Evaluation of the Culture Recovery Fund

Final Report

4th July 2022

Foreword

Culture can mean so many different things to different people - from exploring a ruined castle to an evening at the theatre. For millions right across the country, it is going to a festival, seeing a pantomime at Christmas, or heading out to their local cinema. During the two years of the pandemic, all this shared a single challenge: Covid-19 and the threat the pandemic presented for their survival. Many shut their doors, and speculated about whether they would ever open up again.

Keeping culture going is not just good for our lives, but also for the economy and for jobs. The cultural sector is one of our great success stories, contributing £34.6bn to the economy in 2019. Culture surviving Covid was essential. The Culture Recovery Fund has played a vital role in ensuring its long-term success, and this evaluation shines a light on how the Fund has supported the sector.

However, through the adaptability and resilience shown by the sector, England's cultural, heritage and creative organisations are continuing to bring culture to communities across the country, supporting jobs, boosting local economies and inspiring people. This would not have been possible without the government's unprecedented Culture Recovery Fund - the largest one-off package for culture in England's history - which has distributed funding to more than 5000 organisations and sites since August 2020.

The fund was set up under unprecedented conditions to deliver emergency funding to organisations up and down the country, and across all corners of the sector, facing imminent financial failure - ensuring that they should remain open to everyone, now and for future generations to come. Testament to this are the findings of this evaluation, and also some of the data released in parallel today on the CRF's grant and loan schemes:

- 65% of which has been awarded outside London;
- a total of £158m going to the North West (including £38m of capital grants - more than any other region) with £276m being invested across the Midlands and East of England.
- the highest success rates were in the North East, where nearly 74% of applicants were successful; and
- 84% of successful applicants were small businesses.

A wide range of sectors have received support, including (but not limited to):

- Heritage organisations: £296m
- Museums and archives: £107m
- Music organisations: £249m

A full breakdown of the funding by region, sector, and discipline is available as part of the data-set on the CRF published in parallel with this evaluation today. But access to culture is not just about *numbers*, it is also about ensuring that our culture and creativity reflects the diversity of the UK. The CRF took this seriously - asking organisations to show what they were doing to open up access.

Overseeing this whole operation was the Culture Recovery Board, of which I was the Chair. Our job was to ensure that taxpayers money was spent appropriately, fairly, and wisely. Nobody doubted that there was an urgent need for investment - but it was crucial to uphold accountability to the taxpayer. The Board, and the various government organisations involved all worked in a spirit of collaboration to ensure decisions were made speedily - but with utmost rigour. Not every applicant met the bar for investment. Organisations had to demonstrate that they needed the funds to keep them going, that they weren't failing prior to the pandemic, that the funding they were asking for would enable them to make a go of it in a post-pandemic world. Importantly, they needed to show how they were an important part of our cultural and creative lives - nationally, internationally, or in their local communities.

The taxpayer could not be the first port of call for organisations who have access to other support, and that was as it should be. Many organisations were able to manage their resources through the pandemic in such a way that they did not need to draw on support from the CRF - and their success in this should be congratulated. This meant we did not need to rely on the taxpayer any more than was necessary to achieve the aims of the fund. It is to the real credit of commercial theatre companies, for example, that so many of them have adapted and survived this crisis without needing bespoke support from the government.

In time, when you visit your local theatre, pop into a gallery, or take the family to see a musical for a fun night out, you will see a bright pink spot on a window - commemorating the taxpayer's investment to keep the venue afloat. And I hope that this will help you remember that it is open because of your support - it was your money that played an important part in keeping that place going.

Sir Damon Buffini, Chair of the Culture Recovery Board

Board Members and their membership dates


Sir Damon Buffini – CHAIR
August 2020 - May 2022


Carol Lake OBE
August 2020 - May 2022


Claire Whitaker CBE
August 2020 - May 2022


Hemant Patel MBE
August 2020 - May 2022

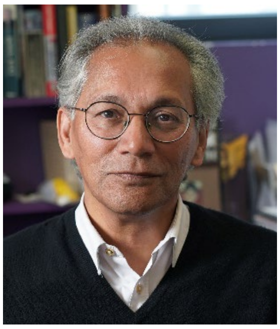

Jay Hunt
August 2020 - May 2022


Baroness Kate Fall
August 2020 - May 2022


Sir Laurie Magnus CBE
August 2020 - May 2022
Credit: Historic England


Lord Neil Mendoza CBE
August 2020 - May 2022
Credit: John Cairns


Sir Nick Serota CH
August 2020 - May 2022
Credit: Olivia Hemingway


Samir Shah CBE
August 2020 - May 2022


Simon Thurley CBE
April 2021 - May 2022
Credit: Chris Ridley


Rene Olivieri
August 2020 - April 2021
Credit: National Trust Images/Clive Nichols

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We would also like to acknowledge the full research team across Ecorys, Ipsos UK and BOP Consulting: Jenny Molyneux, Ilina Georgieva, James Ronicle, Martin Manuch, Lilly Monk, James Whitley, Sara Rauste, Jenny Williams, Mariya Yanishevskaya, Natasha Burnley, Kath McKenna, Rhiannon Cottrill, David Crane, Johnny Lillis, Matthew Seymour (Ecorys); Richard Naylor, Poppy Carr, Jonathan Todd, Amanda Cusimano (BOP Consulting); Chris Hale, Mark Matthews, Carmela Carrea, Ricky Lawton, Kieran Pedley, Scott Carter, Alex Oliveira, Rebecca Writer-Davies (Ipsos UK); and George Barrett (Independent).

Executive Summary

"CRF gave us hope, a real hope that we could survive this. Hope and faith that we would come out the other side". (Organisation supported by CRF).

Programme overview

The Culture Recovery Fund (CRF) was launched by the Department for Digital, Culture, Media & Sport (DCMS) in July 2020, as a **£1.57 billion package** of measures initially for cultural and heritage organisations at risk of insolvency in the year 2020-2021 due to having been adversely impacted by the COVID-19 pandemic. The support set out to help these organisations survive and, when possible, reopen.

The CRF emerged in direct response to the implications of a national lockdown, initiated due to rapidly rising COVID-19 case numbers across the UK and the world. During the first of what would come to be a series of three national lockdowns, restrictions required cultural organisations to close their doors to the public from 23 March 2020 for an indefinite period of time, plunging the sector into crisis. The package of funding (grants, loans and capital awards) set out to provide support across the broad range of organisations represented within the cultural sector.

The funding aimed to support approximately two thirds[1] of the organisations in the culture and heritage sector which were thought to be at risk as a result of the COVID-19 pandemic, before other forms of government support (such as the continuation of Coronavirus Job Retention Scheme) were factored in.

The rationale of the intervention was that support to cultural sector organisations would also bring in additional benefits to the public, the economy and the wider cultural ecosystem. In particular, it was expected that preventing large scale loss of cultural organisations would ensure that:

- The public could continue to access arts and cultural outputs which also bring social benefits;
- Gross Value Added (GVA)[2] loss could be avoided, so that the economy would not suffer through either rises in unemployment, lower tourism activity or reduced hospitality sector;
- The wider ecosystem could be protected, leading to the preservation of talent pipelines as well as the diversity of the cultural offering;
- Outreach programmes could be maintained; and
- Organisations' financial resilience could be bolstered.

Although originally designed as a single round of emergency support, the unforeseen extent and duration of the pandemic led to the **CRF evolving to span three rounds (CRF 1, 2 and**

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[1] Or 67.5% as identified as part of the Business Case for the programme.
[2] Gross Value Added (GVA) is the value of the economic output produced by workers.

3), and further funding (£390 million in England) being announced in the March Budget 2021. The aims of the fund evolved over the course of the three rounds in response to the changing needs of the sector, transitioning from an initial focus on survival (CRF 1), towards reopening and recovery (CRF 2), and a combination of these aims in CRF 3.

To receive funding, through the core resource loan and grant schemes, organisations had to meet two sets of criteria:

- **Cultural criteria:** Organisations were required to demonstrate that they were culturally significant.
- **Financial criteria:** Organisations were required to demonstrate that they were financially viable prior to the onset of the COVID-19 pandemic; to show that they were genuinely in need (in other words they had exhausted all other sources of funding and were at imminent risk of insolvency); and be able to demonstrate how CRF would put them on a path to financial viability.

The intervention comprised several sub-programmes providing both grant and loan awards. CRF was managed by DCMS and administered and overseen by a number of arms-length bodies (ALBs), namely: Arts Council England; National Lottery Heritage Fund; British Film Institute; and Historic England.

The Heritage Stimulus Fund element of CRF is out of scope of this evaluation since it was the focus of a separate evaluation.

Approach to the evaluation

DCMS commissioned an evaluation of CRF in January 2021. The evaluation was undertaken by a consortium led by Ecorys including Ipsos UK, BOP Consulting and Economist George Barrett. This is the final report of the evaluation findings.

The evaluation had three broad areas of focus:

- **Impact evaluation**: Examining the impact of CRF across a range of outcomes (financial and cultural), and estimating what would have happened to cultural organisations in the absence of the funding through a quasi-experimental impact evaluation.
- **Process evaluation**: Exploring the extent to which the design and implementation of CRF enabled the delivery of the intended outcomes, and exploring lessons for future crisis funds.
- **Value for Money (VfM)**: Assessing CRF against the '3 Es' of Economy (spending less), Efficiency (spending well) and Effectiveness (spending wisely), the three criteria used by the National Audit Office (NAO) to assess the value for money of government spending.

The evaluation has engaged widely with the cultural sector and has gathered **evidence directly from over 1,000 organisations that applied to CRF, and over 55 stakeholders from across the wider cultural sector.**

The evaluation was underpinned by a set of research questions. It adopted a mixed methods approach, including fieldwork with both declined and successful applicants (via online and telephone survey and case study workshops), stakeholder interviews, desk research and a programme review. The approach (outlined further below) offered a reasonably high level of confidence in the findings, equivalent to Level III on the Maryland Scientific Methods Scale.[3]

To estimate what would have happened to cultural organisations in the absence of CRF, the evaluation compared the experiences of organisations awarded funding with a comparison group of similar organisations that applied for funding but were declined. We took this approach because declined applicants are more likely to share features in common with those awarded funding than any comparison group drawn from the broader population of cultural organisations. The comparability of the two groups was maximised by restricting comparisons to eligible organisations that 'just missed out' on CRF funding (meaning those that passed the tests in relation to financial need applied in the resource allocation process, but failed other tests such as those related to cultural significance). Comparisons were also restricted to organisations that shared similar characteristics (subsector, scale, or financial health) prior to their application. The focus of the impact evaluation was on the incremental effect of the CRF – that is, the impact over and above other support programmes launched by the government during the pandemic. As these support programmes were generally available to both organisations awarded funding and the comparison group, the analysis provides estimates of the impact of CRF that is net of any beneficial impacts arising from take-up of these programmes (for example if the comparison group were able to obtain equivalent cashflow support from other sources, then this will reduce the net effect of CRF).

The evidence for the impact evaluation was collected in September 2021, when broader government support for the economy was being withdrawn, and the longer-term effects of the CRF were not fully identifiable. In particular, the effects of the programme on the survival of cultural organisations were not identifiable in the data gathered because of broader government support for the economy (including temporary measures to protect organisations from insolvency proceedings as part of the Corporate Insolvency and Governance Act 2000), which meant that the number of 'business deaths' fell substantially in 2020 and 2021 across the economy more broadly.[4] An indicative assessment of the potential impact of the programme on the future survival of cultural organisations was completed by combining evidence of the impacts of CRF on the financial health of cultural organisations (for example depth of reserves) with Bank of England modelling of the relationship between accounting variables and the future risk of failure.

The data from all research activities was triangulated and framed with a Theory of Change approach. The various strands of evidence were then synthesised in alignment with a framework for analysis which identified the data needed to answer the various evaluation questions.

The evaluation focused on all three rounds of CRF. For CRF 1 and CRF 2, there was a focus on measuring outcomes and short-term impacts, drawing on programme and monitoring data and data collection. The evaluation of CRF 3 focused more on the process and implementation

[3] The Scientific Methods Scale is a widely used scale to grade the level of confidence that can be attached to impact evaluation findings based on the nature of the underpinning approach. It goes from Level 1 (lowest confidence) up to Level 5 (highest confidence). See: https://whatworksgrowth.org/resources/the-scientific-maryland-scale/

[4] See Insolvency Service (2022) Commentary - Company Insolvency Statistics January to March 2022 https://www.gov.uk/government/statistics/company-insolvency-statistics-january-to-march-2022/commentary-company-insolvency-statistics-january-to-march-2022

questions, as this round administered support between November 2021 and March 2022, so it was not possible to measure the impact of this round within the evaluation timescales. It is important to stress that the full range of impacts associated with the overall programme (considering all three rounds) can only be captured by evaluative work undertaken beyond the end of the programme. Hence, as we report at the end of the 2021/22 financial year, only a limited overview of the final outcomes and longer-term impacts of CRF can be presented.

How CRF support was used

Overall, the programme made **7,689**[5] **grant awards** and **37 loan awards across 3 rounds of funding: 3,336 in CRF 1, 2,851 in CRF 2 and 1,539 in CRF 3**. Some organisations applied to more than one round or sub-programme of CRF. In total, the **programme supported 5,067 organisations**.

In terms of the regional split of funding, across the three rounds of CRF, London had the largest share (35% of funding, reflecting the density of cultural and historic assets in this part of the country), followed by the North West, South West and South East (all receiving 11%), West Midlands and Yorkshire and the Humber (9% each), East of England (6%), East Midlands (5%) and the North East (4%). Heritage assets and theatres each received 21% of the funding, followed by music (17%) and combined arts (12%).

CRF was used as anticipated – in the case of the resource funding: to ensure survival, adaptation and to allow reopening and provide reserves to support resilience. CRF was largely used by applicants as they intended to spend it at the point of application (with some exceptions reflecting changes in circumstances).

Direct outcomes and impacts on supported organisations

It was not possible to ascertain the degree to which CRF prevented insolvencies in the sector over the timescales of the evaluation due to changes in regulations to how insolvencies were reported during the pandemic. However, there is a clear indication that CRF strengthened organisations' finances, improved their resilience and raised their future survival prospects.

Even though the current data (bearing in mind the limitations about the temporary changes to the insolvency rules) shows that the declined and successful applicants had a comparable survival rate, the analysis suggests that the declined applicants achieved this at the expense of reduced activity and workforce.

CRF increased the net total income of organisations awarded funding by £777m. This led to increased expenditure, indicating that the extra CRF income supported an **increase in economic activity and enabled organisations to spend beyond covering their essential costs.** At the overall level, CRF increased expenditure amongst supported organisations to an additional £612m.

[5] This figure includes capital grants made through the Heritage Stimulus Fund, administered by Heritage England, which is out of the scope of this evaluation. Excluding the Heritage Stimulus Fund, the programme made 7,119 grant awards.

Organisations in receipt of CRF funding **supported 110,861 full-time-equivalents during 2020,** as well as **107,950 contractors or freelancers.** In terms of jobs that can be calculated to have been saved, this rise in economic activity **safeguarded around 6,700 jobs within the cultural sector** by September 2021 (3,000 within the CRF funded organisations; 3,700 contractor jobs including freelancers). Case study organisations highlighted the importance of safeguarding these jobs – they were unable to furlough all staff as it was critical that some staff kept working in order to preserve their specialist cultural skills. Safeguarding these jobs therefore helped to sustain these organisations' cultural talent.

We can also consider possible future job losses avoided as a consequence of improving survival rates. Indicative modelling based on the positive effects of the programme on financial health indicate that the scheme may help 15% to 20% of organisations awarded funding (620 to 830) avoid failure over the next two years. This would be associated with an additional 5,620 to 7,480 jobs safeguarded (though these estimates are highly speculative and do not account for the possibility that workers displaced may find alternative employment).

