

Witness Name: The Arts Council of England  
Statement No.: 1  
Exhibits: DH/01 – DH/65  
Dated: 20/10/2025

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**WITNESS STATEMENT OF THE ARTS COUNCIL OF ENGLAND**

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**In relation to the issues raised by the Rule 9 request dated 05/02/2025 in connection with Module 9, I, DARREN HENLEY, will say as follows: -**

**[References throughout this Witness Statement and its Exhibits to 'ACE', 'the Arts Council' and 'Arts Council England' shall be read to mean the Arts Council of England.]**

**The Economic impact of the pandemic on the arts and culture sector**

1. The COVID-19 pandemic (pandemic) had a significant impact on the arts and cultural sector, which includes charities, businesses, and individuals. The sector plays a vital role in the UK economy, contributing significantly to growth, employment, tourism, and national identity. The pandemic led to unprecedented disruptions to the sector, with severe financial and structural consequences (See **DH/01 - INQ000596064** and **DH/02 - INQ000596116**).
2. During the short-term (2020-2022) the enforced closure of theatres, music venues, museums, and galleries resulted in a dramatic loss of revenue, with ticket sales, donations, and commercial income plummeting. Live performances, which form a crucial revenue stream for theatres, musicians, and festivals, were either cancelled or significantly reduced in capacity, leading to severe financial losses. Buildings-based cultural organisations, such as museums, which closed due to lockdown restrictions, immediately lost their entry ticket income (general visitors, schools, groups) as well as income from broader commercial operations such as corporate events, weddings etc. Many cultural and creative-focused charities struggled to sustain their operations, as philanthropic donations declined due to economic uncertainty (See **DH/03 - INQ000596117**).
3. The cultural sector experienced widespread job losses, particularly among freelancers, who make up a significant portion of the sector's workforce. A report by the Creative Industries Federation in 2020, indicated that up to 400,000 jobs in the UK's creative industries were at risk. Many organisations relied on the government furlough scheme to retain staff, but numerous redundancies were made as financial pressures mounted (See **DH/04 - INQ000596118**).

4. The Arts Council ('ACE') launched its £160m Emergency Response Fund ('ERF') within three weeks of the initial lockdown being announced. The ERF was delivered in three 'strands' focused on individuals, organisations not receiving regular funding from the Arts Council and organisations which received regular funding through our National Portfolio or Creative People and Places programmes. Following representations made by the Arts Council and others, the Department for Digital, Culture, Media & Sport ('DCMS') announced a £1.57bn Culture Recovery Fund rescue package for cultural organisations in July 2020 to help the sector survive, and when possible, reopen. This investment was supplemented by a further £300m in June 2021 to enable a third round of the Culture Recovery Fund to provide further support to cultural, heritage and creative sectors as they recovered and reopened (See **DH/05 - INQ000596072**).
5. The Government's Coronavirus Job Retention Scheme (furlough scheme) and Self-Employment Income Support Scheme (SEISS) helped mitigate some financial distress but did not fully address the needs of all cultural workers, particularly freelancers. Additional funding and grants from local and regional bodies provided some relief but were not sufficient to prevent organisations being forced to close down and/or fully mitigate financial instability across the sector.
6. According to our own research into the contribution of arts and culture to the national economy (See **DH/06 - INQ000596053** and **DH/07 - INQ000596054**), the overall arts and cultural sector experienced a Gross Value Added (GVA) loss of approximately 23.1% in 2020, compared with a scenario without the pandemic. The music, performing, and visual arts subsector faced a GVA decline of 25.8%, amounting to a £2.28bn loss relative to the counterfactual scenario. Museums, galleries, and libraries saw a GVA reduction of 26.3%, equating to a £387m loss compared with the counterfactual scenario. These figures highlight the significant economic challenges faced by the arts and cultural sector in England during the pandemic.
7. Over the long-term (2023 and beyond) recovery has been slow, and audience confidence and attendance at live events remained below pre-pandemic levels for an extended period, particularly among older demographics and vulnerable groups.

Sponsorship, philanthropic funding, and corporate investment in the arts did not recover at the same rate as in other sectors (See **DH/08 - INQ000596119**).

8. In terms of structural changes in employment, many skilled professionals, particularly freelancers, left the sector due to prolonged financial instability and sought employment in other industries. The sector has seen an increase in short-term contracts and casual work, leading to greater job insecurity for those who remain (See **DH/09 - INQ000596120**).
9. There are increased inequality and regional disparities, with larger, well-funded cultural institutions in London and major cities more likely to recover. While smaller regional venues and community arts organisations struggle with long-term financial instability. There are also differences in recoveries between building-based organisations and non-buildings-based organisations. Organisations supporting underrepresented communities, specifically black, Asian, and ethnically diverse communities, and D/deaf, disabled, and neurodiverse people and groups, faced additional funding challenges, exacerbating existing inequalities within the sector (See **DH/10 - INQ000596077**).
10. In terms of innovation and new business models, the pandemic accelerated innovation in hybrid programming, with many organisations adopting a mix of digital and in-person experiences to reach wider audiences. Subscription models, crowdfunding, and alternative revenue streams became more prevalent as organisations sought financial sustainability (See **DH/11 - INQ000596078**).
11. The pandemic had a devastating economic impact on England's arts and cultural sector, with immediate financial losses and long-term structural changes. While government support helped mitigate some of the worst effects, many organisations and individuals in the sector continue to face significant challenges (See **DH/02 - INQ000596116**).

**The role of Arts Council England in the economic response**

12. In response to the pandemic, our role as the development agency for creativity and culture in England was to rapidly assess the potential impact, including lockdown requirements, on the sectors we support. We swiftly proposed and delivered mitigating actions to ensure the survival of as many cultural organisations and individual creative and support sector freelancers as possible.
13. We leveraged our relationships, data, and sector knowledge to design, announce, and deliver the Arts Council's ERF in April 2020, providing immediate financial assistance ahead of broader government support. Our evidence, expertise, and strong relationships with sector organisations and government enabled us to advocate in partnership with other organisations for additional targeted funding beyond ERF, resulting in the successful agreement and delivery of the Government's CRF.
14. In addition to delivering new funding through ERF and CRF, we continued our investment through our National Portfolio, ensuring that many of England's major cultural organisations could continue to operate, and adapt to the pandemic with different forms of cultural products and opportunities. As a government-funded agency, we could not furlough staff. Like many other organisations, we transitioned to distributed digital ways of working during lockdown, maintaining direct contact with cultural and sector organisations, and individual creative practitioners, and providing advice and support as they adapted to the new reality of various lockdowns and restrictions on public activity.
15. While the focus of our funding altered due to the pandemic, aiming to support cultural organisations to survive, we continued delivering this support in the context of our strategy, Let's Create, which had been launched shortly before the pandemic hit. Our business-as-usual role is defined by the vision set out in Let's Create (See **DH/12 - INQ000596055**):

*"By 2030, we want England to be a country in which the creativity of each of us is valued and given the chance to flourish. A country where every one of us has access to a remarkable range of high-quality cultural experiences."*

16. Within this context, and in addition to our ERF, we invested £150,000 of National Lottery funding in nearly 45,000 Let's Create packs – art materials and activities for children and young people experiencing disadvantage across England. We distributed these packs via regional organisations to councils, community groups, and food banks (See **DH/13 - INQ000596103**). We also invested £151,000 to help public libraries meet increased demand for digital products – this meant that £1,000 was awarded to each local authority library service in England to buy e-books and e-audio products.
17. Our 2020-21 Annual Report and Accounts provides an overview of our initial response to the pandemic, and the change of focus we undertook in response (See **DH/14 - INQ000596104**).

### **Arts Council England's collaborative approach**

18. Throughout the pandemic period we engaged proactively with DCMS, wider government, and our broader sector and other stakeholders in our role as national development agency for creativity and culture in England. Our initial response and engagement are outlined in our June 2020 written evidence submitted to the 'Response to the Digital, Culture, Media and Sport Committee Inquiry into the impact of Covid-19 on DCMS sectors' (See **DH/15 - INQ000596056**), summarised below:
19. The arts and culture sector was among the first to be severely affected by the Covid-19 crisis, with venues closing and income streams (such as ticket sales and merchandise) drying up almost overnight. ACE quickly recognised the scale of the threat, especially to freelancers and organisations with little financial resilience.
20. We rapidly repurposed our existing reserves and funding streams to create a £160 million Emergency Response Package. This was designed to support organisations both inside and outside the National Portfolio, as well as individual artists and freelancers. The package included:
- Up to £90 million for National Portfolio Organisations (NPOs) and Creative People and Places consortia.

## **M9/R9R/ACE01**

- £50 million for organisations not in the National Portfolio.
  - £20 million for individual artists, creative practitioners, and freelancers
  - Additional support for disabled and D/deaf applicants, and prioritisation for disabled-led organisations.
21. We conducted surveys of cultural organisations and individuals to assess the immediate impact, sharing these findings with DCMS to inform government policy and support measures.
  22. We provided ongoing guidance and support to the sector, signposting to government schemes (such as the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme), and relaxing grant conditions to ease financial pressures.
  23. We worked closely with DCMS throughout the crisis, keeping the department informed of the sector's needs and challenges. This included regular communication, sharing survey data, and providing feedback on the effectiveness of government schemes.
  24. Our engagement with DCMS helped ensure that government interventions were relevant to the sector. For example, ACE's input contributed to the extension of the Job Retention Scheme to organisations in receipt of Arts Council funding, including Music Education Hubs.
  25. Our Chair, Sir Nicholas Serota, joined the Cultural Renewal Taskforce set up by the Secretary of State to help reopen the sector and aid recovery. ACE also participated in other government-led groups and networks focused on the sector's response and recovery.
  26. We supported DCMS in enabling the relaxation of rules on creative tax reliefs and to extend eligibility for government support schemes. DCMS's support and speed of response enabled us to deliver its emergency package quickly.
  27. We continued to gather feedback from the sector and share it with DCMS, ensuring that support measures could be adapted as the situation evolved. This included

identifying gaps in support, such as the limited usefulness of the Business Interruption Loan Scheme for many arts organisations.

- 28.** We acted to support DCMS in assessing the impact of the pandemic on the arts and culture sector, developing potential support mechanisms, collecting, and analysing evidence and data and providing material as required to develop, and in delivery of, the CRF programme.
- 29.** Our operational relationship with DCMS was informal and focused on a core group of individuals. This was due to the shifting nature of the work being undertaken and the need for policy, data, analyst, financial, investment and specialist grant making colleagues to be included at different points. Broadly the governance and reporting structures that existed before the specified Inquiry period continued and were refocussed – therefore our National Council, Executive Board, and specialist team structures continued and maintained their links into DCMS sponsorship and specialist and policy teams. Information, data, and economic analysis was shared as the pandemic developed in support of the development of financial responses.
- 30.** Our approach to working practices and relations with DCMS shifted during the pandemic to be far more collaborative than it had been before. Compared to pre-pandemic, joint engagement on the development and sharing of information, data, and analysis between DCMS and ACE teams increased. In late 2020, the Arts Council (along with Historic England (HE) and the National Lottery Heritage Fund (NLHF)) seconded a senior staff member to the DCMS CRF team to support the establishment of the Culture Recovery Board, and engagement/ coordination across the arm's length bodies involved in delivering CRF. This facilitated increased communication and supported risk management across the programme. This secondment lasted for 6 months.
- 31.** The relationship was sufficiently transparent and collaborative as necessary and DCMS's transparency was sufficient and appropriate. Arts and culture organisations and bodies were engaged by DCMS and ACE officials in order to gather data and test propositions – for instance to understand the financial implications of closures,

organisations' approaches to staff costs and the utilisation of reserves. The level of information and data shared was at the level required to complete tasks and was of the type collected by ACE to monitor the utilisation of public funding. Engagement with the arts and cultural sector included engaging with individual cultural organisations and ensuring key and influential figures in the arts and culture sector were appropriately engaged.

**Initial learning from the culture sector pandemic response**

32. The Arts Council commissioned the development of a playbook 'Learning through the Pandemic: A playbook for the Future,' delivered by Common Vision and Creative United (See **DH/16 - INQ000596057**). The focus of this report was to capture the learning of what cultural organisations and practitioners did during the pandemic and its lockdowns. It examines how activity and practice were adapted to enable continued engagement. This adaptation allowed us and others to acknowledge, promote, and build on new and innovative practices. The goal was to share new approaches as soon as possible and make the findings available as a resource for future use.

