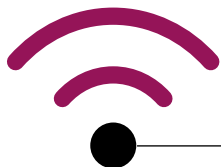
- The programme has extended the nation’s broadband connectivity and delivered benefits. The existing infrastructure has coped well with increased demand for the internet during the COVID-19 pandemic. However, the UK has a broadband network that is not fully future-proof and the government has now identified the need to upgrade it again.
- Nationwide connectivity by 2025 will be very challenging and there is still much to do. The government has applied some learning from the Superfast Broadband Programme but it has moved away from some of its more successful aspects in a bid to meet its challenging timeline.
- To deliver the government’s vision of achieving nationwide gigabit connectivity, the Department must manage the tension between meeting a challenging timeline and serving those in greatest need.

### We found the Government’s Superfast Broadband Programme helped achieve the target of 95% superfast broadband coverage by 2017 on time

- A public subsidy of **£1.9 billion** committed to support the delivery of faster broadband. **5.3 million** premises’ broadband infrastructure was upgraded. The Department estimates total clawback of **£0.9 billion** from the contracts’ value-for-money controls.
- **80%** of premises in **rural** areas able to access superfast broadband, compared with **97%** in **urban** areas. **1.6 million** UK premises currently unable to access broadband speeds of at least 30 megabits per second.
- The Department’s Superfast Programme’s 2020 evaluation estimates a return of between £3.50 and £5 for every £1 invested between 2012 and 2030.
- The programme has been extended with new contracts awarded to increase coverage. The Department now expects its contracts to run until 2024, **four years later** than originally planned. People in harder to reach areas will therefore have to wait to benefit.

### Recent developments: Broadband and the road to 5G

- In November 2020, the Government announced a revised goal for at least 85% of premises to have access to gigabit-capable connections by 2025.
- Gigabit is around forty times faster than standard superfast broadband.
- To achieve this, the government has recently announced £1.2 billion of spending from 2021-22 to 2024-25.



## The BBC's strategic financial management

We reported on [BBC financial management](#) in January 2021.

### The BBC is the UK's main public service broadcaster, but faces a significant fall in audience share

- The BBC is primarily funded by households paying the television licence fee, receiving **£3.52 billion** in 2019-20, a decline of **8%** since 2017-18.
- Only **half** of 16-34 year-olds watch BBC TV on a weekly basis. In 2019, the BBC lost its place as the media provider 6- to 15-year-olds spend most time with.
- There was a **30%** decline in BBC TV viewing between 2010 and 2019 as viewing options have increased. Research has found that people are less likely to pay the licence fee if they do not view licensable content.

### At the same time, we found the BBC faces a number of emerging financial uncertainties

- **Licence fee negotiation** with government on the level of the licence fee after 2022.
- Uncertainty on licence fee take-up by **over-75s**. As the new policy has not yet been in place for a full year, it is unclear how much it will eventually raise.
- The **COVID-19 pandemic** has weakened the BBC's financial position – in April 2020, it estimated that it would need to make additional annual savings of £125 million to offset losses from this.
- BBC also faces a number of **pre-existing commitments** which constrain its flexibility, such as funding major sporting events.

### We found the BBC responded to these challenges through efficiency savings and exploiting commercial opportunities

- A **23%** fall in cash reserves since 2017-18.
- **£1 billion** annual savings planned by 2021-22. Planned savings include redundancies.
- **Commercial partnerships** have boosted every £1 of licence fee money spent to £1.30 of value.
- However, the BBC has not always accurately **estimated its project costs**.

### NAO conclusion: good progress on savings but further financial planning required

- The BBC faces significant financial challenges as it embarks upon licence fee negotiations and its mid-term Charter review. It has made significant cost savings and has identified the need for more with licence fee income under pressure.
- As decisions about the licence fee are made, the BBC needs to develop a clear financial plan for the future setting out where it will invest and how it will continue to make savings. Without such a plan, it will be difficult for the BBC to effectively implement its new strategic priorities.

## Investigation into the Culture Recovery Fund (CRF)

We reported on the [Culture Recovery Fund](#) in March 2021. This detailed the position with the fund at the end of February 2021.

### The arts, culture and heritage sector is a significant economic sector that has been hit hard by the COVID-19 pandemic



- **£34.6 billion** direct contribution of the arts and culture industry in 2019, supporting **670,000 jobs**.
- A **95%** fall in commercial income by the culture sector. Some organisations have been closed wholly or partially since last March.
- **65%** of businesses in the arts, entertainment and recreation sector had stopped trading and were not intending to restart in the next two weeks in June 2020.