CRF had little impact on redundancies, primarily because few redundancies occurred across both successful and declined organisations, and those that did took place prior to CRF funding being awarded.[6]

There is no significant difference between the reopening rates of successful and declined applicants and both groups reopened at a similar time. There was a distinction, however, in the way organisations experienced this process, with declined organisations feeling more anxious because they had little contingency should something go wrong.

CRF **re-inflated organisations' reserves,** with the data showing that reserves were 188% higher than they would have been in the absence of the funding. Having good levels of reserves is an important indicator of an organisations' ability to withstand future financial shocks. Case study organisations highlighted the importance of having a good set of accounts and the confidence that this inspired in donors, lenders and suppliers. Having a certain level of reserves is also often a pre-requisite for applying to further grant schemes.

CRF increased the number of months for which organisations could sustain their operating expenditure by 33% and reduced the share of organisations that would have otherwise been operating at a loss during the pandemic (an important determinant of future survival).

The organisations declined for CRF funding protected their organisations by reducing expenditure, impacting on their employment levels and likely having an effect on their ability to produce cultural activity.

Wider social, economic and cultural impacts

The employment of contractors in organisations' supply chains was 41% higher than it would have been in the absence of CRF. The results suggested that 3,700 contractor jobs

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[6] it is possible to safeguard jobs yet not impact on redundancies because there are other ways to reduce job numbers alongside redundancies, such as cutting hours and not replacing people when they leave).

(including freelancers) were preserved in total as a consequence of the programme by the end of September 2021.

These effects are significant, but interviewees highlighted that while CRF helped organisations create some work opportunities for freelancers, they thought it was not done at a scale sufficient to offset the damage caused by the pandemic. The main support fund for the self-employed was via the Self-Employment Income Support Scheme (SEISS) rather than CRF, as CRF was deliberately focused on organisations, venues, sites and collections. Up to 28 October 2021 the SEISS scheme paid out £812m in grants to 82,000 self-employed people in the arts, entertainment and recreation sectors[7], and the government felt that this was the best route to support the self-employed in the cultural sector. However, interviewees reported that some of the detailed eligibility rules of SEISS were not well suited to the cultural sector, and that some self-employed workers in the cultural sector were ineligible for support. This is not a specific critique of CRF, but rather a wider lesson for the government in designing future emergency support schemes, highlighting how it is important to be more aware of how different organisations and stakeholders will interact with different government support schemes, and to more rigorously test assumptions about who will be supported by which scheme.

By stimulating the supply chain and consumer spending, CRF led to net reductions in unemployment at the local level, equivalent to **safeguarding up to 20,500 jobs** (including the 6,700 direct and indirect jobs described above). Examples from the case studies included employment opportunities for lighting and sound hire companies, marketing experts, and events companies whose services were required as organisations were resuming activities. Furthermore, the survey indicated that those awarded grants tended to place a high share of procurement spend locally; this suggests that the role of the CRF in sustaining expenditure during the COVID-19 pandemic (including on contractors) was an important driver of these local economic impacts.

As CRF does not appear to have helped organisations open more quickly, there is little evidence that the scheme had a significant effect on local visitor economies.

Specialist skills and talent pipelines were retained to a degree with funded organisations attributing some of this success to CRF in addition to the furlough scheme**.** Case studies highlighted that unlike the furlough scheme, the CRF support meant that staff could keep practising their trade, which was important for maintaining skillsets and motivation. However, the qualitative evidence also suggests that organisations have lost staff with transferrable skills such as marketing and IT, including backstage technicians, to other industries offering better job security, although CRF was believed to have mitigated this problem to a degree.

CRF also supported the **preservation of cultural and heritage assets** and enabled organisations to continue with their wider commitments such as delivering community and educational programmes. The evidence also suggests that, in a number of cases, CRF helped organisations to widen access to cultural goods and provide enriching cultural experiences for the public. There are also indications that CRF enabled some organisations to take some "**artistic risk**" and be bolder with their programming. While the pandemic generally made organisations more risk-averse, the CRF funding provided assurances, which encouraged

[7] See: https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-december-2021

organisations to be more willing to create new material and experiment more than they would have done otherwise.

Potential future impacts and positioning for the future

The study used Bank of England data to model future survival rates based on current financial health. This suggests that in the next two years:

- The CRF was estimated to have reduced the probability of failure from 31%-39% to 17%-19% depending on the time horizon considered. This is equivalent to a reduction in risk of between 15 and 20 percentage points, implying that the programme could **eventually lead to the preservation of between 620 and 830 organisations**.
- The findings indicate that around **60% to 70% of organisations awarded funding are likely to survive regardless of the CRF**. However, in many cases these survival outcomes would have been achieved at the cost of reductions in the scale of operations and the employment of workers and contractors. Furthermore, these organisations were generally more financially healthy as a result of CRF.
- The findings also indicate that between **17% and 19% of organisations awarded funding remain in a financially precarious situation regardless of the CRF** (implying that the funding provided in these instances was not sufficient to fully de-risk the organisation for the future).

Overall, supported organisations tended to be **cautiously optimistic** about the future, especially those that received support from more than one round of CRF. The vast majority of supported applicants surveyed felt that the CRF helped them to deliver a plan for future financial sustainability. Successful applicants were much more confident in their future survival (56% very confident) compared to declined applicants (39% very confident).

The majority of organisations consulted did, however, cite uncertainty around future outbreaks and management of COVID-19 as a risk to their recovery and future. In the context of drastically reduced income over 2020/2021 many organisations felt they had a journey yet to travel in terms of recovery and regaining lost ground.

In looking to the future, case study organisations and consulted stakeholders shared a number of insights pertaining to the changes experienced by the sector, and the ongoing challenges that have resulted from the pandemic. Important trends included: difficulties in recruiting staff with generic skills; a shift in audience demographics; reduced ticket sales compared to pre-pandemic levels; reduced international tourism; and fewer advance bookings.

Process evaluation

The creation and implementation of the CRF was in general **widely praised** by external stakeholders and applicants. There was a recognition that the CRF was delivered rapidly, under pressure and in an evolving and unpredictable crisis. Points raised about how the process of managing and delivering the Fund could have gone better were always placed in context. This context was that the ALBs, DCMS and the Board were all under intense pressure, trying to operate at speed, in a very uncertain and changing environment, and that external stakeholders really appreciated the hard work that was put in by the various teams. The delivery of the fund saw an unprecedented level of collaboration between DCMS ALBs, who worked together to provide support across the breadth of the different eligible subsectors. This was complemented by a flexible and adaptable approach from the Culture Recovery Board, which set up sub-committees with delegated responsibilities to help manage particularly heavy caseloads and to draw on special areas of expertise.

It was plain to the evaluation team that implementing the programme at such scale and in tight timescales depended on the hard work and dedication of individuals across Central Government, the ALBs and the Culture Recovery Board. A new delivery model of cooperation between these stakeholders was forged in order that emergency support could be mobilised in an agile way across a short period of time. This was a different way of working for all involved, and in general the evaluation highlighted that delivery partners made good efforts to adapt to this new mode of cooperation. This was all done in a context of people working under intense conditions in lockdown. With this in mind, the very fact that CRF launched and provided so many grants is commendable.

The Fund was generally well executed in relation to its aims, particularly in achieving a **low level of fraud and misadministration**. The price of achieving this was a slower programme relative to what might have otherwise been achieved and an application process that was challenging for applicants. However, given the high incidence of survival across the cultural sector, there is no evidence to suggest that a faster or less robust process would have had a greater impact. Our conclusion therefore is that the focus on preventing fraud was justified and increased the value for money of the programme.

Most of the issues raised lay with the aims and design of the Fund, rather than its implementation. In summary, much of the criticism seems to have focused on what the Fund *should* have done, not what it was *actually* designed to do.

The limited feedback, the inevitable subjectivity in the ‘cultural significance test’, and the complexity of the financial criteria and assessment process also featured in stakeholder views. There was a common view that the decision-making process typically appeared as a ‘black box’ to applicants and the wider sector, and that this was challenging for those with limited capacity and / or who were new to applying for public funding (for example organisations in the private sector).

There is no evidence to suggest that decisions in which organisations were declined CRF funds were based on recurring inconsistencies in applying assessment criteria.

Internal stakeholders reported that the governance and management structures generally worked well, and that there was learning and improvement during the programme. CRF was based on a new delivery model, which featured close cooperation between DCMS, Treasury and ALBs. The experience and learning from this process has potential to inform and improve the design and delivery of similar schemes into the future.

Value for money

The programme was **efficiently implemented**, with administrative costs absorbing a smaller share of programme costs than other COVID-19 response programmes.

The processes adopted by the programme were **reasonably effective in ensuring resources were directed at organisations that had exhausted other funding options**, and it was estimated that 80% of funds awarded represented additional income to the organisations concerned.

However, the scheme was less effective in directing resources to organisations facing acute risks of failure as a result of the pandemic, and indicative modelling suggests that around 60% to 70% of organisations awarded funding would have survived regardless of CRF support. There may have been opportunities to increase value for money with greater targeting of organisations facing more acute financial pressures as a result of the pandemic. However, these findings need to be placed in the context of when decisions were made: Targeting the organisations most at-risk on the basis of application information would have been challenging since the uncertainty of the pandemic and associated restrictions meant that it was difficult for organisations to make accurate forecasts about their incomes and expenditure, and therefore financial risk. Furthermore, the scheme was launched prior to the extension of other government support, and so it would not have been possible to anticipate the survival of these organisations. Finally, targeting support in this way, with such an uncertain context, would likely have led to more cost cutting measures and a loss of greater numbers of jobs across the cultural sector.

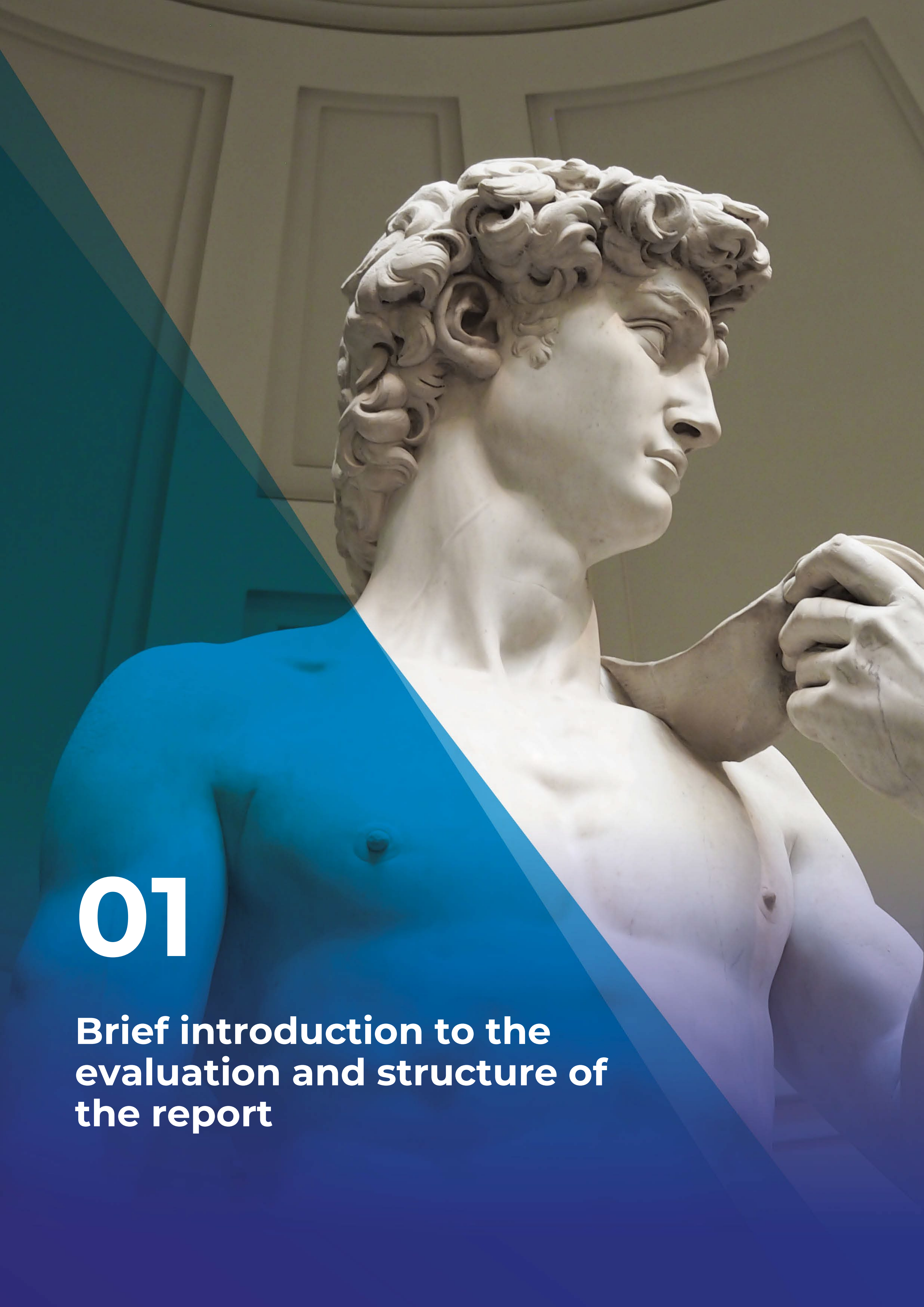
The results of the evaluation also indicated that the CRF **met its overall objectives** and may have secured the future survival of 620 to 830 organisations while safeguarding between 6,700 (lower bound estimate) and 20,500 (upper bound estimate) jobs in the cultural sector and supporting industries. An indicative cost-benefit analysis indicates that the scheme might be expected to deliver between **£1.98 and £3.66 in benefits for every £1 spent**, through the preservation of cultural assets and reducing unemployment levels. **In a best-case scenario, the programme could deliver up to £5.98 in benefits per £1 of public spending** (and only in the unlikely scenario that visitors remain at 2020/21 levels would the benefits of the programme fall short of public spending on the programme).

Overall conclusion

The CRF was a large-scale programme delivered at pace and in the context of an evolving, uncertain, and unprecedented situation. It could never resolve all the crises faced by the cultural sector and nor was it intended to. Within this context, the findings are positive. CRF was broadly implemented well. It supported a large number of organisations and had a positive impact on their financial health. The benefits from the number of organisations it likely prevented from failing (620 to 830), and the number of jobs it safeguarded (up to 20,500), outweigh the costs of implementing the programme (with every £1 spent leading to between £1.98 and £3.66 in benefits). These positive cost benefit ratios do not include the intangible benefits that the programme generated, such as enabling more risk-taking cultural endeavours, supporting the mental health of people working in the cultural sector, and providing wider cultural opportunities for the public during a time of national crisis.

The programme has highlighted lessons for future support funds should a similar crisis ever arise, including the need to be more prepared with more up-to-date data on the cultural sector, and focusing on how different government support schemes interact with each other.

The cultural sector is emerging from the pandemic. Overall, cultural organisations tended to report that whilst there were some challenges ahead in their continued recovery, they no longer felt that their futures were at imminent risk (with some exceptions). The findings from this evaluation show that CRF strengthened the financial health of the sector, and it would have been in a worse position without the support from the programme.



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Brief introduction to the evaluation and structure of the report

1.0 Brief introduction to the evaluation and structure of the report

This report sets out the findings from the evaluation of the Culture Recovery Fund (CRF, or the Fund). The CRF was launched by the Department for Digital, Culture, Media & Sport (DCMS) in July 2020. It offered a package of loans and grants to cultural organisations with the aim of helping the sector survive in the wake of the COVID-19 pandemic and subsequent lockdowns, and to support them to reopen when possible. A partnership (Ecorys, Ipsos UK, BOP Consulting and Economist George Barrett) was commissioned in early 2021 to evaluate the CRF. The evaluation has employed a mixed methods approach to understanding the outcomes and impacts of the programme, including a value for money assessment and process evaluation.