33. The key findings from the project included that:

- the cultural sector is experimental and innovative and can rapidly pivot to delivering creative and cultural activity in the home; on the doorstep; in public spaces and online.
- those with existing strong community relationships were able to adapt more effectively and quickly.
- culture and creativity helped to tackle isolation, discrimination; digital exclusion; stress, boredom and improved a sense of wellbeing and connection.
- a first principles approach to engaging communities is important – understand your communities and ideally build trusted relationships in advance of situations like this.
- planning for how you develop new relationships and nurture new ones in this context is key.

- projects which also connected through other third sector and community partners had stronger chances of success in reaching the widest range of people – work with trusted partners if you don't already have those relationships.
- creative packs should be developed carefully to ensure everything needed is there – don't assume, especially for some groups; work strategically with partners to co-design and distribute these; design for different abilities.
- people were hungry for human-to-human connection and a sense of shared collective enjoyment and wonder – embed social connection in the process.
- digital technology is helpful, but it is a tool not an end in itself – think about the relationship first.
- a Local neighbourhood offer became even more important and public/civic spaces played a key role.
- activity benefitted from focussing on the relationship, the process, and the artistic outcome equally.

34. The groups within the sector which were identified as most vulnerable at that time included isolated older people; people in care homes; disabled people; families with young children; homeless people; people living in poverty or facing economic challenges; people in hospital or with medical conditions; people in criminal justice settings.
35. Considering our learning from the collaboration and how such a project and partnership might be improved in the event of a future pandemic: we have learnt that the cultural sector can be fleet of foot and innovative in responding to challenging situations such as a pandemic. They can engage people in a variety of ways enabling them to feel connected and creative. That culture and creativity is fundamental to supporting wellbeing and bringing people together. This has included doorstep and street performance; street art galleries in windows; collaborative community newspapers; stories and jazz singalongs over the phone for isolated older people; music in gardens including care homes; online writing and poetry workshops; online music performances to hospital bedsides; letter writing projects to people in prisons; art packs to homeless hostels; tailored sensory packs for children in special educational needs (SEN) settings.

36. Another learning was that very local public green/civic spaces such as parks (however small), beaches, town squares, even car parks and station concourses all play a crucial role in facilitating opportunities for people to come together in a safe way and experience something collective and equal.
37. We also learnt that there are resources provided by a range of bodies we could draw on to enable effective community engagement in this context – that we do not need to duplicate or reinvent the wheel – that collaboration is more effective. There are a lot of resources and links in ‘Learning through the Pandemic: A playbook for the Future’ that would be useful in any future similar situations.
38. It became clear that artists, librarians, practitioners working in this context also needed support and guidance on how to keep safe and work in a trauma-informed way – considerations over and above the practice of their craft. Ideally, they needed support to process sometimes difficult experiences.
39. Improvements might include additional support for the sector practitioners and team members working in challenging settings and situations; building in time to rest and recover; investing in staff skills and digital infrastructure; build more inter organisation professional communities for support including peer learning.

**Engagement with Government bodies and other partners**

40. Our primary relationship is with our sponsor department, DCMS. During this period, we also engaged with other government departments, including HM Treasury and the Cabinet Office, typically through DCMS. We maintained close collaboration with the Department for Education (DfE), particularly in delivering the Music Hub programme during the pandemic, addressing the challenges posed by school closures in providing music education to children and young people. Additionally, we worked with the Home Office on quarantine exemptions for performers and cultural professionals traveling to and from England.

41. We also worked closely with other DCMS arm's length bodies (ALBS) – particularly the British Film Institute, Historic England, NLHF and Sport England. We also engaged with sector bodies as necessary such as UKTheatre, National Museums Director's Council, Association of Independent Museums, and the Local Government Association.

**Relationship with Devolved Administrations**

42. We maintained a collaborative and cooperative relationship with colleagues and partners across the UK, reflecting our shared interests, history, opportunities, and challenges. The CEOs of the four UK arts funding agencies (Arts Council England, Creative Scotland, the Arts Council of Wales, and the Arts Council of Northern Ireland) meet four times a year and share information about developments within the four national arts and cultural sectors and relationships with governments and other stakeholders. These meetings took place before, during, and following the pandemic.

43. In addition to the regular CEO meetings, the international teams of the four agencies began to meet monthly from early in 2018. The meetings included Directors/Heads of International and their senior managers. The focus was on addressing the ways in which the UK's changing relationship with the EU was affecting international collaboration (touring, exchanges, co-commissioning, networking, cultural property, export licencing) with and beyond the EU. During the pandemic, these meetings focused on three key impacts – COVID-19, Brexit, and the Climate Crisis. Being able to share information and policy-development themes across the four nations was a valuable resource.

44. These regular communications, which continued throughout the pandemic, enabled an important forum during the pandemic. The engagement enabled us to share information with each other about the varied funding packages that we were considering and delivering, and to coordinate our support to Government departments as they considered what direct support was required to support the cultural sector.

Once the CRF was announced, funding was distributed across the UK with funding allocated to each home nation according to the Barnett formula.

45. Due to this constructive dialogue across the four nations, UK-wide arts collaborations with international partners were developed and instigated, including Cultural Bridge with Germany; Magnetic with France; a Four Nations International Collaboration Fund; and Arts Information Point UK (See **DH/17 - INQ000596058 and DH/18 -INQ000596112**).
46. These UK-wide collaborations levered investment from international partners which would not have been accessible to any one of the four nations operating separately. In some instances, the UK was and is perceived as a stronger partner than any one of the four nations.
47. The UK-wide approach also enabled network development with other similar multi-nation entities (the Nordic Culture Fund; the Baltic Culture Fund). Since the pandemic, this approach has levered co-investment from the Nordics, and we anticipate future collaboration through co-investment in the future.
48. The limiting factors to further partnership working across the four UK funding agencies were (and continue to be) human resources and budgets, rather than differences of aspiration. The four nations share a common approach to the value of international collaboration: that it is vital to artistic development in-country; that it offers audiences and participants transformative experiences; that there are secondary soft-power and economic benefits.
49. In addition to the activity described above, the Arts Council delivers Museum and Cultural Property functions on behalf of government and in collaboration with developed administrations.
50. The Museum Accreditation and Museum Designation programmes are delivered in collaboration with our UK partners which including the Northern Ireland Museums

Council (NIMC), Museums Galleries Scotland (MGS), and the Welsh Government (Culture Division) (WGCD).

51. With our UK partners at NIMC, MGS and the WGCD, we joined up in support of museums' survival during extended periods of lockdown around our approach to managing the Accreditation Scheme, the baseline standard for UK museums.
52. Museum Development partners in England also worked with NIMC, MGS and WGCD on making the case for, and distributing emergency funding from The Art Fund to museums across the UK.
53. We deliver our cultural property services through a service level agreement with DCMS, to the benefit of museums and other cultural venues across the UK. While culture is devolved, we administer the schemes on behalf of the Devolved Administrations. Our partners in the Devolved Administrations are Scottish Government, Welsh Government and Northern Ireland Assembly, rather than the arts councils or equivalent. Until lockdown our processes – from issuing export licences or government indemnities, to managing acceptance in lieu cases – were almost wholly paper-based. Overnight (or in the case of export licencing within a few weeks) we had to translate these into online equivalents to maintain delivery. These did not impact on or change our partnerships with the Devolved Administrations.
54. Collaboration across the four UK nations has some challenges, primarily because culture is devolved and there are differences of funding policy and strategy across the four nations. This is why we considered, and consider, the engagement noted above is so important. Considering international matters, the four nations have more common cause, and this has included closer cooperation between the four nations in building international partnerships since Brexit.

#### **Understanding the economic impact of the pandemic**

55. We drew on a number of external data sources during the pandemic to help us fully understand the impact on the arts and culture sector. These included ticket sales data

and audience data. Examples include insights from Indigo research, Audience Agency and Spektrix into organisational challenges, audience behaviour, and overall financial losses.

56. The Arts Council conducted several surveys to measure and understand the impact of the pandemic on the arts and cultural sector during the specified period, including:

April 2020 - Coronavirus Impact Survey (See **DH/19 - INQ000596059**)

May 2020 - Coronavirus Impact Survey 2 (See **DH/20 - INQ000596060**)

April 2020 - Coronavirus Impact Analysis – Individuals (See **DH/21 - INQ000596061**)

April 2020 - Coronavirus Impact Analysis – Organisations (See **DH/22 - INQ000596062**)

September 2020 - Culture and Heritage Covid 19 Recovery - Joint survey with Heritage Fund and HE for non-CRF recipients (See **DH/23 - INQ000596063**)

August 2021: The Role of the Arts during the COVID-19 Pandemic (See **DH/01 - INQ000596064**)

June 2022: Private Investment In Culture Survey Report (2018/19 - 2020/21) (See **DH/24 - INQ000596065**)

**Developing and implementing Arts Council England's initial financial response**

57. Prior to March 2020 we had not allocated any specific funding or established a funding response in anticipation of a civil emergency. At the time we were holding healthy reserves of National Lottery funding allocated to us in our role as a distributor of National Lottery good causes funding. A proportion of this funding was allocated to the ERF, which was set up in April 2020. We were also able to move quickly to suspend our existing grant funding programmes which were no longer appropriate during lockdown and divert those budgets to the ERF. Funding received from Government as Grant-in-Aid cannot be held in reserve at the end of each financial year – any surpluses are returned to Government. Surpluses had, however, built up over time, and we were able to access these as exceptional allocations to support the funding needed in the early months of the pandemic because of the measures taken by the Government to control the spread of the pandemic. Our response was quickly enacted at the start of the pandemic, and within three weeks of the Prime Minister confirming the first lockdown, a funding programme had been established and guidance published for the ERF, with the application portal opening on 9 April 2020.

**Design**

58. The ERF was designed to provide immediate financial support to individuals and organisations in the cultural sector affected by the pandemic. The fund was announced the day after the first pandemic lockdown started in March 2020 and a month prior to furlough payments, with a total of £160m allocated. The ERF was delivered swiftly as a temporary measure, amidst uncertainty, while ACE and other organisations (e.g., Arms-Length Bodies: British Film Institute, Historic England, National Lottery Heritage Fund) made the case to, and then worked with, the Government on the development of a more comprehensive support package through the CRF.

59. The objectives of the Emergency Response Fund were to help alleviate the immediate pressures faced by artists, arts organisations, creative practitioners, museums and libraries, supporting them so they could continue to serve their communities during the

crisis, and affording them the time to stabilise and plan for the future (See **DH/25 - INQ000596066**, **DH/26 - INQ000596067** and **DH/27 - INQ000596068** for the targeted objectives of each strand (Individuals, Organisations, National Portfolio and Creative People and Places Organisations)).

60. The design and implementation of the ERF involved consultations with key stakeholders, including the DCMS. While we were unable to consult as fully as we would normally do with potential applicants, local place based teams undertook limited engagement and we engaged all English Local Authorities early on to issue a joint statement on 2 April 2020 in which we all agreed that where we invested in cultural organisations we would continue to pay their revenue grants all be it we recognised they would not be delivering the programmes we had all originally agreed (See **DH/28 - INQ000596069** and **DH/29 - INQ000596070**). However, our guiding principle was ensuring that as many individuals and organisations as possible were eligible to apply for ERF and could access much-needed funds.
61. We worked closely with DCMS in the design and delivery of ERF, which included sharing information, data, and economic analysis.
62. We designed ERF at speed, using and building on our experience and expertise as a major grant distributor, utilising existing systems and processes to maintain momentum. The guidance was simpler than any guidance we had previously issued, but we do recognise that even guidance that we see as simple could be challenging to those not used to accessing support from us and during a difficult and challenging time.
63. Through our regular dialogue with UK partners (see paragraphs 42-54) we provided detail of our developing response plans and programmes, taking into account plans, responses, and innovations across the UK.
64. The design of the ERF programme was informed by data on the immediate pressures faced by artists, arts organisations, creative practitioners, museums, and libraries due

to the pandemic. This included data on lost income, the impact of lockdown measures, and the need for financial support to continue serving communities and plan for the future. We also used existing organisation data on the shape and health of the cultural sector, which guided the design of the programme as a whole. The programme included three strands (individuals, non-core funded organisations, core funded organisations) alongside donations to sector support organisations with their own funding programmes to support freelancers who would unlikely be supported by either the ERF or Government support. The speed at which we designed and implemented the ERF programme limited our ability to consult with potential applicants and gather additional data. The availability and quality of data shaped the design of the ERF by highlighting the immediate financial pressures faced by the cultural sector. This led to the creation of a simplified application process with rapid decision-making to ensure that funds were distributed quickly to those in need (See **DH/05 - INQ000596072** and **DH/30 - INQ000596071**).