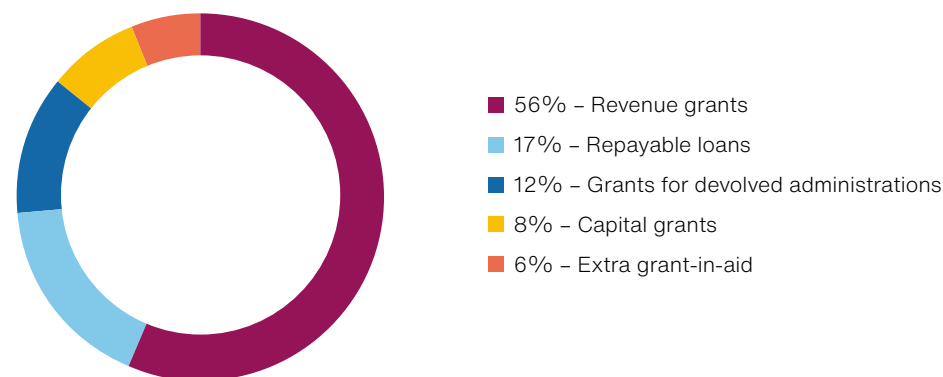
### By 19 February 2021, £830 million of CRF funding had been awarded and £495 million paid out to recipients

- **The Department considered the end of September 2020 to represent a cliff-edge** for the sector, with many organisations likely to close permanently if support was not available by then. Subsequently, it adjusted its delivery timelines as the programme developed.
- **By 2 October 2020**, £2.76 million of the £1 billion available in the first phase of the CRF in England had been awarded, 0.3% of the available funds. Grants of £3.4 million were provided through the Emergency Grassroots Music Venues Fund, which began to pay out funds by 24 August 2020, within one month of receiving applications.
- **By 19 February 2021** the arm's-length bodies administering the fund had awarded revenue and capital grants of £660 million to 3,525 organisations, and offered loans totalling £170 million to 12 applicants. It had paid out £462 million in grants and three loans totalling almost £33 million.
- Both revenue and capital grants were oversubscribed. Loans funding was undersubscribed.

### The Department responded to this by providing a range of different types of financial support

- The Department aimed to support **75% of organisations at risk** in the arts, culture and heritage sector.
- A **£1.57 billion** Culture Recovery Fund announced by the government in July 2020.

**Figure 7:** The Culture Recovery Fund comprises different types of financial support



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

### The demand for grants and loans in phase 2 is higher than in phase 1

- **A second phase of £400 million** was due to be paid out by March 2021; of which £300 million was available in revenue grants, £100 million was available as loans.
- By 19 February 2021, the Department's arm's-length bodies had received **more applications for phase 2 funding than in the first phase:**
  - 5,182 applicants had requested £646 million in revenue grants; and
  - 43 applicants had requested loans totalling £144.6 million.

## Investigation into government funding to charities during the COVID-19 pandemic

We reported on the [funding to charities during the COVID-19 pandemic](#) in March 2021. This detailed the position with the funding at the end of February 2021.

### The government provided a £750 million package for front-line charities in response to the COVID-19 pandemic

- Support targeted at those organisations in the voluntary, community and social enterprise sector providing vital **services to the vulnerable**.
- Government expected **tens of thousands of charities to benefit**, helping them meet increased demand for some services due to the pandemic. It did not intend to support or save every charity.
- Funding breakdown: **£360 million** for government departments to distribute in England; **£370 million** to be distributed through other organisations to small and medium-sized charities; **£20 million** to the National Emergencies Trust.

### Our report investigated the distribution and oversight of the £513 million of the package that the Department was responsible for

- This funding was provided to a network of **at least 198 partners, across seven schemes**. The Coronavirus Community Support Fund (provided through the National Lottery Community Fund) was the largest recipient, at £199 million.
- The Department set **objectives for each scheme** and only charities whose activities supported each scheme's objectives would be eligible for funding.
- The Department received applications for support worth **£277 million** from other government departments, **£117 million** more than it had made available.
- The Department **held back £20 million to distribute over winter**.

### The Department's progress distributing the package

- As at the end of February 2021, £454 million (92%) of the £494 million available to charities had been disbursed.
- Any funds remaining undistributed or unspent by government departments, other partners or charities after 31 March 2021 are expected to be returned to HM Treasury.
- The Department requires partners and charities to regularly submit data on the speed of disbursements, and the types of services it is supporting.

## The Department and its partners expect to award £494 million through a mix of different levels of competition

Scheme	Minimum amount to be awarded through open competition (£m)	Minimum amount to be awarded through open competition among a pre-selected group (£m)	Minimum amount to be awarded through no competition (£m)	Maximum amount for which there is an unstated level of competition (£m)	Amount available to disburse (£m)
Coronavirus Community Support Fund (CCSF)	188	–	–	–	188
Government departments	53	5	54	53	164
Community Match Challenge	43	10	28	–	80
Big Night In	8	–	2	24	34
Youth COVID-19 Support Fund	14	–	2	–	16
Loneliness Fund	<1	2	5	–	7
Voluntary and Community Sector Emergencies Partnership	–	–	4	–	4
<b>Total</b>	<b>306</b>	<b>17</b>	<b>95</b>	<b>77</b>	<b>494</b>

#### Note

1 Totals may not sum due to rounding.