Overall, CRF represented a nearly £2 billion investment allocated to a package of measures, chief among which were grant and loan schemes delivered across three rounds of funding. The initial £1.57 billion investment included funding for the first two rounds (CRF 1 and CRF 2), and was topped up by an additional £390 million, which included funding for a third round (CRF 3).

This report focuses on the impact of the programme at the end of the financial year 2021-2022, drawing on evidence gathered between June 2021 and March 2022. The evaluation focuses on those immediate outcomes and impacts emerging across the short-term and, due to its timing, is not able to capture those emerging beyond the life of the programme.

1.1 Structure of the report and notes on interpretation

This evaluation report is structured across the following sections:

- **Chapter 2.0 Programme overview** outlines the aims of CRF, the type of support offered, and describes how the Fund was administered and governed
- **Chapter 3.0 Approach to the evaluation** sets out the research questions, methodology for the evaluation and the approach to analysis
- **Chapter 4.0 How CRF support was used** provides a brief overview of who received funding through CRF and the ways in which loans and grants were spent
- **Chapter 5.0 Direct outcomes and impacts** presents the quantitative and qualitative evidence on the benefits of CRF on supported organisations
- **Chapter 6.0 Wider social, economic and cultural impacts** outlines the outcomes and impacts of CRF on the wider economy and cultural sector
- **Chapter 7.0 Potential future impacts and positioning for the future** considers supported organisations' future prospects and confidence in the future

- **Chapter 8.0 Process evaluation** reviews the extent to which the design and implementation of CRF enabled it to deliver its objectives
- **Chapter 9.0 Value for Money assessment** reviews the programme against the '3Es' of economy, efficiency and effectiveness
- **Chapter 10.0 Summary and conclusions** provides a final overall of findings and a reflection on lessons learned for future emergency support programmes.

When reviewing this report, the reader should bear the following points in mind:

- In reporting on the jobs safeguarded by CRF, we consider **direct jobs** (those safeguarded within the organisations supported through CRF) and **indirect jobs** (those safeguarded within the supported organisations' wider supply chain). In the context of this evaluation, indirect jobs include contractor, consultant and freelancer jobs. There are distinctions between these types of worker in terms of their tax status and working patterns (e.g., freelancers may work for multiple organisations while contractors typically work for a single organisation for a specific period of time). However, they each work in the context of being suppliers to the cultural organisations supported. We also refer to jobs across the wider economy – these are jobs in the local economy that are positively affected by the presence of the cultural organisation, but they may not specifically be in the cultural organisation's supply chain.
- Support offered as part of the Heritage Stimulus Fund and administered by Historic England is being separately evaluated and does not form part of this evaluation. Morris Hargreaves McIntyre (MHM) with Ortus Economic Research were commissioned to undertake the evaluation in January 2021. The main evaluation report is scheduled for completion by the end of August 2022. Two capital grant strands are included in the evaluation (Cultural Capital Kickstart Fund and Heritage Capital Kickstart Fund). Whilst the Heritage Stimulus Fund is not within the scope of the evaluation, programme data overviews do include some data for this Fund where it helps to show the overall picture and package of support through the CRF.
- This evaluation considers CRF in England and does not evaluate the funding allocated to the devolved administrations.
- This evaluation considers the key CRF grant and loan schemes, and does not evaluate the funding allocated to the DCMS-sponsored national cultural institutions (e.g. national museums), which was announced in parallel to the grant schemes.
- This report uses the overarching term 'cultural organisations' inclusively to apply to organisations operating within the cultural, arts and heritage sectors. 'Cultural sector' is used to apply to the whole breadth of disciplines and types of organisations represented within the overall cultural sector.
- The report refers to organisations who received CRF funding as 'successful applicants' and organisations whose applications were declined as 'declined applicants'.

In relation to the evidence from the survey (telephone and online) it should be noted that:

- Numbers in this report may not always add up to 100% due to rounding or due to multiple survey responses being permitted.

- When averages are provided these are median figures. This is to reduce the effect of large outliers in the data (which would distort a mean average figure).
- Confidence intervals for successful organisations stand at +/- 4 points at the 50% level[8]. For declined applicants this figure is +/- 6% points, i.e., the actual figure should be interpreted as being broadly between 4% and 6% above or below the figure stated here.
- Sample sizes of 50 or less should be treated as indicative only.
- Statistically significant[9] results are indicated throughout this report as appropriate.
- Where notes under charts or tables say '*Weighted data to Propensity Score Matching'* this means that the data has been weighted. Propensity weights were applied to declined applicants for financial health and jobs metrics to control for differences between successful and declined organisations that may be driven by organisation profile, rather than the impact of CRF / other funding (see Chapter 3 for further information).

[8] Confidence intervals express a range of values that the true figure can be expected to fall within.
[9] A result is considered statistically significant if the estimated probability of obtaining the finding, in a situation where the true result was zero (the null hypothesis), is very low (less than 5%).

02

Programme overview

2.0 Programme overview

This chapter presents an introductory overview of CRF to set the scene for the evaluation. It considers the context and rationale for the intervention and the way in which support was structured and administered.

Chapter summary

The Culture Recovery Fund (CRF) was launched by the Department for Digital, Culture, Media & Sport (DCMS) in July 2020, as a **£1.57 billion package** of measures initially for cultural and heritage organisations at risk of insolvency in the year 2020-2021 due to having been adversely impacted by the COVID-19 pandemic. The support set out to help these organisations survive and, when possible, reopen.

The CRF emerged in direct response to the implications of a national lockdown, initiated due to rapidly rising COVID-19 case numbers across the UK and the world. During the first of what would come to be a series of three national lockdowns, restrictions required cultural organisations to close their doors to the public from 23 March 2020 for an indefinite period of time, plunging the sector into crisis. The package of funding (grants, loans and capital awards) set out to provide support across the broad range of organisations represented within the cultural sector.

The funding aimed to support approximately two thirds[10] of the organisations in the culture and heritage sector which were thought to be at risk as a result of the COVID-19 pandemic, before other forms of government support (such as the continuation of Coronavirus Job Retention Scheme) were factored in.

The rationale of the intervention was that support to cultural sector organisations would also bring in additional benefits to the public, the economy and the wider cultural ecosystem. In particular, it was expected that preventing large scale loss of cultural organisations would ensure that: 1) The public could continue to access arts and cultural outputs which also bring social benefits; 2) Gross Value Added (GVA)[11] loss could be avoided, so that the economy would not suffer through either rises in unemployment, lower tourism activity or reduced hospitality sector; 3) The wider ecosystem could be protected, leading to the preservation of talent pipelines as well as the diversity of the cultural offering; 4) Outreach programmes could be maintained; and 5) Organisations' financial resilience could be bolstered.

Although originally designed as a single round of emergency support, the unforeseen extent and duration of the pandemic led to the **CRF evolving to span three rounds (CRF 1, 2 and 3)**, and further funding (£390 million in England) being announced in the March Budget 2021. The aims of the fund evolved over the course of the three rounds in response to the changing needs of the sector, transitioning from an initial focus on survival (CRF 1), towards reopening and recovery (CRF 2), and a combination of these aims in CRF 3. To receive funding through the core resource loan and grant schemes, organisations had to meet two sets of criteria: 1)

[10] Or 67.5% as identified as part of the Business Case for the programme.
[11] Gross Value Added (GVA) is the value of the economic output produced by workers.

Cultural criteria: Organisations were required to demonstrate that they were culturally significant; and 2) **Financial criteria:** Organisations were required to demonstrate that they were financially viable prior to the onset of the COVID-19 pandemic; to show that they were genuinely in need (in other words they had exhausted all other sources of funding and were at imminent risk of insolvency); and be able to demonstrate how CRF would put them on a path to financial viability.

The intervention comprised several sub-programmes providing both grant and loan awards. CRF was managed by DCMS and administered and overseen by a number of arms-length bodies (ALBs), namely: Arts Council England; National Lottery Heritage Fund; British Film Institute; and Historic England.

2.1 The cultural sector in the context of COVID-19

On 23 March 2020, in the face of rapidly rising COVID-19 cases across the country, the UK Government announced the first in what would eventually become (as of March 2022) a series of three national lockdowns. In response to the implementation of these restrictions, cultural organisations were mandated to shut for an undefined period of time. This plunged many organisations into uncertainty, as they were unable to receive visitors and generate heavily relied upon earned income through their usual avenues.

Over the course of summer 2020, public health restrictions imposed in relation to the pandemic were loosened, with organisations able to reopen as of 14 August. However, restrictions around reopening remained, including social distancing measures and reduced venue capacity. The continuation of these restrictions hit indoor venues significantly, with the limitations around capacity making it economically unviable for many to reopen. As a result of this, some cultural organisations chose to remain closed throughout the period, whilst others who did choose to reopen accepted that they would break even or, in some cases, run at a loss. These challenges were subsequently compounded by the implementation of local lockdowns and the eventual introduction of the localised three-tier system across England on 14 October 2020, which made planning particularly difficult for organisations.

Unfortunately, the fall in infections over the summer of 2020 proved short-lived; a temporary respite between the first and second waves of the pandemic in the UK. The second wave of the pandemic resulted in the implementation of a new round of restrictions in autumn 2020, followed by a second national lockdown on 5 November 2020. Those cultural organisations who had opted to reopen were forced to close again as a result of this, causing another wave of uncertainty within the sector. Whilst this lockdown ended on 2nd December, England then returned to a stricter version of the tier system, with much of the country still under some degree of restrictions. A third national lockdown was then implemented again across England on 6 January 2021, with a phased exit from lockdown in line with a four-step Government Roadmap beginning in March 2021.

Following vaccination rollouts, the country moved to step 4 of the Roadmap on 19 July 2021. At this point, many of the legal restrictions regarding business operations and social distancing were removed, although the government stressed that 'cautious guidance' would remain as cases rose again. For these reasons, while cultural venues that had remained closed reopened, many indoor venues continued to restrict capacity. Unfortunately, this was not the end of the

COVID-19 challenges faced by the sector, as in November 2021 the first Omicron variant cases were reported in the UK. More easily contractable than previous variants, the arrival of Omicron resulted in a new round of restrictions, for example mask wearing. Whilst venues were not mandated to close over this period, many experienced severe challenges at what would ordinarily be one of their busiest times of year. These challenges took the form of ticket cancellations, suppressed audience and visitor numbers, and sometimes acute staffing issues as infection rates soared across the population. The Omicron wave did not prompt any further full lockdowns though, neither locally nor nationally, and cultural sector organisations were not mandated to close throughout this phase of the pandemic.

2.2 Overview of the Culture Recovery Fund support

The CRF was announced by DCMS on 5 July 2020 as a £1.57 billion support package[12] designed to respond to the challenging circumstances outlined above. The overall aim of the Fund was to support the survival and reopening of cultural and heritage organisations at risk of insolvency in the financial year 2020-2021 due to the COVID-19 pandemic. Delivered through a combination of grants and loans, CRF sought to provide support to a breadth of organisations within the sector, including museums, galleries, cinemas, music venues, nightclubs, theatres, arts centres, archives, and heritage sites, as well as supply-chain businesses. Through this, CRF sought to indirectly support those operating within the wider cultural ecosystem.

Originally intended as a single round of emergency funding, the CRF evolved to span three rounds (CRF 1, 2 and 3), and grew in size to encompass a further £300 million of support in the financial year 2021-2022. The aims of the Fund evolved in response to the evolving needs of the sector resulting from the sustained challenges presented by the pandemic. Consequently, each round and strand of CRF had different aims – below summarises how they developed for the core resource grant and loan schemes:

- **CRF 1:** Focused on **survival of the sector**, with a broader aim to support organisations and businesses that were unavoidably interrupted by the COVID-19 pandemic, and to support them as they transitioned back to a viable and sustainable way of operating in the months ahead. This round of funding was announced on 5 July 2020, with a first round of applications open between 10 and 21 August, and a second between 21 August 2020 and 4 September 2020 (see Figure 2.1 for detailed timeline). Awards were made and announced in October 2020, and funding could be used between October 2020 and 31 March 2021. The funding period was then extended with organisations able to use funding until 30 June 2021.
- **CRF 2:** Focused on looking forward in terms of **reopening and recovery**, and replicating the broader aims outlined in CRF 1. This round of funding was announced in November 2020, with applications open between 6 January and 26 January 2021. Awards were announced in April 2021, and funding could be backdated to 1 April 2021, and used until 30 June 2021. The funding period was then extended, with organisations able to use funding until 31 December 2021.

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[12] Programme monitoring data, DCMS

- **CRF 3:** Announced on 25 June 2021, CRF 3 was comprised of two funding strands. The aims of this round incorporated a mixture of those from the two prior funding rounds. **Continuity Support** sought to de-risk the reopening process and provide support to organisations facing specific challenges who had previously been supported by CRF. Applications for this strand were open between August and October 2021 (though this differed by each arms-length body (ALB)), with a focus of supporting organisations from November 2021 to the end of January 2022. **Emergency Resource Support** (ERS) sought to support organisations in need of urgent support. This strand sought particularly to support organisations who had not previously received grants from the CRF, but recipients of previous rounds were also eligible to apply. Applications to ERS opened on 7 July 2021 and closed on 30 September 2021, with funding not extending beyond 31 December 2021. A second round of ERS was introduced, with applications open between 29 November 2021 and 4 February 2022, and funding not extending beyond 31 March 2022. All ERS Round 1 and Continuity Support recipient organisations also had their funding periods extended to 31 March 2022 in response to the Omicron variant surge. Across both rounds of ERS decisions were communicated on a rolling basis within 6 weeks of application.

Managed by DCMS, support to organisations was administered via a number of ALBs: Arts Council England (ACE); National Lottery Heritage Fund (NLHF); British Film Institute (BFI); and Historic England (HE).

Applications were assessed against set criteria, as set out here:

Summary of eligibility and decision-making criteria

An overview of eligibility and decision-making criteria is provided here, drawn from the CRF application guidance. Applicants to the CRF were limited to cultural organisations based in England, who could demonstrate that they functioned within a defined list of artforms and disciplines noted within ALBs' sub-programme guidance. In order for organisations to be successful in their application for funding, they were required to meet two pre-defined criteria (see Table 2.1 for more information):

Cultural criteria: Organisations were required to demonstrate that they were culturally significant.

Financial criteria: Organisations were required to demonstrate that they were financially viable prior to the onset of the COVID-19 pandemic in March 2020; to show that they were genuinely in need (that is that they had exhausted all other sources of funding and were at imminent risk of insolvency); and be able to demonstrate how CRF would put them on a path to financial viability.

In addition to the success criteria outlined, a third set of 'balancing criteria' was also designed at programme initiation. This was created in anticipation of too many organisations demonstrating that they had passed the twin success criteria than could be funded. It was intended that if this came to pass, the balancing criteria would be applied to enable decision-making between organisations who had passed the threshold to be fundable. That being said, this criterion was never applied (see Chapter 8 for further information).

While the core eligibility criteria outlined above remained the same across all three rounds, some clarifications were issued throughout the programme and some changes were implemented with regards to targeting amidst the broader eligible ecosystem in CRF 2 and CRF 3 (see Chapter 8).

Overall, the programme made 7,689[13] grant awards and 37 loan awards across 3 rounds of funding: 3,336 in CRF 1, 2,851 in CRF 2 and 1,539in CRF 3.

2.3 Structure, administration and governance

2.3.1 Structure and sub-programmes

CRF was designed to offer two forms of emergency financial support to organisations in the cultural sector: grants and loans. Each round of the CRF encompassed several sub-programmes, listed in Table 2.1 and Table 2.2, which were administered and overseen by their respective ALB.