65. We had extensive experience and expertise of designing and delivering grant funding programmes to the cultural sector through our existing programmes: National Portfolio Organisations, Creative People and Places, Music Education Hubs, National Lottery Project Grants, and Developing Your Cultural Practice, as well as other more bespoke funding programmes, such as, for example, our former Grants for the Arts Programme, or the Museum Resilience Fund. We were able to deploy our existing grant making systems, process, governance, and controls, rapidly, redeploying internal capacity from paused activity (due to lockdown restrictions) to the design, implementation, and awarding of the ERF programme. When considering experience of grant making, we were able to utilise our deep understanding of the different supported artforms, and the likely impact of lockdown on their business models and work, as well as the likely support required to support individuals and communities to continue to engage with cultural provision during lockdown. Our grant funding specialists designed and implemented effective programme structures, while our externally focussed Area teams were able to provide the live context and challenges sector organisations and individuals were facing.

66. We focussed on providing immediate financial support to individuals and organisations who had, due to lockdown restrictions, lost their primary source of self-generated income. During the design of the scheme, we were mindful of additional support indicated from the government, such as the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS). We also considered responses by individual Local Authorities, national and local Trusts and Foundations, and other government schemes such as Bounce Back Loans, Coronavirus Business Interruption Loan Scheme (CBILs), and tax reliefs.
67. We were mindful that our funding for individuals would not reach everyone who worked freelance in the arts sector, and we therefore provided £6.25m of funding to organisations to support those individuals whom our funding would not reach. The organisations we supported included Help Musicians UK, Equity Charitable Trust, Dance Professional Fund, The Theatrical Guild, Outdoor Arts UK, the Society of Authors, and a-n The Artists Information Company. This support was made available in August/September 2020 following the completion of our ERF programme, and in advance of the CRF programme, to provide ongoing support to those unable to benefit from either CRF or SEISS (See **DH/31 - INQ000596105**).
68. As part of the scoping for the planned emergency response, utilising our sector and local place knowledge and expertise, as well as engagement with key stakeholder and partners, we identified the cultural organisations and individuals who were likely to need immediate support. We concluded that the entirety of the cultural sector, from organisations to freelancers, was likely to be in immediate need, and we focused on designing and launching the ERF as soon as practicable. (See **DH/25 - INQ000596066**, **DH/26 - INQ000596067**, **DH/27 - INQ000596068** for full details of eligibility for the ERF).
69. Our decision-making process was divided into three steps:
- **Eligibility:** checking that the application meets the basic eligibility criteria.
  - **Criteria Evaluation:** evaluating the application against specific criteria.
- Decision-makers received the full application and considered the impact of the

pandemic on the applicant's work, their track record in the publicly funded culture sector, and how they plan to use the funding to stabilise and plan for the future.

- **Balancing:** to ensure fair distribution of funds. This includes diversity, disability, geography, and the potential for the funding to sustain the applicant's practice.

70. Decision makers used our standard Decision-Making Tool (DMT) to record their preferences and make notes before the decision meeting. This tool helps identify applications that require more discussion in the meeting to reach a consensus on which applications should receive funding. Decision panels for the individuals fund comprised at least two staff members, one of whom was at least at the level of a Senior Manager. Decision panels for the organisations fund comprised at least three members of staff, at the level of Senior Manager and above.
71. The full criteria and process for decision making for the individuals fund can be found within **DH/32 - INQ000596074** (Decision Making Guidance for Individuals), and in **DH/33 - INQ000596075** (Decision Making Guidance for Organisations).
72. As an Arms-Length Body responsible for distributing public funds, either from National Lottery Good Causes proceeds or Grant-In-Aid, value for money is a core consideration for all our activity. The ERF guidance documents emphasised the importance of making our funding go as far as possible and encouraged applicants to check other sources of support before applying. We were clear that ERF support could only be considered where the costs identified were not covered by income received or receivable for the period 1 March to 30 September 2020, including, but not limited to: existing grants from us and other public sector funders; any earned income that continued to be received; donations from individuals, trusts and foundations; and any income received from Covid-19 emergency schemes announced by the Government. The aim was to ensure that the funding could help as many people as possible during the Covid-19 emergency. Beyond the use of grant money, the application process was designed to be straightforward and efficient, intended to take no more than half a day to complete in most cases, with the aim to minimise administrative costs.

73. The applicant guidance documents (See **DH/25 - INQ000596066**, **DH/26 - INQ000596067** and **DH/27 - INQ000596068**) outline the decision-making process which considered the appropriateness of proposed spend by applicants, as well as the grant monitoring process to ensure funds were used appropriately.

### **Implementation and Delivery**

74. As the pandemic impact grew, and lockdown was implemented, similar to all other organisations we faced significant challenges, including transitioning our staff to remote working. This was however supported by our pre-Covid-19 programme building our capability as an agile organisation distributed across England. The suspension of a large part of our pre-lockdown activity, which was no longer possible due to lockdown restrictions, resulted in capacity being freed up that was used to support the development and delivery of the ERF programme at scale and at speed. To scope this available capacity, we conducted a capacity assessment of our staff in April 2020 to consider the impact of school closures on working parents, which had a negative hours effect and we assessed the impact of less business-as-usual work with the sector, which had a positive hours effect.

75. While not easy given the impact on our own teams and the continuing need to support our funded National Portfolio Organisations (NPOs) who themselves were responding to lockdown restriction, we confirmed that we had the capacity to resource ERF, but as activity increased as we went through 2020, additional resource had to be recruited to manage CRF1,2,3 etc.

76. Eligible individuals and organisations, whether in our National Portfolio or not, could apply for ERF funding, and full details of how to apply were published in the relevant guidance documents (See **DH/25 - INQ000596066**, **DH/26 - INQ000596067** and **DH/27 - INQ000596068**). Applicants needed to answer a limited number of questions:

#### Individuals:

- Confirming the work that had been cancelled or curtailed due to the Covid-19 emergency and the income lost.

## **M9/R9R/ACE01**

- Tell us about your practice and track record.
- Outline how you will use the funding to stabilise, think, and plan for the future.

### **National Portfolio and Creative People and Places Organisations:**

- Overview of financial viability
- Confirming why support was needed and that all other sources of support had been exhausted.
- Financial attachments (budget & cashflow).

### **Organisations outside the Portfolio**

- Confirmation of losses incurred.
- Outline of organisations work and track record.
- Outlining the anticipated impact of financial support.
- How support will contribute to the Arts Council's strategy, Let's Create.
- Confirmation of any activity planned with the financial support.

77. Successful applicants were offered the grant through our online system. Once the award was accepted, the applicant provided their bank details and payment was made as soon as possible. A proportion of the grant, normally 10%, was retained until the end of the funding period and confirmation that all reporting conditions, e.g., a final report, had been met.

## **Communication**

78. We developed a comprehensive communications strategy for each of our support packages. Communications were developed at the following points of each funding programme:

- Initial financial commitment
- Guidance publication
- Application window opening
- Reminder of application window closing dates
- Application window closing

- Awards – signposting to any future rounds of funding if they had been confirmed.

We utilised the following channels to communicate these significant moments:

Internal communications

- We took a “staff first” approach at all milestones; this ensured all staff had the latest information at all times and meant they could provide the most up to date information to anyone in their personal and professional networks that had questions on the funding programmes.
- This included communicating with our National and Area Councils.

Website:

- We regularly updated our website:
  - Covid-19 support – this was the first port of call for information on both our funding, and wider news and measures. It signposted to alternative funding opportunities not administered by the Arts Council, meaning those that didn't meet the eligibility requirements for our funds could look elsewhere.
  - We designed dedicated webpages for each of our funding programmes (e.g. Emergency Response Fund, Culture Recovery Fund).
  - We updated our News pages regularly – both when there were changes to lockdown restrictions, and when there were updates to our funding programmes.
  - Our leadership team published longer length blogs throughout the period, to signpost to the sector what support was available.

Social

- We used the following social channels: Twitter (now X), Instagram, Facebook, LinkedIn, YouTube.

## **M9/R9R/ACE01**

- Content updated on our website was signposted to on our social media channels, in easy to breakdown social media copy.
- We developed threads on Twitter (our platform with most engagement, where our tweets were available to both the public and the sector who follow us) that explained the application process for each fund.
- We used the platform to reply to common social media queries, so a wider audience could see our responses.
- We provided funded organisations with an 'Advocacy Toolkit' – so they had access to the correct messaging and pre-prepared content which they could share on their own channels.

### Email

- We used our Customer Relationship Management System (CRM) to send regular updates to:
  - (a) Anyone that had ever applied for funding with us.
  - (b) Anyone that signed up on our website for our newsletter.
- Direct emails were sent when there was important information regarding our funding programmes, or when to mark application window milestones.
- The above was in addition to communications issued by our Investment Centre which contained important information about an organisation's specific application or award.

### Media & Stakeholder

- We issued national and local press releases. For the Emergency Response Fund, this was on our own, and for the Culture Recovery Fund we worked in tandem with DCMS as part of the '#Hereforculture' campaign (see the coverage reports submitted in evidence).
- We worked closely with DCMS on engaging political stakeholders, which included direct emails about the available funding opportunities to Cabinet Office, Shadow Cabinet, and all MPs. In addition, our area teams worked on local stakeholder

engagement strategies, which included Local Authorities who might not be as familiar with our work.

Webinars

- Webinars were used as a tool for information sharing, for those interested in applying, who might not have made an application to the Arts Council for funding before. These webinars were promoted on all of our social media channels, and we shared them directly with sector groups to also share with their members and networks.

79. In order to promote confidence and certainty amongst scheme users we ensured, where possible, to listen and respond directly to sector needs. The impact of the pandemic, and the development of ERF and CRF resulted in us being more proactive in listening and responding to sector needs, leading to improved communications with the sector (i.e. improvements to our website, use of webinars).

80. Focus group participants that contributed to the After-Action Review of our delivery of the Culture Recovery Fund (See **DH/34 - INQ000596090**) noted that the programme had increased the public profile and visibility of the Arts Council through local and national media, social networks and 'word of mouth' and that more people know who we are and what we do. Other participants perceived that our role in securing the CRF and acting as a strong advocate for the sector throughout the pandemic had contributed to this positive perception. As a result of these changes, the Arts Council was seen to have gained trust within the sector, built stronger relationships with stakeholders, and increased its presence.

81. Both the ERF and CRF was communicated through multiple channels and formats to ensure accessibility and clarity for all potential applicants. All guidance (See **DH/25 – INQ000596066, DH/26 - INQ000596067, DH/27 - INQ000596068 and DH/35 – INQ000596083, DH/36 - INQ000596084, DH/37 - INQ000596085, DH/38 - INQ000596086, DH/39 - INQ000596087, DH/40 - INQ000596088, DH/41 - INQ000596089**) provided detailed information about the programmes, and included

detail on our approach to access support, confirming our commitment to being open and accessible to everyone. We reproduced the guidance in different formats to meet access needs, and if these were not suitable, signposted applicants to where they could get further access support.

82. Other steps taken in our communications include:

- BSL interpreters were used for any video format content (webinars, YouTube) that we published on our social and other channels.
- Targeted stakeholder engagement with specific sector and advisory bodies, who we trusted to share information on this with their members and networks.
- We knew that individuals and freelancers were feeling economically vulnerable, so we acknowledged this in our communications, and ensured they had access to information on the funds, and how the organisations supported through these funds, would in turn, provide further opportunities for work.

83. Our Communications Team monitored activity, and log of our communications completed can be found at **DH/42 - INQ000596106**.

84. The decision-making process for the ERF programme was based on our standard approach to decision making used in our pre-existing funding programmes. While we disagree that the approach lacked transparency, we acknowledge that the scope of the programme enabled applications from organisations who may never have previously considered the Arts Council. This meant that it was likely there were applicants who were not familiar with our decision-making approach.

85. However, we acknowledge that out of 2,995 applications with 2,011 grant offers, we received one complaint of maladministration in October 2020 to the Parliamentary and Health Service Ombudsman (PHSO) in relation to decision-making transparency relating to CRF1. We acknowledge the criticism regarding the lack of transparency in the decision-making process. We agree that there were areas where transparency could have been improved, particularly in the documentation and communication of

decisions. The reasons for the lack of transparency can be attributed to several factors:

1. Exceptional Circumstances: The Culture Recovery Fund was initiated at the onset of the pandemic, in response to the need for swift action to support the arts and culture sector. This urgency led to decisions being made under significant time and resource pressures.
2. Record Keeping: The PHSO found that we failed to keep full and proper records of its decision-making process. This lack of comprehensive documentation contributed to the perception of insufficient transparency.
3. Communication: The single response provided to applicants did not include detailed supporting information to justify the decisions made. This approach, while deemed appropriate at the time, did not offer a level of detail that could have enhanced transparency.
4. Training and Information: Staff responding to complaints were not sufficiently informed or trained to provide detailed explanations, which further impacted the transparency of the process.

We acknowledge the PHSO's conclusion that while we "more likely than not provided the correct decision" for this application, the PHSO was unable to reach a full conclusion on the fairness of our decision-making due to the failure to keep full and proper records during this round of CRF.

86. The PHSO recommended a series of actions, including improving how we:  
"...communicate our decisions and how they are reached to members of the public..."  
We fully addressed and implemented the recommendations for subsequent strands of CRF, and a subsequent internal audit of our response to those recommendations concluded with an audit opinion of 'substantial assurance,' indicating we had appropriately responded to and implemented the PHSO's recommendations.  
(See **DH/33 - INQ000596075** and **DH/43 - INQ000596076**)

**Accessibility**

87. Mirroring our existing approach, we offered comprehensive access support to remove barriers to our processes and services, experienced by D/Deaf, disabled, and neurodivergent individuals, and those with poor health. Alongside adjustments relating to our guidance documents, this support takes the form of a support worker – nominated by the individual that requires support – working alongside them to remove barriers to making an application. Access support examples include note taking, helping with focus on the questions, translation into BSL and using our electronic application and grant management system, if it presents a barrier to the person applying.
88. We clearly signposted access support within the guidance for ERF, as well as in all information being disseminated more broadly (e.g. webinars, in person events, calls to our Customer Services team and emails to them during the pandemic).
89. The access support offer for ERF is outlined on page 5 of the ERF Individuals Guidance (See **DH/25 - INQ000596066**).
90. Our decision-making process included our standard approach to balancing, to support the equitable distribution of funds geographically across England, as well as in relation to types of organisations, artforms, and communities. The balancing criteria for the ERF were broadly similar between the funds, although they were tailored in relation to the applicant types, whether individuals or organisations. They were designed to ensure fair distribution of funds and included the following specific considerations:
- **Diversity and inclusion:** we considered:
    - whether individual applicants identified as disabled, have a long-term health condition, or are from an under-represented protected characteristic group.
    - whether organisations were disabled led

- Geographic spread: we considered whether the applicant is based in an area of low cultural engagement. 'Low engagement' was defined by a geographic location that fell in the bottom third of engagement as measured by the then Active Lives Survey.
- Sustainability: we prioritised applications that demonstrated how funding could help sustain the individual applicant's practice and allow them to continue working in the future.
- Artforms: we considered what artform or discipline the application related to.
- Let's Create: we considered to what extent, once the pandemic eased, the applicant could help deliver our strategy.

(See **DH/44 - INQ000596073** and **DH/32 - INQ000596074** for further detail)

91. In designing the ERF, and despite identifying £160m of funds that could be refocused, we were aware that this was likely not sufficient for the anticipated demand. This is why concurrently we engaged with DCMS and government to advocate for further investment, which later resulted in the Culture Recovery Fund. As noted above, we were also conscious that the programmes that we launched would not be able to support every freelancer working in the cultural sector. As a mitigation we provided funding direct to organisations and funds to support a range of self-employed people in the sector including technical workers and professional performers. Funding support of £6.25m (See **DH/31 - INQ000596105**) was provided to:

- Help Musicians UK: Professional music performers, composers, creators and those working in other roles requiring a high level of technical skill (teachers, producers, engineers, etc) across all music sectors including, but not limited to, classical, folk, jazz, world, and all contemporary music genres (pop, hip hop, grime, Americana, heavy metal etc).

## M9/R9R/ACE01

- Equity Charitable Trust: Criteria include professional actors, circus, aerialists, puppeteers or variety performers, and stage managers. Please note that an applicant's line of work must make them eligible for an Equity card, although they are not required to have one in order to apply. It excludes musicians, drama students, backstage staff, and amateur performers.
- Dance Professionals Fund: This fund provides financial support for professional dancers. Support is given to freelance dancers across genres including contemporary, ballet, hip hop, Black and Asian dance, including those with portfolio careers, e.g., choreography, as long as their primary role has been performing.
- The Theatrical Guild: This fund supports: any kind of stage technician or engineer; company and stage managers; stagehands; anyone involved in costume, hair, or makeup; designers and makers of sets, props, and puppets; and ushers or box office staff.
- Outdoor Arts UK: This fund will support freelancers who are particularly affected by the seasonal nature of their work, making the vast majority of their annual income in the summer months. This includes, but is not limited to, those identifying as professional and/or specialist artists (e.g. dedicated street performers, aerialists, stilt artists, project directors) and technicians (e.g. riggers, projectionists, pyrotechnicians, specialist designers and makers). This also includes outdoor programmers and bookers, technical and production staff, volunteer managers, participation, and engagement leaders.
- Society of Authors: Those eligible for this funding include storytellers, scriptwriters, literary journalists, producers, poets, translators, and book illustrators.
- a-n The Artists Information Company: This fund supports those involved in exhibition installation, for example art handlers, technicians, conservators.

We also signposted to other sources of support, such as SEISS.

### **Monitoring of support and impact of the fund**

92. The ERF played a crucial role in ensuring the financial stability and survival of funded organisations during the pandemic. The ERF provided immediate financial relief, allowing organisations to cover essential expenses such as rent, insurance, and maintenance. It also enabled them to retain key staff and avoid redundancies. Many organisations used the funding to adapt to new ways of working, such as moving activities online and investing in digital technology. This adaptability helped them continue their operations and engage with their communities despite the challenges posed by the pandemic. Overall, the ERF was instrumental in helping organisations navigate the financial uncertainties of the pandemic and emerge stronger (See **DH/05 - INQ000596072**)

93. According to the evaluation, nearly half (42%) of the research participants indicated that they would not have survived the first six months of the pandemic without the ERF funding. This suggests that the ERF played a significant role in helping organisations avoid closure during the early period of the pandemic (See **DH/05 - INQ000596072**).

### **Lessons Learned**

94. The impact of the ERF was evaluated thoroughly. Our approach and findings are outlined in the 'June 2022 Evaluation of Arts Council England's Emergency Response Fund (ERF)'. This evaluation reflects on the effectiveness and impact of the fund, specifically considering its stated objectives (See **DH/05 - INQ000596072**).

95. We also conducted an internal process review which is available at **DH/30 - INQ000596071** which highlighted several key points:

- The response to the crisis was generally well-received, with a sense of unity and collaboration within the organisation. The ERF made significantly more diverse awards than regular project grants, and the shorter, more concise application forms were welcomed for their ease of completion and review.

- The success of the process relied heavily on some staff working long hours and reviewing large amounts of information in a short timeframe. Issues with the application portal and the need for more intuitive CRM systems were also noted. The compressed timeline masked a lot of hidden work, including lengthy manual checks and data transfers.
- The review suggested several improvements for future response funds, including the use of templates for financial information, engaging a broader cohort of staff in decision-making, and ensuring stronger clarity of purpose within funds. It also recommended planning for rapid outreach and advice-giving, particularly for diverse applicants.
- The review emphasised the importance of sustaining the rapid advances in technology use, simplifying structures and processes, and building on the diverse, first-time applicants from these funds as the organisation moves into future programmes.

Overall, the ERF process demonstrated the organisation's ability to respond quickly and effectively to a crisis, while also highlighting areas for improvement to ensure sustainability and efficiency in future initiatives.

### **Developing and implementing the Culture Recovery Fund (CRF)**

96. Please see **DH/45a – INQ000596079**, **DH/45b - INQ000596080**, **DH/45c - INQ000596081**, **DH/45/d - INQ000596082**, the initial Memorandum of Understanding between the DCMS and the Arts Council relating to the establishment of the Culture Recovery Fund and **DH/46 - INQ000596099** and **DH/47 - INQ000596100** for the ACE/DCMS Settlement Letter and annexes. This document outlines the objectives of the fund and the relationship between the DCMS and the Arts Council. The MoU confirms that:

“The primary objective of this Culture Recovery Fund is to rescue cultural and heritage organisations that are at risk of insolvency...”

97. The fund was divided into a larger revenue grant programme, and a smaller capital programme.
98. In developing the Arts Council's strand of the CRF we drew upon our existing expertise and experience as a grant funder. We also applied learning from the ERF programme, and, given that the CRF revenue grants developed into a three-round programme with seven individual strands, we applied new learning to each strand as it was developed.
99. Eligible applicants could apply for CRF funding, and full details of how to apply were published in the relevant guidance documents (See **DH/35 – INQ000596083**, **DH/36 – INQ000596084**, **DH/37 – INQ000596085**, **DH/38 – INQ000596086**, **DH/39 – INQ000596087**, **DH/40 – INQ000596088**, **DH/41 – INQ000596089**. Applicants needed to answer questions relating to:
- the impact of Covid and how the organisation had managed that impact to date.
  - how any grant would support their cultural operation within a specific time period (depending on the CRF round).
  - how plans would be adapted if restrictions did not ease.
  - how they planned to ensure financial viability and sustainability for the defined period of the grant.
  - the organisation's work and its cultural significance.
  - how the organisation will use the grant to improve the diversity of audiences, visitors, participants, workforce, and governance.
100. Successful applicants were offered the grant through our online system, Once the award was accepted, the applicant provided their bank details and payment was made as soon as possible. A proportion of the grant, normally 10%, was retained until the end of the funding period and confirmation that all reporting conditions, e.g., a final report, had been met.
101. The assessment of financial resilience and sustainability, and cultural significance was built into each round, with applicants being invited to respond to prompts within

the applicant guidance and the application forms. These responses were assessed as part of the decision-making process outlined in each of the programme strands (See **DH/35 - INQ000596083**). We applied proportionate assessment expectations to different values of grant request. Lower grant requests were assessed in recommendation and decision-making panels, while larger requests received a detailed written assessment, either by internal assessors or contracted external assessors. Regarding cultural significance, we applied our internal expertise to assess the applicant's cultural significance, first in our local area teams, who were able to apply local knowledge, and, for organisations highlighting broader cultural significance (e.g., national or international, or in relation to a specific artform), our national artform leads provided additional expert commentary.

102. As highlighted in the MoU between the DCMS and the Arts Council (See **DH/45a – INQ000596079, DH/45b - INQ000596080, DH/45c - INQ000596081, DH/45/d - INQ000596082**, the Arts Council received £1.7m in funds to support the administration of the first phase of the CRF).

103. The After-Action Review of the CRF programme highlights what went well with this approach, and where lessons could be learned to support future activity. The findings of the Review can be found at **DH/34 - INQ000596090, DH/48 - INQ000596091, DH/49 - INQ000596092, DH/50 - INQ000596093**.

104. We designed and delivered, in partnership with, and on behalf of, DCMS, a programme of both revenue and capital grant opportunities and two rounds of repayable finance. Within the context of the overall criteria and requirements set out in the settlement and MoU, we ran several grant strands under the umbrella of the CRF. This included:

- CRF Capital Kickstart – See **DH/41 - INQ000596089**
- CRF (Round 1) – See **DH/35 - INQ000596083**
- CRF (Round 2) – See **DH/36 - INQ000596084**
- CRF: Continuity Support– See **DH/37 - INQ000596085**
- CRF: Emergency Resource Support (Rounds 1) – See **DH/38 - INQ000596086**

## **M9/R9R/ACE01**

- CRF: Emergency Resource Support (Rounds 2) – See **DH/39 - INQ000596087**
  - Grassroots Music Venues Fund – See **DH/40 - INQ000596088**
105. Full details of each revenue grant strand can be found in the individual applicant guidance documents referred to above and as included in the Exhibits.
106. Each of the strands was developed collaboratively with DCMS, requiring DCMS sign-off before announcement and launch. The Culture Recovery Board (the Board or CRB) had a significant role in setting the strategic approach and commenting on larger value applications.
107. The CRB was appointed by the then Secretary of State, Oliver Dowden, to oversee and support the delivery of policy requirements for the Cultural Recovery Fund (CRF). The Board was responsible for making decisions on cultural recovery loans and providing recommendations to ALB boards, including the Arts Council's National Council, for grants exceeding £1m, whether one-off or cumulative over several CRF rounds.
108. The Board reviewed cumulative grant amounts, meaning if an organisation received smaller amounts over several rounds and exceeded £1m, the Board had the remit to review those applications. The Board focused on higher-risk applications or those from larger organizations, such as National Portfolio Organisations (NPOs).
109. A Sub-Committee of the CRF Board was established with additional expertise to review CRF Repayable Finance applications (loans). This Sub-Committee made recommendations to the Board, and the Board then made decisions on those loans.
110. The Board provided an additional layer of oversight to our activity for higher value or higher risk applications by having experts review applications before making recommendations to our National Council.
111. For further detail regarding the Culture Recovery Board see **DH/52 - INQ000596101**.