Grants

The vast majority of the funding available through CRF was administered through grants, accounting for £1,172,389,994 of the total £1.46 billion made available through the overall fund in England. Grants were available across all three rounds of CRF.

Across the grant awarding sub-programmes there was an overwhelming focus on revenue support provided via recovery grants, but in CRF 1 there was some provision to support capital projects already underway when the pandemic hit, for example the Cultural Capital Kickstart (£60 million administered by ACE), Heritage Capital Kickstart (£15 million administered by NLHF) and Heritage Stimulus Fund (£52 million administered by Historic England, which also ran as part of CRF 3).[14] Of the total £1,172,389,994 awarded via grant sub-programmes, £1,007,501,262 was awarded through recovery grants, and £164,888,732 through capital grants.

There was a small forerunner sub-programme specifically designed for grassroots music venues which opened on 25 July 2020. Administered by ACE, the Emergency Grassroots Music Venues Fund budget totalled £3.36 million, and the programme awarded smaller amounts, between £1,000 and £80,000, and was time limited. Applicants and recipients of funding via this sub-programme were also able to apply to the main CRF programme.

[13] This figure includes capital grants made through the Heritage Stimulus Fund, administered by Heritage England, which is out of the scope of this evaluation. Excluding the Heritage Stimulus Fund, the programme made 7,119, grant awards.
[14] Figures relating to the Heritage Stimulus Fund are included within the following financials listed in relation to grant awarding sub-programmes, however this sub-programme does not fall within the scope of this evaluation.

Loans

The Repayable Finance programme was designed as a loan scheme, targeted towards larger cultural organisations of national and international cultural significance. Loans were available in the first two rounds of CRF. The total budget of the Repayable Finance programme was announced as £270 million, with a £3 million lower limit set on loan applications in CRF 1, which was then reduced to £1 million in CRF 2. Loans awarded through the scheme were repayable over up to 20 years, with most carrying an interest rate of 2% and up to a four-year repayment holiday.

In total, the Repayable Finance programme received 58 applications, and made 37 awards across CRF 1 and CRF 2 to a total value of £254,048,000.

The following tables give an overview of the CRF programme in terms of the number and value of applications and the number and value of awards, broken down by types of support, and also sub-programme. Some data relating to the Heritage Stimulus Fund is included in these overview tables for information but it should be noted that otherwise the evaluation has not collected or analysed data on the Heritage Stimulus Fund since it was subject to a separate evaluation.

Table 2.1: Programme outline – details of funds, applications[15] and awards

Round	ALB	Sub-programme	Total no. of applications	Total value of applications (£)	Total no. of awards	Total value of awards (£)
CRF 1			***4917***	***£1,115,859,096.73***	***3336***	***£821,734,853.00***
Recovery grants	ACE NLHF/HE BFI	▶ Emergency Grassroots Music Venues Fund ▶ Culture Recovery Fund: Grants ▶ Culture Recovery Fund for Heritage: Round 1 ▶ Culture Recovery Fund for Independent Cinemas: Round 1[16]	4019	£827,257,971.73	2686	£525,617,377.00
Capital grants	ACE NLHF HE	▶ Cultural Capital Kickstart Fund ▶ Heritage Capital Kickstart Fund ▶ Heritage Stimulus Fund	884	£130,805,126.00	638	£126,166,476.00
Repayable Finance	ACE	▶ Repayable Finance	14	£157,795,999.00	12	£169,951,000.00
CRF 2			***5031***	***£770,199,046.00***	***2851***	***£396,330,025.00***
Recovery Grants	ACE NLHF BFI	▶ Culture Recovery Fund: Grants Round 2 ▶ Culture Recovery Fund for Heritage: Round 2 ▶ Culture Recovery Fund for Independent Cinemas: Round 2	4987	£614,273,859.00	2826	£312,233,025.00
Repayable Finance	ACE	▶ Repayable Finance	44	£155,925,187.00	25	£84,097,000.00
CRF 3			***2152***	***£297,647,657.20***	***1539***	***£208,373,116.00***
Recovery grants	ACE NLHF/HE BFI	▶ Emergency Resource Support Fund 1	261	£29,793,504.00	183	£19,057,516.00
	ACE NLHF/HE BFI	▶ Emergency Resource Support Fund 2	496	£57,875,745.00	340	£35,212,116.00
	ACE NLHF/HE BFI	▶ Continuity Support Fund	1395	£171,795,917.00	986	£115,381,228.00

[15] Some organisations applied to more than one round or sub-programme of CRF
[16] Two strands of funding available within the sub-programme: Safety (to ensure that the building and environment is safe to open for the workforce and public), and Business Sustainability (to operate viably under the COVID restrictions).

Round	ALB	Sub-programme	Total no. of applications	Total value of applications (£)	Total no. of awards	Total value of awards (£)
Capital grants	HE	▶ Heritage Stimulus Fund[17]	-	£38,182,491.20	30	£38,722,256.00
Total			***12100***	***£2,183,705,799.93***	***7726***	***£1,426,437,994.00***

Source: DCMS programme monitoring data

Table 2.2: CRF support across sub-programmes

ALB	Sub-programme	Total no. of applications	Total value of applications (£)	Total no. of awards	Total value of awards (£)
CRF 1		***4131***	***£1,115,859,096.73***	***3336***	***£821,734,853.00***
ACE	Recovery grants	3019	£657,892,915.00	2046	£425,995,399.00
ACE	Capital grants	74	£60,686,292.00	74	£58,881,334.00
ACE	Repayable Finance	14	£157,795,999.00	12	£169,951,000.00
NLHF / HE	Recovery grants	849	£136,692,277.73	508	£78,549,900.00
HE	Capital grants	-	£55,120,934.00	540	£52,287,242.00
NLHF	Capital grants	24	£14,997,900.00	24	£14,997,900.00
BFI	Recovery grants	151	£32,672,779.00	132	£21,072,078.00
CRF 2		***5031***	***£770,199,046.00***	***2851***	***£396,330,025.00***
ACE	Recovery grants	3832	£510,862,717.00	2276	263137025
ACE	Repayable Finance	44	£155,925,187.00	25	84097000
NLHF / HE	Recovery grants	1064	£93,246,510.00	475	42548020
BFI	Recovery grants	91	£10,164,632.00	75	6547980
CRF 3		***2152***	***£297,647,657.20***	***1539***	***£208,373,116.00***
ACE	Emergency Resource Support Fund 1	234	£27,782,569.00	170	£18,249,680.00
ACE	ERS Fund 2	429	£52,161,318.00	302	£31,580,015.00
ACE	Continuity Support Fund	1130	£133,542,121.00	818	£93,433,281.00
NLHF / HE	Emergency Resource Support Fund 1	25	£1,942,982.00	12	£ 760, 300.00
NLHF / HE	ERS Fund 2	58	£4,828,241.00	30	£ 3,100,000.00
NLHF / HE	Continuity Support Fund	213	£28,775,806.00	126	£ 15,790,600.00
BFI	Emergency Resource Support Fund 1	2	£67,953.00	1	£47,536.00
BFI	ERS Fund 2	9	£886,186.00	8	£532,101.00

[17] Application figures for Heritage Stimulus Fund capital grants haven't been included because applications covered multiple sites.

ALB	Sub-programme	Total no. of applications	Total value of applications (£)	Total no. of awards	Total value of awards (£)
BFI	Continuity Support Fund	52	£9,477,990.00	42	£6,157,347.00
HE	Capital grants[18]	-	£38,182,491.20	30	£38,722,256.00

Source: DCMS programme monitoring data

Table 2.3: Main characteristics and differences between CRF rounds for revenue grants and loans.[19]

Round	Fund	Objectives	Criteria[20]: Financial	Criteria[21]: Cultural significance	Award caps	Award lower limits	Eligible costs
CRF 1	**Grants**	▶ To support organisations and businesses that have been unavoidably interrupted by the COVID-19 pandemic ▶ To continue to support them as they transition back to a viable and sustainable way of operating in the months ahead	▶ Must be at risk of not being viable by 31 March 2021 ▶ Sufficiently demonstrate financially viability before the COVID-19 pandemic ▶ Demonstrate exhausted all other funding options, including other Government COVID-response schemes ▶ Demonstrate how CRF funds would put them on a path to financial viability ▶ Applications cannot cover costs or debts incurred before the pandemic ▶ Must have been incorporated by 1 May 2019	Organisations can demonstrate their: ▶ National and international significance within the cultural sector and/or ▶ Role in providing cultural opportunity in England	▶ £3m for non-profit ▶ £1m for profit	▶ ACE: £50k ▶ NLHF/HE: £10k ▶ BFI: £10k / £25k[22]	▶ Costs that ensure future financial sustainability and recovery ▶ Costs that enable re-opening or partial re-opening ▶ Costs that enable the mothballing of an organisation if the most cost-effective route to future sustainability ▶ Reflation of reserves to 8-weeks turnover

[18] Application figures for Heritage Stimulus Fund capital grants haven't been included because applications covered multiple sites
[19] This table provides a summary overview, since some details varied by ALB (for example eligible costs which varied slightly reflecting the differences between sectors)
[20]There was a third set of 'balancing criteria' also designed in at the initiation of the programme, however this criterion was not applied (see Chapter 8 for further information).
[21]There was a third set of 'balancing criteria' also designed in at the initiation of the programme, however this criterion was not applied (see Chapter 8 for further information).
[22] Business Sustainability Awards had a lower limit of £25k, whilst Safety Awards had a lower limit of £10k.

Round	Fund	Objectives	Criteria[20]: Financial	Criteria[21]: Cultural significance	Award caps	Award lower limits	Eligible costs
CRF 1	**Repayable Finance**	▶ To support culturally significant organisations in operating fully on a viable and sustainable basis by March 2022	▶ Must be based in England and have been properly constituted, and registered with the relevant regulatory body where applicable, on or before 31 March 2017 ▶ Applications focused on seeking support to fund costs up until 31 March 2021, however, may apply for financing to cover costs up until 31 March 2022 ▶ Applications cannot cover costs or debts incurred before the pandemic	▶ As in CRF 1 grants	▶ No loan cap ▶ Additional to grant funding	▶ £3 million	▶ Used to support costs to achieve financial sustainability, where possible by 31 March 2021, but by exception until 31 March 2022
CRF 2	**Grants**	▶ To support organisations and businesses that have been unavoidably interrupted by the pandemic ▶ To continue to support them as they transition back to a viable and sustainable way of operating	▶ Must have been incorporated by 1 May 2019 ▶ Must be able to show that without additional support they would not be able to transition to full reopening and their previous sustainable business model	▶ As in CRF 1 grants	▶ Caps apply cumulativ ely across CRF 1 and 2	▶ ACE: £25k[23] ▶ NLHF/HE: £10k ▶ BFI: £10k	▶ Costs that enable transition to full reopening and previous sustainable business model ▶ Reflation of reserves to 8-weeks turnover
CRF 2	**Repayable Finance**	▶ As in CRF 1	▶ As in CRF 1	▶ As in CRF 1 grants	▶ As in CRF 1	▶ £1 million	▶ As in CRF 1

[23] ACE lower limit reduced to reflect the shorter time period covered by CRF 2, BFI runs Business Sustainability Grants only.

Round	Fund	Objectives	Criteria[20]: Financial	Criteria[21]: Cultural significance	Award caps	Award lower limits	Eligible costs
CRF 3	**Continuity Support**	▶ To prevent insolvencies of organisations in receipt of CRF 1, CRF 2 or both ▶ To help organisations survive the Omicron variant and continuing COVID-19 restrictions, and allowing them to resume	▶ Must have been incorporated by 1 May 2019 ▶ Must have received a grant in CRF 1, 2, or both ▶ Required to have spent a % of their most recent grant awarded under the CRF, and can demonstrate a need for further support ▶ Without support, would be at risk of ceasing to trade viably by 31 March 2022	▶ As in CRF 1 grants	▶ No more than 25% of pre-COVID-19 annual turnover ▶ Cumulative caps increase - £4m not-for-profit, and £1.5m for profit (and £2m for some exceptional cases)	▶ As in CRF 2 grants	▶ Essential business expenditure for the duration of the period ▶ Projects/activity essential to continued operations and related to reopening and driving future income ▶ Repayment/clearance of COVID-related debt incurred since 1 April 2021 excl. affordable lending ▶ One off costs arising from organisation development and to adapt any existing activities/core business ▶ Reflation of reserves to 8-weeks turnover
CRF 3	**Emergency Resource Support (1 and 2)**	▶ To prevent insolvencies of organisations within 12 weeks risk of no longer trading viably ▶ Funding for organisations in need of urgent financial support ▶ To protect jobs by saving the future of important arts and cultural organisations	Changes to ERS 2 were that: ▶ Must have been incorporated by 30 September 2019[24] ▶ Must demonstrate, via cash flow forecast, that they are at risk of ceasing to trade viably within 12 weeks of the point of application	▶ As in CRF 1 grants	▶ As in CRF 3 Continuity Support	▶ As in CRF 2 grants	▶ As in CRF 3 Continuity Support

Source: DCMS Programme management data

[24] This was to allow more organisations to be supported who were at risk from Omicron variant impact on business.

2.3.2 Administration of the CRF and role of ALBs

In each of the three funding rounds each of the four ALBs oversaw at least one sub-programme of grant funding, though ACE was also responsible for oversight of the CRF Repayable Finance programme.

This approach was taken due to the knowledge and proximity of said ALBs to the cultural sector, in addition to their prior experience of administering funding and existing systems to support this (particularly in relation to grant funding). This decision also recognised a lack of internal capacity within DCMS to administer a fund of this scale in isolation and at the pace required.

2.3.3 Governance and the role of the Culture Recovery Board

A Culture Recovery Board was established, with three responsibilities:

- To provide assurance in relation to both Grants and Repayable Finance strands of the programme;
- To review a sample of all large grants valued over £1 million; and
- To take the final decision on all Repayable Finance applications.

The Board was comprised of 12 members[25], including an independent chair, a representative of each of the ALBs, the Commissioner for Cultural Recovery and Renewal, a senior DCMS official, and five independent board members.

2.4 Wider support to the cultural sector

CRF operated within the context of a wider package of government support mechanisms already available to the broader UK economy. These are summarised in the timeline in Figure 2.1.

Prior to the launch of CRF 1, emergency grant funds were launched by ACE (Emergency Response Fund, £160 million), NLHF (Heritage Emergency Fund, £50 million) and HE (Emergency Response Fund, £1.8 million).

Other government support schemes available to the sector alongside CRF included:

- **Coronavirus Business Interruption Loan Scheme (CBILS):** Designed to provide financial support of up to £5 million to small and medium-sized enterprises (SMEs) adversely impacted by the pandemic, CBILS was launched on 23 March 2020. The scheme ran for a year, closing to new applications at the end of March 2021, and provided lenders with a government-backed guarantee of 80%.
- **Bounce Back Loan Schemes (BBLS):** Launched in May 2020, BBLS was designed to act as a quick and easy-to-access scheme, supporting SMEs to receive a loan between

[25] The Culture Recovery Board included Sir Damon Buffini (Chair), Baroness Kate Fall, Jay Hunt, Carol Lake, Sir Laurie Magnus, Lord Neil Mendoza, Simon Thurley, Hemant Patel, Sir Nicholas Serota, Samir Shah, Emma Squire and Claire Whitaker.

£2,000 and up to 25% of their turnover (up to a maximum of £50,000). This loan scheme was for organisations adversely impacted by the pandemic and promised no fees or interest payable in the first 12 months, increasing to 2.5% a year following this.

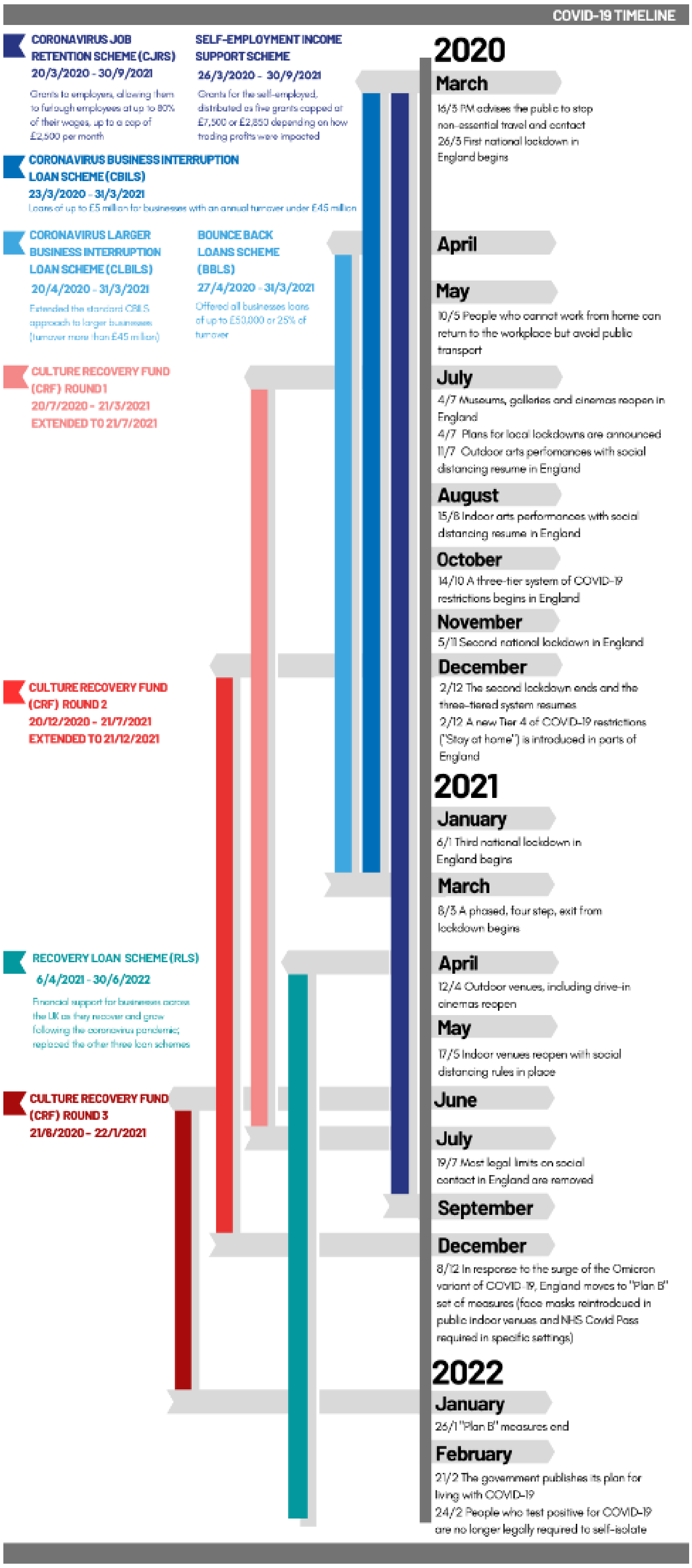
- **Coronavirus Job Retention Scheme (CJRS):** Also referred to as 'furlough', CJRS was announced on 20 March 2020, and allowed employers to claim back a proportion of each furloughed employee's standard wage. This started out at 80% of the employee's usual wages up to £2,500 per month as part of the first version of the scheme, and was reduced across the rounds, at which point employers were required to top up the salaries of furloughed staff to 80%. The scheme ended in September 2021, having gone through four iterations.
- **Self-Employment Income Support Scheme (SEISS):** SEISS was announced on 26 March 2020 and supported self-employed and freelance individuals working within the wider UK economy who lost income as a result of the COVID-19 crisis. The SEISS was extended to run across five grant rounds, with claims for the fifth-round closing on 30 September 2021, and the eligibility criteria for the scheme evolving throughout this period.
- **VAT reductions for tourism and hospitality firms:** A temporary reduction in VAT rates to 5% was announced by Government on 8 July 2020, taking effect from 15 July 2020. This emergency relief was designed to provide assistance to the tourism and hospitality sectors, supporting the reopening of the economy and the re-establishment of consumer spending habits. This measure was extended on a number of occasions, and then evolved into the introduction of a new reduced rate of 12.5% on 1 October 2021, which concluded on 31 March 2022. The re-establishment of consumer spending habits was also supported by the Eat Out to Help Out Scheme, which ran on select weekdays from 3 until 31 August 2021. This scheme gave diners 50% off food and non-alcoholic drinks up to the value of £10 per person. Participating establishments were then reimbursed any discount awarded to customers by government.

Aside from government support schemes, other sector-led funds were created to respond and provide emergency support to the freelance community who are an integral part of the cultural sector. These included the Theatre Artists Fund, launched in July 2020 and administered by UK Theatre Association and Society of London Theatre on behalf of Theatre Development Trust. Supported through donations from organisations included ACE (with public funding), Netflix, and Backstage Trust, the fund sought to provide theatre workers and freelancers across the UK with short-term emergency relief, and raised a total of £9.8 million, awarding almost 10,000 grants.[26] Furthermore, throughout 2020 and 2021, ACE provided £7.5 million to eight benevolent funds supporting freelancers in the creative sector.

CRF was not designed to support freelancers directly, although it sought to provide support to the wider sector through funding organisations within the culture sector supply chain.

[26] https://theatreartists.fund/who-is-the-theatre-artists-fund-for/

Figure 2.1: CRF support in the context of COVID-19 developments and restrictions



Source: CRF Evaluation team

03

Approach to the evaluation

3.0 Approach to the evaluation

This chapter outlines the aims and research questions underpinning the evaluation. It then outlines the evaluation's methodological approach, including its limitations.

Chapter summary

DCMS commissioned an evaluation of CRF in January 2021. The evaluation was undertaken by a consortium led by Ecorys including Ipsos UK, BOP Consulting and Economist George Barrett. This is the final report of the evaluation findings.

The evaluation had three broad areas of focus: **1) Impact evaluation:** Examining the impact of CRF across a range of outcomes (financial and cultural), and estimating what would have happened to cultural organisations in the absence of the funding through a quasi-experimental impact evaluation; **2) Process evaluation:** Exploring the extent to which the design and implementation of CRF enabled the delivery of the intended outcomes, and exploring lessons for future crisis funds; and **3) Value for Money (VfM):** Assessing CRF against the '3 Es' of Economy (spending less), Efficiency (spending well) and Effectiveness (spending wisely), the three criteria used by the National Audit Office (NAO) to assess the value for money of government spending

The evaluation has engaged widely with the cultural sector and has gathered **evidence directly from over 1,000 organisations that applied to CRF, and over 55 stakeholders from across the wider cultural sector.**

The evaluation was underpinned by a set of research questions. It adopted a mixed methods approach, including fieldwork with both declined and successful applicants (via online and telephone survey and case study workshops), stakeholder interviews, desk research and a programme review. The approach (outlined further below) offered a reasonably high level of confidence in the findings, equivalent to Level III on the Maryland Scientific Methods Scale[27].

To estimate what would have happened to cultural organisations in the absence of CRF, the evaluation compared the experiences of organisations awarded funding with a comparison group of similar organisations that applied for funding but were declined. We took this approach because declined applicants are more likely to share features in common with those awarded funding than any comparison group drawn from the broader population of cultural organisations. The comparability of the two groups was maximised by restricting comparisons to eligible organisations that 'just missed out' on CRF funding (meaning those that passed the tests in relation to financial need applied in the resource allocation process, but failed other tests such as those related to cultural significance). Comparisons were also restricted to organisations that shared similar characteristics (subsector, scale, or financial health) prior to their application.

[27] The Scientific Methods Scale is a widely used scale to grade the level of confidence that can be attached to impact evaluation findings based on the nature of the underpinning approach. It goes from Level 1 (lowest confidence) up to Level 5 (highest confidence). See: https://whatworksgrowth.org/resources/the-scientific-maryland-scale/

The focus of the impact evaluation was on the incremental effect of the CRF – that is, the impact over and above other support programmes launched by the government during the pandemic. As these support programmes were generally available to both organisations awarded funding and the comparison group, the analysis provides estimates of the impact of CRF that is net of any beneficial impacts arising from take-up of these programmes (for example if the comparison group were able to obtain equivalent cashflow support from other sources, then this will reduce the net effect of CRF).

The evidence for the impact evaluation was collected in September 2021, when broader government support for the economy was being withdrawn, and the longer-term effects of the CRF were not fully identifiable. In particular, the effects of the programme on the survival of cultural organisations were not identifiable in the data gathered because of broader government support for the economy (including temporary measures to protect organisations from insolvency proceedings as part of the Corporate Insolvency and Governance Act 2000), which meant that the number of 'business deaths' fell substantially in 2020 and 2021 across the economy more broadly[28]. An indicative assessment of the potential impact of the programme on the future survival of cultural organisations was completed by combining evidence of the impacts of CRF on the financial health of cultural organisations (for example depth of reserves) with Bank of England modelling of the relationship between accounting variables and the future risk of failure.

The data from all research activities was triangulated and framed with a Theory of Change approach. The various strands of evidence were then synthesised in alignment with a framework for analysis which identified the data needed to answer the various evaluation questions.

The evaluation focused on all three rounds of CRF. For CRF 1 and CRF 2, there was a focus on measuring outcomes and short-term impacts, drawing on programme and monitoring data and data collection. The evaluation of CRF 3 focused more on the process and implementation questions, as this round administered support between November 2021 and March 2022, so it was not possible to measure the impact of this round within the evaluation timescales. It is important to stress that the full range of impacts associated with the overall programme (considering all three rounds) can only be captured by evaluative work undertaken beyond the end of the programme. Hence, as we report at the end of the 2021/22 financial year, only a limited overview of the final outcomes and longer-term impacts of CRF can be presented.

3.1 Evaluation aims and research questions

The evaluation aimed to understand the extent and nature of impacts upon the organisations supported by CRF, as well as the wider cultural, economic and social benefits arising from the investment. In addition, the evaluation aimed to assess the value for money of the CRF and included a process evaluation strand.

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[28] See Insolvency Service (2022) Commentary - Company Insolvency Statistics January to March 2022 https://www.gov.uk/government/statistics/company-insolvency-statistics-january-to-march-2022/commentary-company-insolvency-statistics-january-to-march-2022

DCMS, the Culture Recovery Board and the evaluation team agreed a set of research questions at the evaluation design stage. The core set of evaluation questions were:

- To what extent did CRF deliver its intended impacts and outcomes for the organisations that received funding?
- To what extent did CRF support the delivery of wider economic and social benefits?
- What impact did CRF have across the cultural sector?
- Did the CRF demonstrate value for money?
- To what extent did the design and implementation of CRF enable the delivery of its intended outcomes?
- What is the current state of the cultural sector, considering organisational fragility, and labour market and supply chain scarring?
- What lessons can be learnt for future crisis funds, both in relation to the culture sector and beyond?

A full list of the evaluation questions can be found in the annex to this report.

The evaluation focused on all three rounds of CRF. The evaluation of CRF 3 focused more on the process and implementation questions, as this round administered support between November 2021 and March 2022 so it was not possible to measure the impact of this round within the evaluation timescales.

3.2 Theory of Change

The evaluation was also underpinned by a Theory of Change articulating the potential impact of CRF. This is summarised in Figure 3.1 and detailed below.

Figure 3.1: Theory of Change diagram

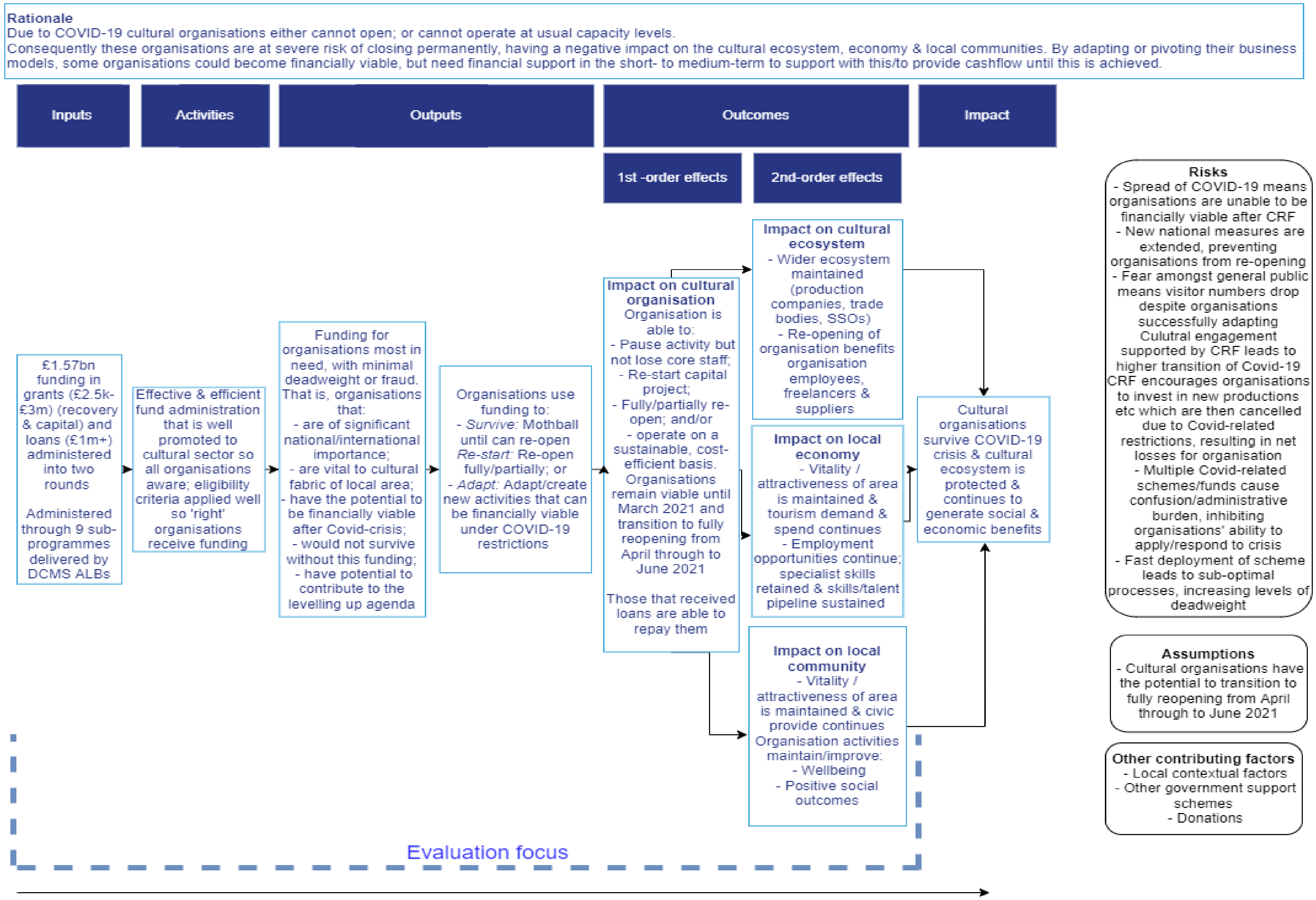


Table 3.1 provides an overview of the key quantitative outcomes that needed to be measured to address relevant evaluation questions.