112. We also delivered the CRF: Repayable Finance programme. Full details of the process and criteria can be found in the guidance documents for both rounds and the associated monitoring guidance (see **DH/51 - INQ000596094**, **DH/53 - INQ000596095** and **DH/61 - INQ000596111**).
113. We undertook a modelling in advance of each strand of CRF, taking account of data held by the Arts Council about existing applicants to our funding programmes, both successful and unsuccessful applicants. We also scoped the likely interest from non-traditional applicants which the fund would be available to support, such as supply chain organisations. These are organisations which may not deliver creative and cultural product but provide services critical to that product being successfully 'staged,' and included lighting, rigging, haulage, and services organisations.
114. For the initial strand, CRF1, our pre-launch modelling suggested 1,200 applications, and 800 awards. CRF3: Continuity Support strand was limited to applicants that had previously received CRF support. In total we received 7,028 applications to CRF1 and CRF2 combined, greater than our initial modelling. We received 1,163 applications to CRF3: Continuity Support (CS), as the eligibility criteria limited applications to previously successful applicants to either of the prior CRF rounds.

<b>Strand</b>	<b>Applications</b>	<b>Offers</b>	<b>Rejections</b>
CRF1	2,995	2,011	927
CRF2	4,033	2,276	1,556
CRF3: CS	1,163	817	312
CRF3:ERS1 & 2	671	472	191
Capital Kickstart	74	74	0
Emergency Grassroots Music Venues Fund (EGMV)	245	136	103

115. The CRF was targeted towards a wide range of cultural organisations across England, including arts venues, theatres, museums, and other cultural institutions. The fund aimed to support organisations that formed a key part of the country's cultural ecology, supporting the economy, and the country's creative talents. The guidance and application process invited applicants to explain their cultural significance, locally, nationally, and in relation to a specific artform or creative practice. In a departure from our previous grant programmes, commercial organisations providing non-direct cultural provision, e.g., supply chain organisations (lighting, rigging, haulage, etc.) were able to apply directly. In other funding programmes these types of organisations tend to be part of a broader application for theatre/carnival/festival etc., rather than an applicant in their own right. The programme was opened to these organisations because of this historic context – initially large-scale cultural product, in which they would have participated, was halted, and so an alternative approach to providing support was required. Supply chain organisations were identified as important to support because without them available to support the delivery of cultural product, that activity would be unlikely to go ahead in the future.
116. The CRF included specific sub-streams such as the Emergency Grassroots Music Venues Fund (EGMVF), which was designed to support grassroots music venues at imminent risk of insolvency (see our response to question 36 for further detail).
117. All strands of CRF were available to organisations meeting the broad eligibility criteria outlined within the guidance documents published in advance of each round.
118. Full details of which organisations received funding, including geographic spread and artform, can be found at **DH/54 - INQ000596096**.
119. Our decision-making process used our standard approach to balancing, to support the equitable distribution of funds geographically across England, as well as in relation to types of organisations, artforms, and communities. Each of the application guidance documents included a section relating to balancing and decision meetings, which outlined the approach we took in relation to equitable distribution of funds. (See **DH/35**

**– INQ000596083, DH/36 - INQ000596084, DH/37 - INQ000596085, DH/38 - INQ000596086, DH/39 - INQ000596087, DH/40 - INQ000596088, DH/41 - INQ000596089).**

120. The primary challenge to ensuring support was targeted and available to those who required it, particularly in achieving a balance between organisation types, related to who applied. To this end the grant strands were widely publicised and communicated. In addition to using our own channels for regular announcements, we developed media, and stakeholder plans at a local and national level to make sure we reached audiences our own channels would not. This was also reflected when we announced the awards from the programme and were able to demonstrate both the wide variety of organisations who were eligible to apply, and the reach of the funding across the country. We also focused on ensuring the programme was straightforward and accessible, with clear guidance and clarity regarding who could apply.

#### **Arts Council England's response through capital funds**

121. The Capital Kickstart programme was aimed at existing ACE capital grant holders who could demonstrate that a capital funding shortfall – due to pandemic related increased costs, fundraising underperformance, and/or an extended completion date – would have a detrimental impact on:

- delivery of intended project benefits outlined in their original application; and/or
- post-opening financial resilience

122. Existing capital grant holders who met the eligibility requirements were able to access the online application form on Grantium from 24 Aug 2020 to 10 Sept 2020.

123. Applicants were asked to set out: the requested amount; the time period they wished the funding to cover; the additional eligible costs that they would incur due to Covid-19; and their response to two assessment criteria, 'Making a case' and 'Financial viability'.

## **M9/R9R/ACE01**

124. We assessed the eligible applications against prompts which directly reflected the two criteria and consideration points. We then applied ratings against each criterion (Not met; Potential; Met) leading to a recommendation to fund at the full amount, fund at a reduced amount, or not fund.

125. In reaching a recommended portfolio, we applied the following balancing criteria:

- ACE's equality objectives
- Geographic spread
- Stakeholder support
- Contribution to place

126. In October 2020, our Area Leadership Group, comprising Directors from each of our five areas covering England, discussed all applications, applied balancing criteria, and recommended a portfolio to our Executive Board. Our Executive Board then discussed the recommended portfolio and made decisions on applicants with cumulatively up to £1m capital grants (including Kickstart). On 3 November 2020, our National Council met to review the Executive Board's decisions and to make decisions on those with over £1m capital funding (including Kickstart).

127. We notified applicants of the outcome by end November 2020.

128. Successful applicants to Capital Kickstart were sent a grant agreement informed by the risks flagged in the assessment process, which we then monitored against. To ensure that the buildings would be used for the grant purposes, we required grant holders to make legal commitments to us to secure the grant purpose. No Kickstart grant funds could be released until these legal requirements had been met. We continued to monitor the organisations' existing capital grants as per the existing Main Capital Grant Funding Agreements.

(See **DH/41 - INQ000596089** and **DH/55 - INQ000596097** for additional detail)

129. We anticipated a high level of demand and managed this in a number of ways including limiting applicants to existing grant holders with active grants across four specific Arts Council capital programmes. We also set a number of other eligibility criteria including whether the applicant could demonstrate an urgent need for additional capital funding considered essential to the delivery of the intended benefits outlined in their original funding application and were not applying for an amount in excess of the original grant.

130. No applicant that met the eligibility criteria was denied funding due to budget constraints. Expenditure that was considered ineligible within the scope of the fund was excluded from any grants awarded.

131. A summary of the grants awarded is noted below:

<b>Area</b>	<b>No of awards</b>	<b>Total £</b>
London	18	6,983,891
Midlands	16	5,227,717
North	19	32,590,688
South East	14	3,846,408
South West	7	10,232,630
Total	74	58,881,334

132. The Guidance for Applicants for Capital Kickstart stated we would prioritise support to existing capital grant holders who demonstrated:

- a strong contribution to the Outcomes and Investment Principles set out in Let's Create, the Arts Council's Strategy from 2020-2030 (See **DH/12 INQ000596055**)
- national reach, relevance, and impact, including the development of the artform or discipline.
- that the capital project is critical to the success and vitality of a place – in particular, its contribution to the public in places of lower cultural engagement.

- that the impact of a Covid-19 related capital funding shortfall will have a detrimental impact on the operator's financial resilience post-opening
- that all available options have been considered, and the capital plans have been tailored accordingly.
- that the amount requested is proportionate to the level of our capital investment previously offered. We will not offer an amount in excess of the original grant.
- that additional contributions to the capital funding shortfall from other partners or stakeholders are likely to be forthcoming as a result of our increased investment.

133. Our monitoring and evaluation of existing capital grants demonstrated that there would be a high demand for funding. Our Guidance for Applicants made clear that Capital Cultural Kickstart was a competitive fund, and it was unlikely that we would be able to consider providing increased financial support to every existing capital grant holder who applied. We communicated to grant holders that we might need to make difficult decisions based on the greatest need and the widest benefit to sustaining the cultural sector.

134. Prior to the pandemic, existing grant holders had committed to raising significant philanthropic funds to match Arts Council's investment. Alternative funding sources were considered by grant holders before the decision was taken to utilise our own budgets:

- Trusts and Foundations who had previously supported capital projects re-prioritised support towards other causes and other sponsors reviewed their commitments as they focused on business survival as part of the impact of the pandemic.
- Event fundraising and individual giving was hit hard by the effects of the pandemic.
- Grant holders had exhausted their reserves during the pandemic and have already secured loan finance to cover some of the funding gap.

135. Arts Council's Small Capital programme was cancelled in 2020 due to the pandemic. We concluded that – due to capacity and timescale issues – we would not be able to run an open access capital fund before the end of the financial year 2020/21. This meant we were holding £11.3m capital grant in aid which had to be

committed by 31 March 2021. The re-allocation of a portion of the £11.3m to the Kickstart programme did not therefore impact on any other of our funding initiatives/priorities.

### **The accessibility of the Culture Recovery Fund**

136. We took time to consider how the CRF programme would be accessible to diverse-led organisations and how it might address the needs of minority communities. While the eligibility criteria for the fund were set by the Government, with an initial focus solely on financial need and cultural significance, following recommendations from us, diversity was included as a funding criterion in the Culture Recovery Fund (CRF) under the initiative 'Opening up Access'. We saw this as a positive aspect of the programme and an enabler to help deliver our Let's Create strategy. While improving access and diversity were important aspects for funding, the primary consideration for CRF was the survival and financial sustainability of organisations through the pandemic.

137. While 'Opening up Access' was not considered a core criterion of CRF (i.e., applicants could receive funding without meeting this criterion), CRF revenue grants successful applicants who did not score 'met' on their revenue grant applications were required to complete a 'diversity milestone plan' as an additional condition of their grant which was reviewed during the course of the funding period. This encouraged organisations to consider and further develop their approach to diversity and inclusion, particularly those that had not previously received funding from the Arts Council and had the positive effect of maintaining the visibility of equality and diversity considerations for organisations which had not provided sufficient detail in their applications and encouraging improvement in their approach through CRF.

138. While the quality of submissions varied, some applicants submitted 'best practice' examples from which we could learn for future programmes. We identified the absence of longer-term monitoring as an area for improvement and something that should be incorporated if this approach is to be adopted in other funding programmes. CRF was

an emergency fund focused on financial need; therefore, the demand-led nature of the programme meant that existing imbalances within the sector were not targeted.

139. We also acknowledge that the CRF team and the decision-making panels could have been more diverse, and this was highlighted in our After-Action Review (See **DH/34 - INQ000596090**).
140. Organisations' consideration of equality and diversity was a feature of CRF. For the Capital Kickstart fund and the Emergency Grassroots Music Venues (EGMV) fund diversity of audiences and workforce were addressed within the funding prompts. Applicants for CRF revenue grants and Repayable Finance were asked to reflect on the impact of the requested investment on their governance, workforce, and activity.
141. We promoted CRF across our digital and social media platforms to ensure there was wide awareness of the support available, including by key diverse stakeholders. The nature and wider scope of eligibility for CRF funding also meant support was accessible to parts of the ecology that would not normally apply for Arts Council support directly. This included supply side, logistics, and ancillary service providers who would be less familiar with some of our published diversity and equality resources that have been readily available to our funded organisations.
142. All applicants applying for CRF were required to provide data on the diversity of their governing bodies and senior management teams; the extent of this varied as CRF was also open to commercial companies that might have more limited ownership structures.
143. For detail on applicant percentages and success rates for CRF, see **DH/50 - INQ000596093**.

**The Culture Recovery Board and its role**

144. The establishment of the Culture Recovery Board (the Board or CRB) and our role as loan agent was described in the National Audit Office report dated 5 March 2021 in paragraphs 4.1 and 4.2 (See **DH/56 - INQ000578203**).