Table 3.1: Mapping of key outcomes to relevant evaluation question

#	Evaluation question	Key quantitative outcomes
1	▶ What was the impact of CRF in preventing insolvencies in the culture and heritage sectors by 31st June 2021? ▶ To what extent did an application to CRF enable organisations to develop and deliver a plan that could lead them towards financial sustainability (bearing in mind the slightly differing CRF 1 & 2 objectives)? ▶ To what extent have organisations funded by the CRF 1 & 2 been on a trajectory towards financial sustainability since receiving support (i.e. no longer requiring emergency government funding)? What role did CRF play in achieving this?	▶ Reserves ▶ Assets (short and long term) ▶ Liabilities (short and long term) ▶ Operating income ▶ Operating costs ▶ Survival rates
2	▶ What was the impact of CRF in supporting cultural and heritage organisations to a) survive; b) re-open or c) adapt up to June 2021?	▶ Trading status ▶ Visitor numbers ▶ Adoption of new business models
3	▶ What was the relative effectiveness of the grants in supporting organisations towards financial sustainability, bearing in mind the differences in CRF 1 & 2 objectives?	As (1) and (2).
4	▶ What were the economic and social implications for organisations that were successfully supported and those who were supported but unable to trade viably by June 2021?	▶ Spending placed in the cultural ecosystem / supply chain ▶ Survival of organisations in the cultural ecosystem ▶ Local consumer spending ▶ Local levels of employment ▶ Local levels of unemployment / furloughed workers ▶ Wellbeing of residents ▶ House prices ▶ COVID-19 transmission
5	▶ To what extent were there changes in employment between those organisations receiving funding and those that did not receive funding?	▶ Number of workers employed ▶ Number of workers furloughed ▶ Number of redundancies

The CRF was expected to produce its impacts via the following mechanisms:

- **Inputs:** The CRF involved the commitment of £1.57 billion in DCMS resources to the cultural sector, which involved a variety of administrative inputs detailed in Chapter 2.
- **Activities:** Organisations were able to apply for recovery grants, loans and capital funding distributed via nine sub-programmes. Organisations were expected to use grant or loan proceeds to 'survive' (mothballing until they can reopen), 'restart' (reopen fully or partially), or 'adapt' (create new activities which can be financially viable under COVID-19 restrictions).
- **Outputs:** Depending on the nature of the plans developed by applicants for funding, several outputs were expected from the programme:
  - **Reduction in rates of depletion of reserves**: For organisations that could not reopen viably under social distancing restrictions, it may have been optimal to channel grants or loans into reserves or working capital to allow them to mothball their operations until such a point they could reopen to audiences.
  - **Investments in reopening:** Some organisations may have been able to reopen with modifications to their venue (e.g. to enable social distancing) or investments in technology (e.g. ventilation systems) to improve their safety.
  - **Development and adoption of new business models:** There may have been options for some organisations to pivot to new business models (e.g. providing online performances) to enable them to access new sources of income.
  - **Completion of capital investment projects:** Some funding was also provided to support the completion of capital projects that were threatened by the COVID-19 pandemic.
- **Direct outcomes:** These activities and outputs were expected to have the following direct impacts on the organisations awarded funding:
  - **Financial health:** Grants and loans provided were expected to have positive effects on the financial health of those awarded funding. This could include increasing the depth of the organisations' reserves or its operating income and/or reducing its operating costs (including reducing the need for the organisations to take on greater liabilities). In the medium to long-term, organisations benefitting from CRF funding would be expected to move back to a position where income at least covers operating costs.
  - **Survival:** Improved financial health would be expected to improve the survival prospects of organisations awarded funding.
  - **Safeguarding employment:** The CRF was expected to enable organisations to retain staff and contractors or avoid redundancies. This would be expected to help organisations retain key skills.
  - **More rapid reopening:** The CRF may have supported investments in venues or technology to enable safer reopening or pivot to alternative business models, facilitating more rapid or more extensive reopening of venues. This may also have direct effects on the financial viability measures outlined above and indirect effects on local economies.

  - ▷ **Preservation of cultural assets and social and educational programmes:** The survival of organisations may have other benefits in the form of (a) preserving locally, nationally, or internationally significant cultural assets and (b) the ability of cultural institutions to provide social and educational programmes for local communities (including volunteering opportunities).

- **Indirect outcomes:** These direct outcomes were expected to produce a variety of indirect outcomes:

  - ▷ **Impacts on the cultural ecosystem:** The survival of cultural organisations was expected to have wider impacts on the cultural ecosystem by maintaining spending placed with (and ensuring the survival of venues for) the broader supply chain of production companies, artists and performers, freelancers, and other suppliers to the cultural sector (who may have otherwise been forced to exit the industry).

  - ▷ **Impacts on local economies:** Cultural organisations often act as 'anchor tenants' for the visitor economy. The survival and more rapid reopening of cultural organisations may have had spillover benefits for regional economies by attracting more visitors. These visitors would be expected to increase their consumption spending in supporting industries (particularly the hospitality sector, where regulations permit) – potentially leading to positive economic impacts, including increased local employment and/or reduced levels of unemployment or furloughed workers. At the national level, the net benefits will have depended on the capacity of local economies to absorb additional demand, and the degree to which any spending was displaced from other areas.

  - ▷ **Impacts on the local community:** The survival of cultural organisations would also be expected to have had wider community benefits by maintaining the vitality and attractiveness of areas and the provision of locally important services. This would be expected to raise the wellbeing of residents (and may also be visible in secondary markets, particularly the housing market).

- **Public health impacts:** There was a risk that if the programme promoted greater mobility and circulation of individuals, it would lead to greater levels of transmission of COVID-19. This would have had adverse public health impacts if it led to higher levels of hospitalisations and deaths. However, if venues were going to reopen anyway, investments in safety enabled by the programme could have had positive public health outcomes by reducing transmission risk. This also needs to be viewed in the context of rapid rollout of the vaccination programme, which substantially reduced the public health impact of COVID-19 during parts of 2021.

3.3 Overview of evaluation approach

The evaluation had three broad areas of focus:

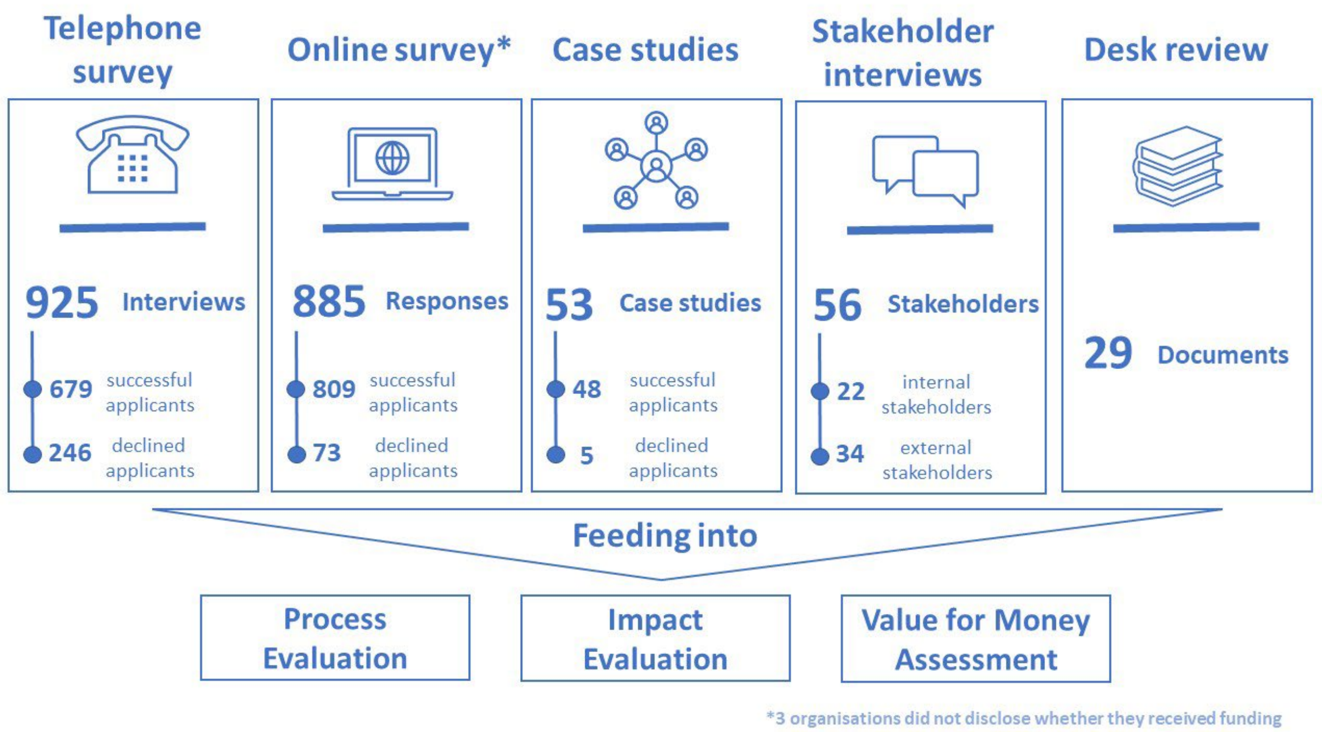
- **Process evaluation**: Exploring the extent to which the design and implementation of CRF enabled the delivery of the intended outcomes, and exploring lessons for future crisis funds
- **Impact evaluation**: Examining the impact of CRF across a range of outcomes (financial and cultural), and estimating what would have happened to cultural organisations in the absence of the funding
- **Value for Money (VfM)**: Assessing CRF against the '3 Es' of Economy (spending less), Efficiency (spending well) and Effectiveness (spending wisely), the three criteria used by the National Audit Office (NAO) to assess the value for money of government spending.

To deliver on these areas of focus the evaluation adopted a mixed-methods approach. As an overview, the various strands included:

- A programme of **53 theory-based case studies** involving 30 in-depth case studies with organisations supported under CRF 1 and CRF 2, and a set of 18 lighter-touch case studies with CRF 3 applicants. In addition, 5 case studies were undertaken with declined applicants. These explored the process, impact and VfM areas of focus.
- A **telephone survey** of 925 organisations who applied for support through CRF 1 and CRF 2, focusing primarily on the impact evaluation. The survey included both successful and declined applicants, with the declined applicants acting as a comparison group in order to understand the impact of CRF. Interviews were conducted between 7 July and 9 December 2021. Results from the survey also fed into the VfM evaluation.
- A shorter **online survey** of 885 applicants (both successful and declined) who applied for CRF 3, and those who took part in the previous telephone survey. This survey sought to collect data on the financial position of organisations and asked for their views on the application process and programme delivery, to feed into the process evaluation. The survey ran from 20 January to 6 February 2022.
- A **process evaluation strand** involving interviews with governance and delivery representatives (i.e. strategic programme contacts), key external stakeholders, feedback from applicants and drawing on the results from the surveys described above.
- An **Econometric Analysis** and **VfM** assessment of the CRF programme, drawing on data collected through programme and monitoring information, the telephone survey, case studies, process strand interviews and secondary economic data.
- A **desk review** of secondary evidence to consider the state of the cultural sector a year and a half on from the onset of the pandemic, and especially considering issues of organisational fragility and sector scarring (e.g. considering workforce and skills shortages).

Each of these strands is summarised below in Figure 3.2, and explained in the following sections, whilst further information on the evaluation approach is provided in the annex accompanying this report.

Figure 3.2: Fieldwork overview



3.3.1 Case studies

As part of the evaluation, we conducted a set of case studies with successful and declined applicants. Fifty-three case studies were undertaken overall.

The case studies were selected using a purposefully designed sampling framework, aimed to ensure that they were representative in terms of organisation discipline, legal structure, size, location and amount applied for.

The case studies were delivered in three waves, in line with the different stages of CRF:

- Organisations funded through CRF 1 (20)
- Organisations funded through CRF 2 (10)
- Organisations funded through CRF 3 (18) and declined applicants (5).

The case studies consisted of a workshop with key organisation staff. CRF 1 and CRF 2 case studies were also invited to a follow-up financial check-in.

The case study workshops used a Theory of Change[29] approach to examine the rationale (that is, the logic chain) of how organisations proposed to use CRF support to survive the impact of COVID-19, the move toward financial viability or sustainability, and the factors that contributed towards this (including CRF). The follow-up financial check-ins looked to corroborate the

[29] A Theory of Change sets out how an intervention expects to deliver intended results, through the translation of inputs (investment) into outputs, outcomes and impacts.

findings of the workshops by examining organisations' financial position before and after CRF support as well as their financial projections for Financial Year 2022/23.

To gather further insights into how CRF had supported the culture sector, as well as wider socio-economic impacts, we also conducted ecosystem interviews with stakeholders linked to CRF 1 and CRF 2 case study organisations. In total, we conducted 25 ecosystem interviews with a range of stakeholders including business owners, freelancers, donors and community partners.

3.3.2 Data collection through surveys

Telephone survey

Overall, 679 interviews were conducted with successful applicants and 246 with organisations that were declined funding, a total unadjusted response rate of 29%.

The survey was sent to a representative sample of organisations across all different funding strands included in the evaluation:

- For successful organisations, Ipsos UK invited 1,848 of the 4,214 applicants successful for CRF 1 and CRF 2. Before organisations were selected, the sample was stratified (sorted) by key profiling criteria to ensure a representative mix of organisations were invited to participate. This included boosting certain organisation types (e.g., larger organisations), either because the target audience was small, or they proved hard to reach.
- Ipsos UK also invited 1,314 of the 2,480 organisations whose applications for CRF 1 and CRF 2 were declined to participate in the survey. The aim of collecting responses from this group was to provide evidence on what would have happened in the absence of CRF and establish the impact of the programme. Full details regarding the approach to the telephone survey and the econometric analysis are set out in the annex accompanying the report, but the comparison group was selected on the basis of the following principles:
  - Comparisons between organisations awarded funding and the chosen comparison group will only produce valid estimates of impact to the degree that the two groups shared similar characteristics (for example risk of failure, managerial quality) prior to the launch of the programme.
  - Applicants for funding were likely to differ in systematic ways to other organisations in the cultural sector. For example, those applying for funding are likely to have faced more acute levels of pandemic-induced financial distress than organisations that did not apply for funding. Comparing organisations awarded funding to other organisations in the cultural sector is likely to understate the impacts of the CRF as the latter group would have likely outperformed those awarded funding in its absence.
  - To mitigate this issue, the comparison group was drawn from the population of organisations that applied for funding but were declined. This group was more likely than other organisations in the sector to share important characteristics in common with those awarded funding, such as their motivations for seeking support.

  - However, applications for funding were assessed against a range of criteria, including the degree of financial need, the extent to which the organisation had a credible plan for moving towards financial viability or sustainability, the extent to which it had exhausted alternative finance options, and the cultural significance of the organisation's output. As such, drawing a comparison group from the general population of declined applicants could also lead to biased results (for example, this group could have been in less need of cashflow support, and faced less acute threats to survival).
  - Therefore, a number of further steps were taken to minimise the extent of the possible bias described above. Firstly, ineligible applicants were excluded from the potential population (predominantly those making applications for funding from outside the cultural sector). Secondly, the comparison group was limited to those organisations that passed the financial need criteria which were considered most strongly connected with the outcomes of interest (but may or may not have failed other tests – such as those around cultural significance)[30].

- **Attrition bias:** The findings also have the potential to be biased if failure rates amongst declined applicants were higher than amongst those awarded funding – i.e. if declined organisations had failed then no staff would have been available to participate in the survey, and we would not collect information on failed organisations. This was explored by linking all applicants for ACE funding to Companies House records to establish the share that had entered administration, insolvency proceedings, or liquidation by the end of February 2022. This indicated that just 0.1% of applicants (awarded funding or otherwise) had experienced these types of failures, suggesting that there were not more failed organisations in the declined group, and so this did not affect the survey results.

Topics covered in the final survey included: organisation profile and eligibility checks; financial health and jobs information pre- and-post application; questions on how money was spent if successful (and its impact); and perceptions of future financial viability / confidence. The questionnaire was initially piloted with a small group of applicants before being refined ahead of the main phase of fieldwork. Participants were told the questions they would be asked in advance so they had a chance to prepare and to ensure the information provided was as accurate as possible.