145. In our role as loan agent, we provided the CRB with information to help them take a decision on whether the making of a loan should be approved. This information included the loan application, forecasts from applicants showing whether they could service the loan and a Business Review of the applicant. The Business Reviews were predominantly carried out by PricewaterhouseCoopers (PwC) or, if they had a conflict of interests, by Smith & Williamson. The reviews of some lower risk applicants were carried out in-house by us with input from staff seconded to ACE from PwC (See **DH/56 - INQ000596111**).

#### **Criticisms of the Culture Recovery Fund**

146. A criticism of the CRF was that it placed emphasis on supporting the arts, heritage, and cultural sector and not the broader creative industries, such as nightlife and music venues.

147. However, a broad range of music and music allied organisations sought support through the CRF, including both club-sector and live music venues. Following representations to Government by the Music Venues Trust (MVT), Arts Council delivered an Emergency Grassroots Music Venues Fund (EGMV) – the DCMS settlement letter associated with the fund was received by Arts Council on 23 July 2020 (see **DH/46 - INQ000596099**), with funds available in successful applicants' accounts from 24 August 2020. Through this fund £3.4m was made available to 135 music venues, representing a 59.7% success rate against a total ask of £7.3m (226 applications). We provided support to applicant organisations through early provision of a funding webinar delivered in partnership with MVT outlining the fund and the approach to apply.

148. Within the two subsequent rounds of the CRF, a further 407 music awards at a value of £104.2m were made representing 16.7% of CRF investment through these

programmes. Many more applicants within the nightlife and music venue sector applied to the CRF programme than are directly captured by these figures as the system of classification used allowed organisations to self-describe, with the majority of nighttime industry organisations (particularly those adjacent to the industry such as lighting and sound providers, event producers, arenas, sector transport providers, etc) choosing the 'not discipline specific' descriptor.

149. Throughout the CRF period, regular dialogue took place between relevant senior Arts Council officers with representatives of the broad range of sector bodies which fall within the broadly defined nightlife and music venues sector including (but not limited to): Music Venue Trust, Night Time Industries Association, National Arenas Association, Production Services Association, Concert Promoters Association, Association of Independent Festivals, Association of Independent Promoters, etc as well as other members of trade bodies UK Music and LIVE.

**Demonstrating financial viability before Covid-19 as a funding criteria**

150. We published an applicant guidance document for each round of CRF (see **DH/35 – INQ000596083, DH/36 - INQ000596084, DH/37 - INQ000596085, DH/38 - INQ000596086, DH/39 - INQ000596087, DH/40 - INQ000596088, DH/41 - INQ000596089**) and further supporting information, such as a series of FAQs. Across all rounds we assessed the financial viability of applications by asking applicants to:

- respond to a number of questions about their financial viability and the impact of the pandemic.
- provide mandatory documents, including cashflow projections, most recent management accounts, balance sheets, and financial statements. The documents required varied across the five strands as we implemented learning from each round, including applicant feedback.

151. Applicants needed to be able to provide financial statements for at least one year's operation (3-years for applications for over £1m).

152. Across all rounds assessment of the financial viability of organisations was considered in detail. This included using internal expertise for lower value applications and where the turnover of applicants pre-pandemic was below a certain threshold. When assessing higher value applications and those from larger organisations measured in terms of turnover, external experts were engaged to undertake assessment of either the financial element or the entire application. Organisations such as PwC were contracted to undertake this activity.

153. We were conscious of the impact of these requirements on smaller and/or newer organisations; however, as a public body distributing public funds, we were also mindful of the need to ensure appropriate checks and balances in our processes. Setting the requirement for the mandatory provision of a minimum of one year of appropriately certified or audited financial statements was considered to be a fair balance between ensuring the grant opportunity was accessible to a broad range of applicants, whilst managing potential risk of fraud).

**The Impact of the Culture Recovery Fund on the arts and culture sector**

154. The Culture Recovery Fund (CRF) was the single biggest government investment in the cultural sector this country has ever seen; without it, we believe that many, if not most, cultural organisations in the country would have closed as a result of the pandemic.

155. The CRF had a significant impact across the arts and cultural sector. Arts Council England was the largest delivery partner for CRF, distributing over £1.1bn in funding, providing a lifeline to over 3,500 organisations. This unprecedented investment helped preserve cultural opportunities across the country and provided stability for arts and cultural organisations, freelancers, and businesses, enabling them to survive and reopen throughout the pandemic.

156. We commissioned Centre for Economics and Business Research (CEBR) to analyse the impact of the Culture Recovery Fund (CRF) on the arts and cultural sector. The report, dated October 2020, is included at **DH/07 - INQ000596054**. DCMS

undertook full evaluation of the programme, which has been provided at **DH/52 - INQ000596101**.

157. The report identified that:

- The Arts and Culture sector experienced a significant loss of Gross Value Added (GVA) due to the lockdown, with a 23% decline in 2020 compared to a projected scenario without the crisis.
- The hardest-hit subsector was music, performing, and visual arts, which saw an estimated GVA loss of £2,280m.
- DCMS introduced a £1.57 billion Culture Recovery Fund to support the sector, with the Arts Council managing £825 million of this fund.
- The CRF aimed to sustain the viability of businesses that were not in financial difficulty before the pandemic and help them resume operations in 2021.
- The fund's impact is expected to be more significant in the following years, with the sector's GVA projected to recover to pre-COVID-19 levels by 2022 and reach £15,230m by 2025.
- The CRF is anticipated to support approximately 30% of firms in the sector that would otherwise be at risk.
- The cumulative net GVA impact of the CRF is estimated to be approximately £1,400m over 2021 and 2022, considering direct, indirect, and induced effects.

These findings highlight the critical role of the CRF in mitigating the economic impact of the pandemic on the Arts and Culture sector and supporting its recovery.

**Arts Council England's role in assessing the risk of fraud and error.**

158. We considered the risk of potential fraud in advance of each CRF grant programme in dialogue with DCMS and Cabinet Office. We considered key fraud risks, controls, countermeasures, residual risks, risk scores, and future planned activity for each scheme. We utilised the services of a Government Internal Audit Agency (GIAA) Senior Internal Auditor to assist us.

159. Each grant that was awarded was treated in a similar manner. The larger proportion of the grant (90% for CRF1 and CRF2, 70% for CRF3: Continuity Support and both ERSF rounds) was paid with the initial payment, once initial checks had been completed. The final payment was made once the grant recipient had provided, and we had reviewed, a final report and an independently certified copy of the grant income and expenditure. In some cases where there was greater risk identified, an interim payment was included, splitting the initial payment.
160. Spotlight checks, which confirmed whether organisations remained active prior to releasing funding, that Companies House submissions were up to date, and to identify any other potential concerns that required action before funds were distributed, were completed for all rounds of CRF grants. Spotlight checks were conducted twice per grant round, pre-offer, and pre-award. Where concerns were identified, for example where Companies House submissions were not up to date (a criteria all applicants had to meet for eligibility purposes), conditions were applied to the grants meaning no funding would be released until the conditions were met.
161. Applying learning from earlier CRF grant rounds, we purchased additional services through our internal auditors for CRF Grants rounds 2 and 3, which provided intelligence on the financial health of each organisation. This data was reviewed prior to the awarding of grants to provide assurance that the grant recipients were in good financial health, and to highlight where this may not be case and therefore a grant offer may need to be reconsidered.
162. We also purchased additional functionality for CRF3 through the Cabinet Office's National Fraud Initiative (NFI) which again provided valuable intelligence regarding organisations' activity and financial health. It provided access to Experian's Bank Wizard Absolute which verified that the bank account provided by the applicant matched the applicant/ organisation name.
163. During CRF2, Government extended the Coronavirus Job Retention Scheme, which, similarly to CRF Grants, provided organisations with funding to cover staff

costs. This meant that there was a risk of double funding. Initially, we attempted to utilise the measures set out in the Digital Economy Act 2020 to obtain CJRS data from HMRC to compare with our CRF data. However, approximately seven months into this process the activity ceased as HMRC were unable to provide a timeframe for the data (with an estimate of up to a year for the data to be provided) and HMRC were also unable to confirm costs for providing the data. As an alternative we issued a CJRS-related questionnaire to all relevant CRF recipients to identify which organisations had received double funding. Following this, we were able to identify double funding leading to the recovery of more than £7m.

164. All CRF grant recipients were required to provide a final activity report form detailing their grant expenditure. Grant recipients who received over £50k were also required to provide an income and expenditure statement, certified by an independent, qualified accountant. Both sets of reporting were required to enable the release of the final payment after a thorough review.

165. The Fraud Risk Assessment (FRA) informed the Post Event Assurance (PEA) work which took place towards the end of each CRF Grants round. PEA was an extensive piece of work that spanned over approximately 18 months; PEA's key purpose was to provide assurances that funding had been spent appropriately or withdraw grants and reclaim monies if this was not the case. More detail is set out below.

166. There were a total of 88 CRF-related third-party allegations received, all of which were investigated. Eight CRF grants were withdrawn as a result of a fraud investigation, totalling £1.1m. One case of confirmed fraud was identified.

167. We are currently (as at September 2025) working on two projects aimed at identifying potential fraud or error. The first is being led by DCMS which focusses on conducting checks against the turnover figures declared by applicants within their CRF applications, to establish if applicants had misrepresented their turnover in order to secure funding, or more funding than they should have been entitled to. We have provided DCMS with the turnover data and DCMS are utilising the measures set out in

the Digital Economy Act to obtain the same data from HMRC and cross-reference to identify discrepancies. The second project also utilises turnover data and aims to identify potential error, specifically, if ACE provided more funding to grant recipients over and above the 25% annual turnover guideline limit. Both projects are ongoing.

168. We worked with the Cabinet Office Government Grants Management Function (GGMF) to help develop our CRF-related fraud risk assessments and plan the post event assurance work.
169. We identified one case of confirmed fraud, whereby the applicant organisation had ceased trading prior to submission of their CRF application. The grant offer was withdrawn prior to the release of any funds.
170. There were seven additional CRF withdrawals that were prompted by our Counter Fraud Team. These were all for breaches of CRF Terms & Conditions (predominantly failure to provide evidence of grant expenditure) but fraud was not substantiated. The seven additional withdrawals totalled £891,902.
171. We undertook a Post Event Assurance (PEA) process across all CRF Grants programmes from June 2021 to November 2022. A total of 526 organisations were reviewed (approximately 10% of the total number of grants), totalling £89.5m in grant funding. No cases of fraud were substantiated and only one case of applicant error identified during CRF1, totalling £4,471 which was repaid by the grant applicant. After extrapolation, the total error rate sat at 0.009% across the entire CRF grant programmes.
172. Our internal auditors audited each round of CRF PEA, awarding “significant assurance received” for all rounds. The National Audit Office (NAO) also completed a degree of auditing against CRF PEA and noted that ACE had “set the standard” for PEA.
173. We have identified only one case of confirmed fraud across the entire CRF programme, which did not result in any financial loss. As a result, we are confident that

we utilised controls and processes appropriately and successfully. Ideally, there would have been more time to consider enhanced fraud prevention controls before funding was released, however due to the immediacy of the challenge of the pandemic and the fast-paced delivery timescales, this was not possible. This was why we operated on a detection-led approach, utilising post event assurance as a key activity to identifying potential fraud and/or error. The low fraud rate was a testament to ACE's management of financial risk, alongside the successful recoveries made because of the CJRS double-funding issue.

**Other economic support schemes and the arts and culture sector**

174. The Coronavirus Job Retention Scheme (CJRS) was a significant factor in supporting the culture sector to remain afloat, particularly before the introduction of the Culture Recovery Fund. The DCMS-commissioned evaluation of the CRF shows that, excluding CRF funding, the CJRS was the second most common form of support accessed. Research from the Creative Industries Policy and Evidence Centre (See **DH/57 - INQ000596102**) shows a significant decline in both filled jobs and working hours during the pandemic.

175. An October 2021 House of Lords briefing states that: "On 23 March 2020, approximately 325,300 people employed in the arts, entertainment and recreation sector were on furlough under the CJRS. The largest number of people employed in the arts, entertainment, and recreation sector—which includes sports and visitor attractions—and on furlough under the CJRS was 455,100 in May 2020. The latest available data for claims made under the CJRS reveals that the arts, entertainment, and recreation sector provisionally had the joint-highest take-up rates of furlough of all the sectors (12%) as of 31 August 2021." According to the Office for National Statistics (ONS) figures, in Q2 2020, there were 985,000 jobs in the arts, entertainment and recreation sector.

176. We are aware of some instances where the CJRS scheme did not provide sufficient support for practitioners; for example, for very small organisations (i.e. one or two people) and freelancers who operated through a limited company, furlough was

not an option if they needed to continue working to keep the business afloat, but they were not able to access other Government grant support.

177. It is also common in the culture sector for workers to have multiple short-term PAYE contracts, either full-time or part-time, which make up their income over the year alongside self-employed contracts. This meant that some people could not access the CJRS scheme (or received very little income due to the part-time nature of their employment) but also could not access the SEISS as their self-employed income was not more than 50% of their overall income.
178. Average earnings in the culture sector are low, so even for those who were able to benefit from the CJRS, it may not have removed all financial pressures.
179. The impact of the pandemic upon cultural freelancers was significant, with major income losses and the loss of work/contracts being the two most frequently cited issues in a sector survey we carried out in April 2020. The announcement of the SEISS was therefore welcome.
180. At the time of this initial survey, the SEISS was not yet open for applications, but approximately 57% said they expected to be eligible for the scheme, with 15% saying they weren't sure and 26% stating they were ineligible for the scheme. Our follow-up survey in May 2020 found that all survey respondents had applied to at least one of the available support schemes, with 59% stating that they had applied to the SEISS.
181. HMRC data from June 2020 showed that of the 99,000 eligible self-employed people classified as 'arts, entertainment and recreation', 72,000 (73%) had claimed the SEISS grant. This was just 3% of total claims to the SEISS at the time. This cohort size seems small in comparison to DCMS sector estimates, which suggested that in 2019 there were 332,000 self-employed jobs filled in the culture sector alone.
182. The same House of Lords briefing from October 2021 states that: "Under the SEISS, a total of 35,000 claims for those in the arts, entertainment and recreation

sector had been made under the fifth tranche of grants, up to 15 September 2021. This represented a take-up rate of 36% of the eligible population in the sector.”

183. There were eligibility criteria for the scheme which applied to freelancers from all sectors, but we found that some of these were barriers to access for cultural practitioners. Due to the high volume of freelancers in the creative and cultural sectors, this therefore had a more acute effect on the cultural sector than perhaps it had on others.

184. Barriers to access were broadly split across three categories:

1. Income requirements: The grant calculations were based upon profits rather than turnover. Many sector freelancers do not make a profit (some make a loss) on their freelance income, and where they do make a profit, for many it was not high enough that receiving 80% of their income would make a significant difference to their financial situation. The maximum profits threshold to be able to access the scheme was £50,000, with no support available if profits averaged £50,001 or more. This was likely to be more of an issue in London and for single-income households.

2. Personal circumstances:

- For those who had taken time away from self-employment for personal reasons (parental leave, carer’s leave, sickness, or other personal circumstances), there was a gap or substantial difference in earnings which impacted the amount calculated towards the final grant.
- New graduates who had been self-employed for less than a year were not eligible for the scheme.
- Some individuals had been building their self-employed income to a point where they were able to take their business full-time. As they had only recently gone full-time, their previous years’ profits were lower or did not reflect their current or

potential earnings of their full-time business. This means the grant they received was not a true reflection of 80% of earnings.

- Individuals who traded as a limited company or personal service company were not eligible. Limited companies also often pay through dividends, which are not counted as part of PAYE income. Even if limited company directors had been able to furlough themselves without losing their businesses, the amount they would receive through CJRS would be very low due to most of their income being via dividends.

### 3. Eligibility criteria

- Those who became self-employed in the last 12 months prior to the pandemic were not eligible for the grant due to not trading in 2018/19.
- Many respondents to our survey told us that income from a PAYE job formed 50% or more of their yearly income, making them ineligible for the scheme. This included freelancers who take on multiple short-term PAYE jobs each year, which make it look like their self-employment income is less than 50% - but also meant they had limited, if any, access to the furlough scheme. In our May 2020 survey, roughly 20% of respondents earned over 50% of their income from another job.
- Some freelancers had not yet submitted their tax return for 2018/19, which meant they were not able to access the scheme.
- There was some confusion amongst some freelancers who were working in the UK on a visa and thought that they could not access the SEISS scheme as they were not able to access public funds. HMRC guidance clarified that the SEISS grants did not count as access to public funds.

185. We acted quickly in responding to the culture sector shutdown, announcing our Emergency Response Funds on 24 March 2020. We made 7,484 awards to individuals across two rounds of funding, totalling £17.1million, with an average award

of £2,285 per person. Applicants could apply for up to £2,500 (with an additional £500 available for access support if required). The success rate across the two rounds was 73.2%.

186. We initially made £20million available to support individuals, £16million through two rounds of our ERF and £4million donated to seven arts and culture benevolent funds. In response to the demand and strength of the applications we added a further £1.1million from our reserves to the ERF, bringing our total investment towards support for individuals to £21.1million.

187. As the pandemic continued, we reopened our two funding programmes which provide grants to individual practitioners (National Lottery Project Grants and Developing your Creative Practice (DYCP)) and adjusted our funding criteria to broaden the reach of the funds. We also significantly increased the annual budget for DYCP to enable the fund to support more practitioners.

188. While the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS), and the Bounce Back Loan Scheme were effective at supporting larger commercial organisations they were designed for, we do not consider that they provided sufficient support to organisations and individuals within the arts and cultural sector. The nature of many arts and cultural organisations meant that Trustees and/or Directors were wary of taking on debt in the context of an uncertain future. Additionally, 70% of the workforce in the sector are freelancers, who were not eligible for the loan schemes which were focused on organisations and were therefore not directly supported. Freelancers were likely supported by these schemes where organisations with which they held contracts received the support. These schemes were designed for commercial organisations and did not fully consider the specific circumstances of non-profit business models, making it inappropriate for many arts and cultural organisations to sign up for repayable instruments they were concerned they could not repay. While the Bounce Back Loan Scheme addressed some issues identified in CBILS and CLBILS, it still was not aligned with the business models of arts and cultural organisations, and the uncertainty about the future hindered their ability to commit to loans. Overall, while

these schemes provided some support, they were not sufficient for the unique needs of the arts and cultural sector, particularly for freelancers and non-profit organisations.

**The impact of broader economic support on individual freelancers**

189. We consider that government support schemes such as the CRF, Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS), and the Bounce Back Loan Scheme, did not provide adequate support to freelancers during the pandemic. Freelancers were explicitly excluded from these schemes, which were designed primarily for organisations. This exclusion meant that freelancers, who make up a significant portion of the arts and cultural sector workforce, did not receive direct financial support from these schemes. The CRF did not include specific interventions to support freelancers, as it was focused on organisations. This gap in support left freelancers without adequate financial assistance during the pandemic, which led to measures to support freelancers through other organisations (see para 91 and a focusing of other programmes of Arts Council England investment (see para 187).

**Arts Council England compliance with the Public Sector Equality Duty**

190. From the outset of the pandemic through to the peak of the first wave, evidence began to emerge of the disproportionate impact of Covid-19 on people from certain protected characteristic groups. Many of the impacted groups had already been identified as priorities both through our work on our Let's Create strategy and through previous equality impact analyses of previous investment rounds including the 2018-23 round (e.g. in relation to Race and Disability). In addition to the protected characteristic groups as set out in the Equality Act 2010, we also identified lower socio-economic groups as a priority for our wider equality, diversity, and inclusion work.

191. When developing and delivering our Emergency Response Funds, we focused on our commitment to ensuring fairer access to funding, as well as our responsibilities under the Public Sector Equality Duty.

192. Our Executive Board at its meeting on 30 April 2020 agreed a new temporary approach to respond to equality considerations for our Emergency Response Funds (See **DH/58 - INQ000596107** and **DH/59 - INQ000596108**).
193. This temporary approach enabled us to work with greater agility and speed to ensure equality considerations fully informed the design, delivery and decision-making processes for the new emergency response packages announced, recognising the need to respond efficiently and quickly to support the sector.
194. The Arts Council under normal circumstances conducts Equality Analyses to consider the potential impact of our functions, services, strategies, policies, and procedures on people with protected characteristics and we also consider lower socio-economic background as a barrier. This would be an iterative process working alongside the development of programme.
195. We recognised that there were many decisions on changes to existing/developing new policies, programmes, activities that were taking place by colleagues across the organisation during and beyond the pandemic that were happening at a quicker pace and there was a need to identify and address issues which may have an impact on our commitment to equality and diversity at an early stage. The Exceptional Equality Analysis was designed for use in such circumstances.
196. Our temporary approach continued to ensure that we fulfilled our Public Sector Equality Duty. As a result of its implementation and responding to wider sector feedback, we took account of a number of measures when designing the Emergency Response Funds to mitigate against any potential adverse impacts that had been identified. These included:
- ensuring access support was available for disabled and D/deaf applicants.
  - setting a higher application ceiling of £3k for disabled and D/deaf applicants applying for grants as individuals, to account for additional access support requirements if successful.

## **M9/R9R/ACE01**

- prioritising support for disabled-led organisations as part of our balancing criteria.
- producing the guidance in a range of alternative formats including Easy read, British Sign Language, and large print
- running two rounds for applications, to allow more time for anyone who needed longer to develop their proposal.

197. We commissioned research on the impact of Covid-19 on the cultural workforce, to look at the effects of the pandemic on people from protected characteristic groups. When we became aware of concerns that cultural sector workers with protected characteristics were losing their jobs at a higher rate than others, we shared guidance around employers' duty of care to their workforce, and in particular employees with protected characteristics (See **DH/60 - INQ000596109**).

198. We also developed temporary equality objectives to inform all our decision making in response to Covid-19, helping us to support the communities most impacted by the pandemic as well as responding to wider issues and concerns around increasing inequity and racism.

199. The objectives are:

1. Improving access to the sector for disabled, neuro-divergent and D/deaf workers, audiences, and participants.
2. Ensure funded organisations and projects improve and can demonstrate meaningful engagement with Black, Asian and Minority Ethnic workers, audiences, and participants.
3. Challenging racism and embedding anti-racism values across all the Arts Council's policy and funding decisions
4. Address specific disadvantages facing Children and Young People and Older People as a result of Covid-19
5. Improving access to creative and cultural activities to those from lower socio-economic backgrounds.

200. The data below, from the evaluation of our Emergency Response Funding shows the distribution of our funds to Black, Asian and ethnically Diverse-led (BAME was the terminology used at the time), Disabled-led, Female-led and LGBT-led organisations and individual applicants. We can see that across all the protected characteristic groups listed; success rates are higher than overall success rates and the percentage of total awards do not reflect any adverse impact.

**Table A-2: Funding awarded to BAME, disabled led, female led, LGBT led individuals and organisations**

Organisation is:	No. Applications	Awards	% Awarded	Comparison % awarded	Amount Awarded (£)	% of total awards
BAME led	2,720	2,020	74.3%	70.3% for non-BAME	13,057,528	20.17%
Disabled led	1,620	1,285	79.3%	69.9% for non-disabled	8,482,896	13.11%
Female led	7,097	5,339	75.2%	66.5% for non-female	35,324,845	54.58%
LGBT led	2,285	1,763	77.2%	69.8% for non-LGBT	10,213,579	15.78%

*Source: SQW analysis of ACE data*

**Culture Recovery Fund**

201. In administering the delivery of funding programmes for the government’s Culture Recovery Fund, we:

- Developed iterative Exceptional Equality Analyses for specific programmes (See **DH/62 - INQ000596113** and **DH/63 - INQ000596114**)
- Developed an over-arching iterative Equality Analysis of our Response to Reset programme (See **DH/64 - INQ000596115**)
- CRF2 required Diversity Milestone Plans as a final payment condition.

202. In addition to financial impact, longer term sustainability, and cultural significance questions, CRF1 and 2 applicants were asked to respond to a question relating to broadening access to their work:

*CRF1: Using the protected characteristics outlined under the Equality Act please tell us how you will improve the diversity of your workforce, governance, audiences, visitors and participants*

*CRF2: Please tell us how you will open up access by improving the diversity of your audiences, visitors, participants, workforce, and governance?*

203. Responses to these questions were used to support balancing considerations. As part of CRF2, where the response to the prompt was considered to not be sufficient with a score of 'not met', we included the requirement to provide a diversity milestone plan prior to initial payment. If what was provided was still in need of improvement, and to avoid delays to funds being distributed, we added a further requirement to submit an updated and improved plan as part of the grant recipient's final payment request.