Telephone interviews were conducted in two phases:

- A pilot phase of 24 interviews was completed between 7 and 16 July 2021
- The main phase of 901 interviews was conducted between 8 September and 9 December 2021.

Data were then weighted. Two types of weights were applied:

[30] Other approaches to constructing a comparison group were ruled out by the design of the assessment process and the profile of applications received. Firstly, the assessment process involved a series of 'pass/fail' tests rather than a scored assessment – preventing the identification of applications that 'just missed out' on funding from the CRF or more robust Regression Discontinuity Design approaches. Additionally, while the ideal comparison group would have been made up of organisations that passed all selection criteria, the number of declined applications meeting these characteristics was very small and would not have generated statistically significant results.

- **Random Iterative Method (RIM) weighting** on successful and declined survey responses to ensure each group was representative of the target universe
- **Propensity weights** were applied to declined applicants for financial health and jobs metrics to control for differences between successful and declined organisations that may be driven by organisation profile (as described below in Section 3.3.4). Further information on these weights (and the weighting mentioned above) can also be found in annex accompanying this report. The type of weighting used in different analyses is indicated throughout the report as appropriate. Where notes under charts or tables say '*Weighted data to Propensity Score Matching'* this refers to the fact that the data has been weighted.

Online survey

In total, 1,829 organisations were invited to participate in an online survey which ran between January 20 and 6 February 2022. The online survey was undertaken with two audiences:

- Telephone survey of participants in CRF 1 and CRF 2 that gave permission to be recontacted (822 organisations were approached). This included both successful and declined applicants.
- Applicants from CRF 3 (1,007 organisations approached).

A ten-minute online questionnaire was administered covering two broad topics. Firstly, survey respondents were asked to give feedback on the application process in several areas. Secondly, organisations were asked about their confidence of future financial viability as of early 2022.

In total 885 completed the survey, 809 from successful applicants, 73 from declined applicants and three organisations did not disclose whether they received funding. This reflects an unadjusted response rate of 48%.

Given that the achieved respondent profile closely matched the target universe, survey responses were not weighted.

Further details on more technical aspects of the telephone and online survey are provided in the annex accompanying this report.

3.3.3 Process evaluation strand

The method for the process evaluation was both qualitative and quantitative. In terms of the former, much of the information was gathered via a series of in-depth interviews with both internal stakeholders (DCMS, ALBs, members of the Culture Recovery Board and HM Treasury) and external stakeholders (national trade and sector bodies, city region policymakers with a brief for culture and / or the night-time economy, and cultural practitioners drawn from a variety of industry networks).

The internal stakeholders were first interviewed in March 2021 and then again in the winter of 2021/22.

In addition, the case studies that were conducted with organisations from CRF 3, both successful and declined applicants, included a small set of questions that focused on their experience of applying for CRF.

In terms of quantitative methods, the process strand drew on the data gathered through the online survey mentioned above.

These methods are in addition to a review of relevant internal and external documents, such as the Business Cases for each round, guidance to applicants, and a small number of external documents (for example the National Audit Office investigation into the CRF[31]) and press reports.

3.3.4 Econometric analysis and VfM assessment

A series of econometric analyses were completed to explore the impacts of the CRF on the financial health and survival of organisations awarded funding through the scheme. The analysis drew on the survey of applicants for CRF funding completed as part of the evaluation as well as a series of secondary datasets.

The impacts of the programme were inferred from comparisons between organisations awarded funding and organisations whose applications met some of the essential criteria but were declined (as described above). The analysis involved two stages:

- **Matching:** While steps were taken to minimise differences between those awarded funding and the comparison group through the sampling process, the findings highlighted a number of observable differences between the two groups. For example, those awarded funding and responding to the survey were more likely to be operating outside of the commercial sector, receive public audiences as part of their core business model, and operating at reduced capacity at the time the programme was launched. Organisations awarded funding and responding to the survey also tended to be larger organisations and were more likely to be operating in the performing arts subsectors (film, theatre, dance, music), while declined applicants responding to the survey were more likely to be active in the culture supply chain.

  This created a risk that differences in the experiences of the two groups following their application for funding could be driven by differences in their characteristics rather than CRF funding (for example if supply chain organisations were affected differently by the on-going COVID-19 pandemic). This was addressed by limiting comparisons to organisations that shared similar features prior to programme launch and was achieved using statistical matching techniques. This involved the application of a statistical models to identify those characteristics of applicants that were important in determining their success in the application process and estimated the likelihood that each organisation in the sample would be awarded funding. Each organisation that received funding were 'matched' to those members of the comparison group that shared a similar likelihood of being awarded funding (leading to the exclusion of some members of the comparison

[31] National Audit Office. March 2021. *Investigation into the Culture Recovery Fund - National Audit Office (NAO) Report*. [online] Available at: https://www.nao.org.uk/report/investigation-into-the-culture-recovery-fund/.

group where they did not share features in common with those awarded funding). While some organisations that were awarded funding could not be 'matched', the resultant matched sample was broadly representative of the overall sample of organisations awarded grants.

- **Differences-in-differences**: While statistical matching ensured that impacts were only inferred from comparisons between organisations that shared similar characteristics prior to the launch of the programme, there may be unobserved differences between the two groups that were partly responsible for the apparent effects of the CRF (for example effectiveness of managerial staff or the preferences of assessors in the assessment process). This risk was mitigated by applying difference-in-difference techniques to estimate the effect of the programme. Technical details are also provided in the report annex, but this involved comparing differences in the relative change experienced by (the matched sample of) organisations awarded funding and the comparison group. This approach is robust to any unobserved differences that do not change over time (offering a reasonably high level of confidence in the findings, equivalent to Level III on the Maryland Scientific Methods Scale[32]).
- **Survival impacts**: The impacts of the programme on the survival of cultural organisations were not identifiable in the data gathered because very small numbers of organisations had failed to survive at the point at which the evidence was collected. This reflects the impact of broader government support for the economy (including temporary measures to protect organisations from insolvency proceedings as part of the Corporate Insolvency and Governance Act 2000), and the number of 'business deaths' fell substantially in 2020 and 2021 across the economy more broadly.

An indicative assessment of the potential impact of the programme on the future survival of cultural organisations was completed by combining evidence of the impacts of CRF on the financial health of cultural organisations (for example depth of reserves) with Bank of England[33] modelling of the relationship between accounting variables and the future risk of failure. These findings should be treated as indicative as the underpinning research was not specific to the cultural sector (and could not accommodate the effects of the CRF on aspects not captured in accounting variables, such as changes to business models). These findings could be revisited in the future by examining the actual survival rates amongst organisations awarded funding and the comparison group.

- **Local economic impacts:** The local economic impacts of the CRF were explored using similar methodologies, extending the scope of the analysis to the local area in which each organisation was located (with areas matched in terms of their socio-economic characteristics prior to the COVID-19 pandemic).

The results of the analysis fed into a VFM analysis which (in line with National Audit Office principles) considered the Economy (how far the programme achieved its objectives at minimum cost), Efficiency (how the processes adopted to deliver the programme were efficient),

[32] The Scientific Methods Scale is a widely used scale to grade the level of confidence that can be attached to impact evaluation findings based on the nature of the underpinning approach. It goes from Level 1 (lowest confidence) up to Level 5 (highest confidence). See: https://whatworksgrowth.org/resources/the-scientific-maryland-scale/
[33] Bank of England (2003) A Merton-model approach to assessing the default risk of UK public companies.

and Effectiveness (how cost-effectively the programme achieved its objectives) of the programme.

The analysis also included a broader cost-benefit analysis conducted in line with HM Treasury Green Book principles (as far as practicable). This involved an assessment of the benefits of the scheme in terms of the non-market benefits of preserving cultural assets to users and the Gross Value Added (GVA) i.e. the value of economic output produced by workers, associated with reductions in unemployment achieved through the programme.

Further details of the approach taken as part of the econometric analysis and VfM assessment are outlined in the annex to this report.

3.3.5 Desk review of evidence

The evaluation also reviewed a range of secondary literature to consider the wider evidence around the state of the cultural sector, considering the impact of COVID-19 to date, and also signs of recovery across cultural organisations. A range of sources were reviewed including studies, reports, and articles. Overall, 29 documents were reviewed. The findings from the review were used to contextualise the evaluation within the wider evidence base on the impact of COVID-19 on the cultural sector, and its prospects into the future.

3.4 Approach to analysis

The analysis of the qualitative (case studies, interviews, workshops) and quantitative (telephone and online survey, local area information) data was integrated, and the various strands of evidence were triangulated, in particular, to review a) the direct impacts on supported organisations b) the impacts on the cultural sector and c) wider socio-economic impacts.

The analysis also determined the degree to which CRF supported organisations to survive, move toward being financially sustainable and rebuild for the future. To support this process, the evaluators worked with internal programme stakeholders (including ALBs) to design an appropriate approach for measuring the financial sustainability of supported organisations. A set of three key metrics were selected, as a means of measuring financial sustainability whilst minimising administrative burden on those participating in the evaluation. Financial information was collected from supported organisations (CRF 1 and CRF 2) following receipt of CRF support across these aspects:

- **Liquidity:** Does the organisation have sufficient cash, liquid assets and (any) unused borrowing capacity to survive until it is able to operate profitably?
- **Profitability:** Will the organisation be able to generate a sufficient long-term revenue stream to cover its full financial costs?
- **Assets:** Will the organisation have assets with a value which exceed the organisation's liabilities at all times? (for commercial organisations)

For the process evaluation, the evidence from the interviews, case studies and online survey was analysed across a set of key themes reflected in the process evaluation questions for example targeting, design, decision-making, governance and implementation.

The approach to analysis reflected the relationship between the different strands of the multi-method evaluation. The analysis for the VfM assessment was based on evidence gathered through the process evaluation interviews and drew on additional data such as Office for National Statistics data, whilst the evidence collected through the case studies and telephone survey fed into the econometric analysis.

3.5 Contextual factors and research limitations

The evaluation approach needed to consider a range of contextual factors that had the capacity to influence the results:

- **Evolving public health situation:** The CRF was announced in July 2020 during a period in which social distancing measures introduced to contain the first wave of the COVID-19 pandemic were being relaxed. However, following rising case numbers and hospitalisations in the autumn 2020, the government reintroduced restrictions at the local level and at the national level in January 2021. This had a substantial effect on the ability of organisations to reopen and largely made the original goals of the programme (i.e. to reopen viably by March 2021) infeasible and would have had adverse effects on the balance sheets and cashflow of cultural organisations.

  At the same time, the rapid development and rollout of effective vaccines could not have been foreseen at the time the programme was launched. This allowed more extensive withdrawal of social distancing measures, with potentially positive impacts on the financial health of the sector.

  These contextual factors will have increased and reduced the need for the programme respectively, and their relative importance will have a large influence over the degree to which the CRF was needed to protect the cultural sector.

- **The influence of other business support measures:** The government also took action to provide further protection for jobs by extending the CJRS (and other measures to protect the economy, such as local authority grants to support businesses with their non-wage costs) to September 2021. Chapter 2 outlines some more detail on the alternative sources of support available to the broader (and cultural) sector. These avenues of support will have provided organisations with income that was not anticipated when the programme was launched in July 2020 (potentially reducing the need for the CRF to protect the balance sheets and cashflow of cultural organisations).

  As highlighted above, the Corporate Insolvency and Governance Act (CIGA) involved temporary measures to protect the economy, including suspending wrongful trading regulations (that make Directors personally liable for debts if they are found not to have complied with their duty to minimise losses to their company's creditors) and a ban on winding-up petitions for debts accumulated as a direct consequence of COVID-19. This led to a reduction in the number of insolvencies across the whole economy between April 2020 and September 2021, and only a very small numbers of organisations failed. As such, the impact of the CRF is unlikely to be identifiable in survival rates, and the emphasis needs to be on the underlying financial health of organisations awarded funding.

- **Supply side capacity:** The economic impacts of the CRF will be constrained if there is insufficient supply side capacity to meet additional visitor demand stimulated by the programme. While unemployment rose as a result of the COVID-19 pandemic, closures of firms in the hospitality sector and the outmigration of non-UK nationals could limit the extent of how far some local economies can absorb the recovery of spending.
- **Audience attitudes and behaviour:** The return of audiences will have depended on audience attitudes and behaviour (and how far they feel comfortable to return to indoor venues). This may vary across demographic groups, which could result in regional or sub-regional variation in the impacts of the CRF. Regional variations in the economic impact of the COVID-19 pandemic may also lead to variations in disposable income that could influence the return of audiences.
- **Evaluation duration:** It is important to highlight that the assessment of impacts as part of the evaluation focuses on those which can be seen to have emerged across the short-term. This reflects that it has not been able to capture the medium to longer term results and impacts associated with the CRF across the timeframe of the evaluation (January 2021 to March 2022), and considering that CRF 3 provided support up until March 2022. Where possible the evaluation reflects on what the evidence suggests in terms of those outcomes and impacts that may be emerging at this stage, and how organisations may have been positioned for future survival and growth as a result of the support received. It should also be highlighted that the evaluation was delivered within the context of unprecedented uncertainty across which it was challenging for organisations, and administration bodies alike to make accurate predictions and forecasts about financial health.
- **Robustness of impact evaluation findings:** The design of the impact evaluation sought to maximise the robustness of findings given the constraints set by the design of the programme and the wider context as described above. However, as noted above, the findings are potentially subject to an unknown level of bias to the extent that there are differences between organisations awarded funding and those that were declined.

04

How CRF support was used

4.0 How CRF support was used

This chapter provides a brief overview of who received CRF support, how it was used, and the degree to which expenditure aligned with supported organisations' original plans. It presents the evidence gathered through programme management data, the survey and case studies.

Chapter summary

Overall, the programme made **7,689**[34] **grant awards** and **37 loan awards across 3 rounds of funding: 3,336 in CRF 1, 2,851 in CRF 2 and 1,539 in CRF 3**. Some organisations applied to more than one round or sub-programme of CRF. In total, the **programme supported 5,067 organisations.**

In terms of the regional split of funding, across the three rounds of CRF, London had the largest share (35% of funding, reflecting the density of cultural and historic assets in this part of the country), followed by the North West, South West and South East (all receiving 11%), West Midlands and Yorkshire and the Humber (9% each), East of England (6%), East Midlands (5%) and the North East (4%). Heritage assets and theatres each received 21% of the funding, followed by music (17%) and combined arts (12%).

CRF was used as anticipated – in the case of resource funding; to ensure survival, adaptation and to allow reopening and provide reserves to support resilience. CRF was largely used by applicants as they intended to spend it at the point of application (with some exceptions reflecting changes in circumstances).

4.1 Who received support from the CRF

This chapter outlines the distribution of the CRF support by region and discipline. When considering the distribution of support, it should be noted that CRF was under-subscribed (as considered elsewhere in the report). The evidence drawn upon consists of raw programme management data for all three CRF rounds provided by the ALBs and collated and checked by DCMS

Table 4.1 below provides a breakdown of all three rounds of CRF by English region.

[34] This figure includes capital grants made through the Heritage Stimulus Fund, administered by Heritage England, which is out of the scope of this evaluation. Excluding the Heritage Stimulus Fund, the programme made 7,119 grant awards.

Table 4.1: CRF funding support distributed by region[35]

Region	Number of applicants	Organisations funded	% of orgs applying that were funded	Value awarded	Share of funding
London	2,039	1,280	63%	£493,969,820.00	35%
South West	1,055	661	63%	£158,574,725.00	11%
North West	936	557	60%	£158,438,300.00	11%
South East	1,151	688	60%	£157,634,858.00	11%
West Midlands	665	439	66%	£124,486,516.00	9%
Yorkshire and The Humber	638	400	63%	£124,324,607.71	9%
East of England	753	456	61%	£85,104,873.00	6%
East Midlands	574	375	65%	£70,941,467.00	5%
North East	295	201	68%	£51,423,673.00	4%

Source: DCMS programme management data

The regional distribution of CRF support was concentrated in London, which reflects the density of cultural and historic assets in this part of the country. Overall, and as highlighted by the new DCMS Culture and Heritage Assets register to be published later in 2022, cultural organisations (or registered cultural assets in the case of the register) are distributed unevenly across the country.