204. Recognising the different scale and scope of CRF applicants, we provided guidance on areas or activities that might be considered in different contexts as well as reflections on the content of plans received. We did not provide a template plan, these areas included:

- **Timeframes**: effective plans included a series of milestones with different dates across the period of activity, building towards a final project completion date, as opposed to a single date when many milestones would be completed. Diversity Milestone Plans should cover at least an 18-month period from the point of award.
- **Milestones**: some plans provided narrative on the activity organisations would undertake but did not include milestones to demonstrate how that activity would be achieved. Effective plans included a series of milestones, which showed how each element of the activity would be delivered.
- **Accountability**: effective plans clearly set out who was responsible for each objective within the overall activity with a clear reporting process to or oversight from the relevant management team or board.
- **Scope**: the term diversity refers to a broad range of considerations, particularly the 'protected characteristics' as defined in the Equality Act 2010 and are not restricted

to physical access or ethnicity. Organisations should also consider the impact of socio-economic diversity. Effective plans will consider a range of activities to enable opening up access to a broad range of people, within the context of the individual organisation.

- **Relevance:** we do not expect all grant recipients to respond to both prompts. For example, a supply chain haulage company is unlikely to undertake substantial audience facing activity, and so an effective diversity milestone plan would focus on broadening the diversity of its workforce and governance. Organisations that delivery public facing activity, like theatres and museums for example, would include consideration of their audiences, as well as workforce and governance.
- **Lack of detail:** some plans included broad, generic aims and ambitions, and lacked detail regarding how these might be achieved within the context of the organisation and the timescale provided. Effective plans might include longer term ambitions, but also include a realistic, planned approach with clear milestones that show how all ambitions will be achieved.
- **Improvement:** some organisations resubmitted the text provided within the original application, which had already been deemed 'not met' during its initial assessment. An effective response would have provided an updated approach taking account of the written assessment (where relevant) or existing guidance from the Arts Council.

205. Effective diversity milestone plans were specific to the organisation or department within a broader organisation in receipt of a Culture Recovery Fund grant, with clear SMART objectives to aim towards and track improvement.

206. We did not undertake an economic impact of Long Covid and have not been asked to provide specific data in this area. We do use classifiers in our funding programmes, which include 'health' and 'disability' which would have supported balancing considerations described above.

207. Long Covid had not been fully recognised at the point that the ERF and CRF programmes were being formulated and therefore did not feature as specific health challenges in the design and delivery of the programme.

## **Lessons Learned and Reflections**

208. 2022 Emergency Response Fund Evaluation (See **DH/05 - INQ000596072**):

### Conclusions:

- The ERF was crucial in providing immediate financial support to creative practitioners and organisations during the early months of the COVID-19 pandemic.
- Nearly half of the research participants indicated that they would not have survived the first six months of the pandemic without the ERF funding.
- The funding was used for various purposes, including day-to-day living expenses, staff salaries, IT equipment, and digital innovation.
- The ERF allowed businesses to reflect on and refine their strategic plans, conduct research and development for new projects, and continue their creative practice.
- The simplified application process and rapid decision-making were appreciated by applicants, although some found the application system challenging to use.

### Recommendations:

- ACE should continue to provide guidance in alternate formats and harness digital engagement, such as accessible webinars for prospective applicants.
- The creation of a new Access Support Team to support applicants with specific access requirements throughout every stage of their application.
- Upgrading the online application portal to address applicant feedback and improve user experience.
- Sustaining the changes made during the pandemic, such as digital activity, as part of a hybrid model with in-person activity.
- Continuing to support the creative and cultural sectors through future funding programmes and building stronger relationships with applicants.

209. We have accepted, delivered, or are actively delivering on all the recommendations received.
210. An Access Support team was fully staffed by November 2022 and took over responsibilities from Customer Services and Area staff by December 2022. The team has made significant strides in refining processes to ensure responsible spending of public money, tailored support for applicants, and capturing information to prevent fraud or misuse. They have also empowered colleagues to improve workplace accessibility and promoted an anti-ableist approach within the Arts Council and beyond.
211. One of the key measures taken by the Access Support team includes introducing a requirement for a breakdown of support work and only approving requests tailored to individuals. They have also set up a referred network of 23 support workers, which has proven to be more cost-effective and efficient compared to non-network workers. Feedback from applicants and colleagues about the team's activity has been positive, with high satisfaction scores for the team's communication, response time, and overall experience.
212. However, some challenges remain, such as navigating the application portal and handling increased demand due to the team's finite capacity. We are continuing to work on improvements to the platform and intend to upgrade it from 2025.
213. Overall, the establishment of the Access Support team has led to improved accessibility, responsible spending with a clearer audit trail, and positive feedback from both applicants and colleagues.
214. We continue to provide guidance in alternative formats (e.g. large print and audio), and we are undertaking a transformation programme to improve our guidance, systems, and processes further.
215. In September 2022 we undertook an 'After-Action Review' of the implementation, delivery, and impact of the Culture Recovery Fund (See **DH/34 - INQ000596090**). This

was to ensure any improvements or learnings from our approach and activity could be captured and support the organisation's ongoing and future activities.

**Conclusions:**

- The CRF was a significant initiative that provided over £1.1bn in funding to support more than 3,500 organisations during the COVID-19 pandemic.
- The fund was successful in preserving cultural opportunities across the country and provided stability to arts and cultural organisations, freelancers, and businesses.
- The resilience and commitment of the Arts Council England staff were crucial in delivering the CRF effectively under challenging circumstances.
- The organisation demonstrated creativity, innovation, and the ability to adapt quickly to an ever-changing landscape.

**Recommendations:**

- Maintain the spirit of agility, unity, and innovation experienced during the CRF delivery and incorporate it sustainably into the organisation's ways of working and culture.
- Retain and further develop the practices that served well during the CRF period, while continuing to improve and innovate in areas where there is still work to be done.
- Use the findings from the review to support the delivery of the ambitions set for the sector in the "Let's Create" strategy.

216. In the foreword to the CRF After Action review we noted (See **DH/34 - INQ000596090**):

"As we reflect on what we have learned from CRF, we would like to acknowledge the hard work of colleagues across the Arts Council who have made these positive outcomes possible while working under challenging circumstances, both on a personal and professional level. The resilience of staff within the organisation and their

commitment to work together and deploy their knowledge and expertise to help the sector during the crisis were fundamental to achieve this.

217. This report illustrates how as an organisation we rose to meet the challenge of delivering CRF at speed with ingenuity and resolve, enabling us to provide timely support to organisations. Over the past two years we have been open to trying new things and have demonstrated creativity to find opportunities to innovate and to improve our processes. We have demonstrated the ability to learn and implement at pace and adapt to an ever-changing landscape. We should all feel immensely proud of what we have accomplished together.

218. The lessons we have learned throughout CRF can help us further understand our strengths and capabilities, and the challenges we face. As the CRF programme draws to a close, we have the opportunity to reflect on how we can maintain the spirit of agility, unity, and innovation we have experienced these past two years and incorporate this sustainably into our ways of working and organisational culture.

219. It is vital we retain and further develop what has served us well during this time and improve or innovate in areas where there is still work to be done. This is already happening across the organisation as we continue to advance our role as the national development agency for creativity and culture. The findings within this review should be viewed in this context and how they can contribute to support the delivery of the ambitions we set for ourselves and for the sector in Let's Create."

220. Since the pandemic, we:

- have established a permanent Access Support Team as recommended by our After-Action Review
- are updating and improving our grant application and management system.
- have reviewed our own governance including reforming our Management Board
- have established an internal Transformation Programme directly informed by and building on the learning from our pandemic response.

- have maintained our approach to flexible and agile working, adopted at speed at the start of the pandemic, embedding new operational and delivery approaches to maximise our impact both locally and nationally, to the benefit of our supported sectors and their audiences.
- have developed and launched our Transforming Governance Programme designed to strengthen the governance of funded and non-funded organisation to support longer term planning and sustainability, including:
  - help trustees (or equivalent) better understand their roles.
  - ensure boards (or equivalent) can better manage organisational risk.
  - support more inclusive recruitment in the sector.
  - explore new ideas about what's next for governance.
- have developed and launched our Creative Health Plan (June 2022), strengthening connections between creative industries and health & social care (See **DH/65 - INQ000596110**)
- have advocated for organisations to allow pre-bought ticket refunds (in response to cancelled performances) to be reassigned as donations and eligible for Gift Aid in agreement with the ticket buyer.
- undertook the Private Investment in Culture survey which covered the period of the pandemic to inform our future activity (See **DH/24 - INQ000596065**)
- have encouraged organisations via our Investment Principle - Dynamism to continue to minimise risk by building up reserves and diversifying their income wherever possible. We have continued to investment in organisational development through our National Lottery Project Grants programme and offer dedicated capacity building, training, and mentoring through the work of Investment Principles Support Organisations 'IPSOs' such as Cause 4, Association of Cultural Enterprises etc.

221. We recommend the following areas might be considered to enhance the economic response to a future pandemic or similar national challenge:

1. Longevity of Interventions: Future interventions might consider medium to long-term support rather than focus entirely on short term responses. This would help organisations plan better and avoid the constant uncertainty of short-term

funding. The problem solved would be the instability caused by short-term interventions, and it would require a strategic shift in planning and resource allocation.

2. Flexibility for Innovation: Interventions might allow for flexibility and innovation in business models. Our financial intervention maintained organisations 'as they were,' limiting the ability to develop new ways of working. This would enable and support innovation and ingenuity in responding to change business and audience realities and behaviours. Implementing this would require designing funding schemes that encourage and support innovation.
3. Strategic Planning and Coordination: arms-length bodies and other organisations might be usefully involved in more strategic discussions with HM Treasury and other Government departments to support long-term strategy. It would require setting up round tables with ministers and cultural institutions to discuss long-term risks and opportunities.
4. Support for Freelancers: Specific interventions should be designed to support freelancers, who form a significant part of the workforce in the arts and cultural sector. This would address the gap in support for freelancers, who were largely left out of previous schemes. Implementing this would require policy changes to include freelancers in eligibility criteria for support schemes.
5. Recapitalisation of the Arts Council and other Public Bodies: Post-pandemic, there should be a plan to recapitalise organisations which deployed their full reserves to support the sector. This would solve the problem of the Arts Council's weakened financial position and ensure it can continue to support the sector in future crises. This would require government commitment to replenish the reserves of the Arts Council.
6. Simplification of Schemes: Future schemes should maintain simplicity and avoid becoming overly bureaucratic over time. This would solve the problem of increasing complexity and administrative burden on organisations. Implementing

this would require a commitment to keeping criteria and processes straightforward throughout the duration of the support schemes.

222. These recommendations aim to create a more resilient and adaptable arts and cultural sector, capable of weathering future crises with better strategic planning and support mechanisms.

**M9/R9R/ACE01**

**Statement of Truth**

I, Darren Henley, duly authorised by and acting on behalf of the Arts Council of England believe that the facts stated in this Witness Statement are true and accurate to the best of my knowledge and belief.

**PD**

Signed:

For and on behalf of the Arts Council of England

21<sup>st</sup> October 2025

**Glossary of key acronyms**

<b>ALBs</b>	Arm's Length Bodies
<b>BBL</b>	Bounce-Back Loans
<b>CBILs</b>	Coronavirus Business Interruption Loan Scheme
<b>CJRS</b>	Coronavirus Job Retention Scheme (Furlough)
<b>CPP</b>	Creative People and Places
<b>CRB</b>	Culture Recovery Board
<b>CRF</b>	Culture Recovery Fund
<b>CSP</b>	Continuity Support Programme
<b>DMT</b>	Decision Making Tool
<b>DCMS</b>	Department for Culture, Media, and Sport
<b>DfE</b>	Department for Education
<b>EGMVF</b>	Emergency Grass Roots Music Venues Fund
<b>ERF</b>	Emergency Response Fund
<b>ERSF</b>	Emergency Resource Support Fund
<b>GVA</b>	Gross Value Added
<b>HE</b>	Historic England
<b>MGS</b>	Museums Galleries Scotland
<b>NAO</b>	National Audit Office
<b>NIMC</b>	Northern Ireland Museums Council
<b>NLHF</b>	National Lottery Heritage Fund
<b>NPO</b>	National Portfolio Organisation
<b>PHSO</b>	Parliamentary and Health Ombudsman
<b>SEISS</b>	Self-Employment Income Support Scheme
<b>SEN</b>	Special Educational Needs
<b>WGCD</b>	Welsh Government (Culture Division)