Tables 4.2 and 4.3 provide a breakdown of CRF funding by organisation type and discipline using CRF programme management data. The tables provide data on the values of funding awarded, the number of applicants and the proportion of these applicants that were successful.

This data shows that on average, not-for-profit organisations were more successful in their applications (68% success rate compared to 57% for the commercial organisations). However, the incompleteness of the classification data means that around 15% of CRF recipients have not been tagged with an organisation type and this should be taken into account when interpreting the numbers above. Chapter 8 describes the varying experiences of not-for-profit and commercial organisations across the application process drawing on the fieldwork with case study organisations.

In terms of distribution by discipline (see Table 4.3), heritage organisations and theatres each accounted for 21% of the support delivered, followed by music (17%) and combined arts (12%). A residual category of 'other' organisation types also accounted for 12% of the funding, with all other disciplines accounting for less than 10% of the funding on an individual level. When examined by discipline, there are more marked differences in application success rates: the highest success rate was 80% for film and the lowest was 50% for libraries (excluding the 'other' category). However, there are also large variations in the overall number of applications across disciplines to bear in mind.

[35] The total value does not reconcile with the total value reported in Table 2.1 due to a small amount of funding going to sites just across the border in Scotland, Wales and Northern Ireland.

Table 4.2 CRF funding by organisation type

Organisation type	Round	Number of applicant organisations	Number of successful applicant organisations	% of orgs applying that were funded	Amount of funding awarded
For-Profit/Commercial Organisations	CRF 1	1467	914	62%	£171,798,867
	CRF 2	2353	1115	47%	£132,420,447
	CRF 3	863	629	73%	£73,738,412
	TOTAL (unique organisations)	***3040***	***1733***	***57%***	***£377,957,726***
Not-for-profit organisations	CRF 1	2342	1668	71%	£410,648,144
	CRF 2	2397	1598	67%	£214,201,978
	CRF 3	1008	744	74%	£89,185,748
	TOTAL (unique organisations)	***3704***	***2526***	***68%***	***£714,035,870***
Not recorded in dataset	CRF 1	1061	708	67%	£239,287,842
	CRF 2	281	138	49%	£49,707,600
	CRF 3	272	92	34%	£45,448,956
	TOTAL (unique organisations)	***1389***	***808***	***58%***	***£334,444,398***
TOTAL (unique organisations)		**8133**	**5067**	**62%**	**£1,426,437,994**

Source: DCMS programme management data

Note: Some sub-programmes within CRF did not gather for/not-for-profit data in a binary fashion, meaning that it is not consistently included in the dataset. In other areas, this is recorded in a binary fashion, either as reported by the applicants, or as a result of ALB analysis. There is therefore a significant subset of organisations whose commercial status is marked as "not specified in dataset".

Table 4.3: CRF funding support for all three rounds, by discipline

Main discipline	Total amount awarded	% funding share	No. of applicants	Organisations funded	% of orgs applying that were funded
Heritage	£295,856,218	20.7%	2186	1291	59%
Theatre	£287,806,445	20.2%	922	695	75%
Music	£248,707,601	17.4%	1315	844	64%
Other	£178,580,151	12.5%	1791	794	44%
Combined arts	£170,435,181	11.9%	785	578	74%
Museums and archives	£107,451,955	7.5%	341	265	78%
Visual arts	£52,557,249	3.7%	380	281	74%
Film	£41,889,896	2.9%	179	143	80%
Dance	£32,161,293	2.3%	141	109	77%
Literature	£9,502,808	0.7%	87	64	74%
Libraries	£1,489,200	0.1%	6	3	50%
Grand Total	**£1,426,437,997**	**100.0%**	**8133**	**5067**	**62%**

Source: DCMS programme management data

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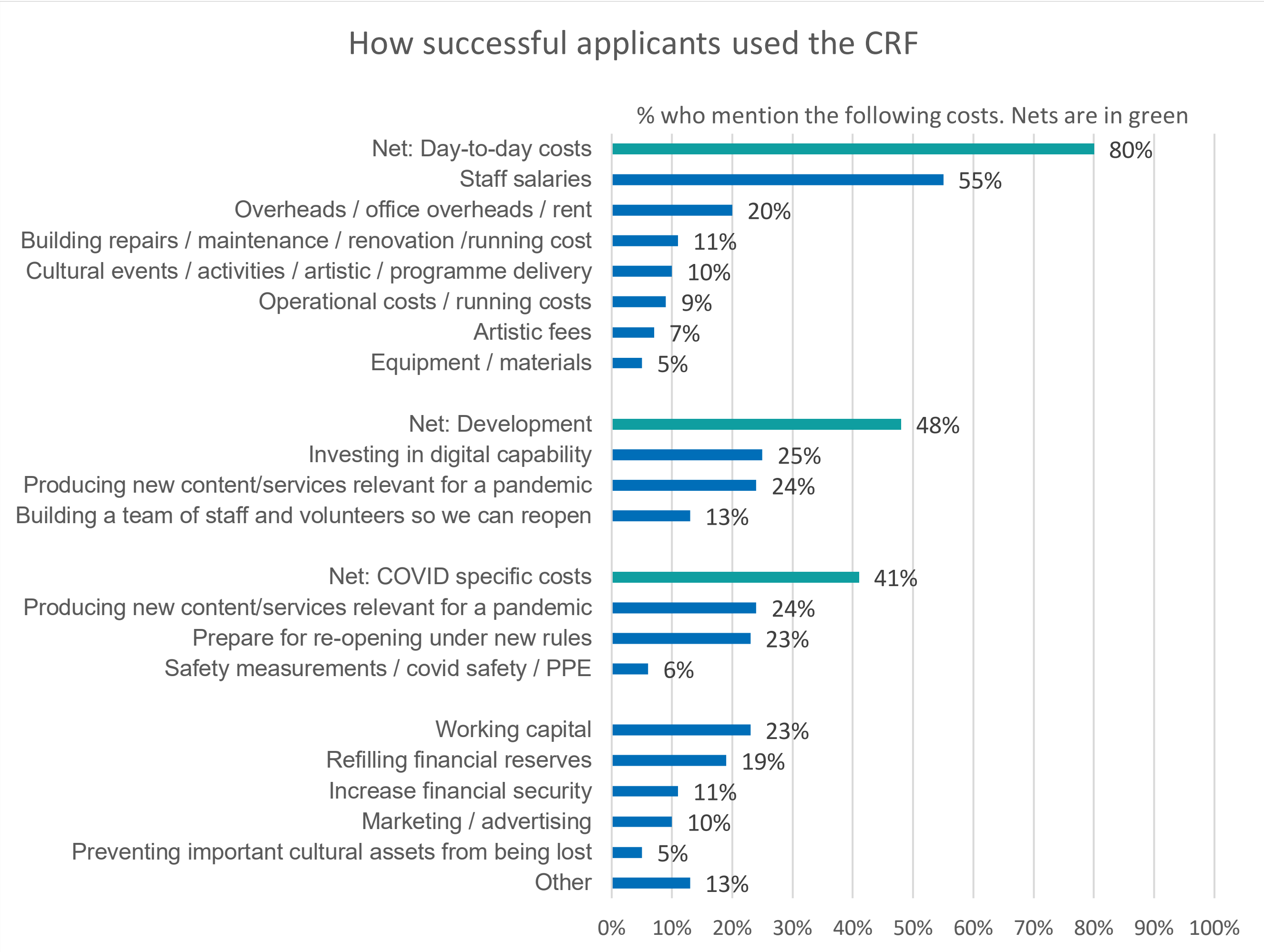
4.2 How support was used

As Figure 4.1 below indicates, supported organisations used CRF to meet a range of day-to-day costs, development costs and costs relating to COVID-19. Unlike the data provided above, this evidence is sourced from the survey responses covering CRF 1 and CRF 2 experiences and does not cover the Heritage Stimulus Fund.

Figure 4.1: How successful applicants used the CRF funding



Base: All successful respondents (679). Weighted data to the organisational profile.

Question: Thinking about the funding you received from CRF. On what did you spend, or do you intend to spend, the money you received?

Note: This question was multi-coded. Respondents responded to outline all of the ways in which they spent the CRF money. "Producing new content and services for the pandemic" was counted as both a Development area and a COVID-19 specific cost. This means that the use of funds across these categories cannot be summed.

CRF resource grant and loan support was largely used on the day-to-day running costs of the organisations it funded. Eight in ten (80%) used CRF support on day-to-day costs, including staff salaries, overheads, maintenance as well as programming costs. More than half (55%) used the CRF to pay their staff salaries. For example, several case studies said that thanks to the CRF funding, they managed to take staff out of furlough, which meant that they could carry on with some of their activities. In some cases, this ability to take key staff off furlough allowed for new and innovative activities and services to be designed and delivered (see Chapter 6). One heritage organisation commented that before CRF they were so understaffed that they could not even put on a webinar for their members (however, overall CRF did not reduce the number of people on furlough – see Section 5.2). Others commented that they used the support to top-up furlough wages, which helped with staff retention.

Just under half (48%) used at least part of their CRF support to develop their organisation either through investing in their digital capabilities in order for them to continue delivering services during the pandemic, or in making content relevant to the pandemic. For example, several theatres which were interviewed as part of the case studies said that the funding enabled the launch of new or improved existing streaming services. Another way case study organisations sought to adapt their model to the restrictions in place was through the creation of outdoor spaces for their activities.

A little more than two in five (41%) organisations also used the CRF to cover COVID-19 specific costs, such as safety measures (for example temperature scanners, e-ticketing, disinfection stations) and preparing for re-opening within the context of the pandemic. In particular, the social-distancing rules (which were in place until July 2021) coupled with the anticipated audience's reticence to return en-masse, meant that when setting their reopening plans, several case studies organisations relied on the CRF support to meet social distancing requirements.

The survey data shows that at the time of the survey fieldwork, roughly 1 in 5 organisations used the funding to replenish their financial reserves. These financial reserves provided a 'buffer' for organisations to withstand financial shocks in the face of uncertainties. The qualitative evidence revealed that the reserve reinflation was not a static process, and money was taken in and out depending on the scale and timing of planned activities. For example, if a play had to be delayed because of extended restrictions, case study organisations would put the allocated resources in their reserves and reuse them at a more appropriate time. This means that as the survey data represents a snapshot in time, results need to be interpreted within that broader context.

The survey data also showed that there were the expected differences between organisations in how the CRF support was used – driven by the nature of their activities. Combined arts organisations were more likely to prioritise development and COVID-19 related adjustments to operations; theatres tended to focus on covering day-to-day costs to mitigate revenue shortfalls.

4.2.1 Was support used as planned by organisations?

During the workshops, case study organisations were asked if they had changed their original spending plans and, if so, what were the reasons for this. Case study organisations largely followed through with their proposals and spent the CRF support as initially intended. Where there was some divergence, this was due to lockdown/restrictions being extended or changes to the other government support schemes. For example, some case study organisations originally planned to spend more on staff salaries, but with the extension of furlough as an alternative mechanism for supporting these costs this became less of a priority (and efforts were taken to ensure no duplication of spend). Similarly, the introduction of second (in November 2020) and third (in January 2021) lockdowns alongside Tier 3 and 4 restrictions in December 2020, forced a few CRF 1 case study organisations to abandon or postpone their activity plans, with some choosing instead to put the money into their reserves. The sustained uncertainties faced as COVID-19 turned out to be longer-lasting than had been originally assumed (including by DCMS in designing CRF 1) led to support being re-directed to reserves replenishment as a precaution. Similarly, several CRF 3 case studies moved their Christmas planned activities to spring 2022 in response to the surge of the Omicron variant. Linked to this, one organisation commented that they spent more on overheads than they were hoping to because they had to replan multiple times.

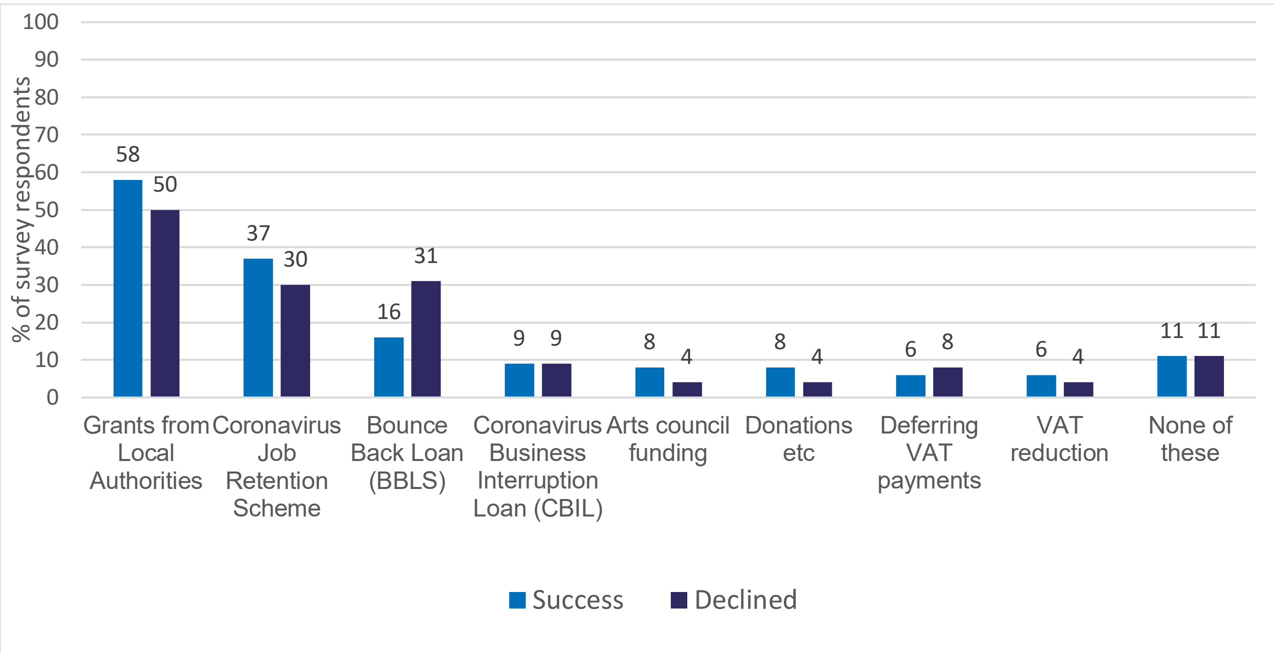
It is important to note that CRF rules stipulated that a change in project plan was only allowed in certain circumstances and that all events and costs associated with the use of CRF support were required to remain within eligibility guidelines.

4.3 Other support accessed by applicants

The CRF was not used in isolation and on average, successful and declined applicants received two additional sources of funding/aid (excluding the CRF). Only one in ten (11% - for both successful and declined applicants) did not use another form of funding.

The most common form of additional support to cultural organisations were grants from local authorities. The second most common form of support accessed was furlough (CJRS). Around six in ten of successful applicants to the CRF (58%) received a grant from their local authority and half (50%) of declined applicants. Declined applicants were almost twice as likely to have applied for and received a Bounce Back Loan (BBL), with one in three (31%) reporting that they had received such a loan, compared to 16% of successful applicants. This may be because success in securing BBL support may have reduced the necessity for CRF support – though this relationship would require more careful scrutiny in future analyses.

Figure 4.2: Other sources of funding support used (excluding the CRF)



Base: All telesurvey respondents (925), all successful applicants (679) and all declined applicants (246). Weighted data to the organisational profile of CRF applicants. Question asked: What other sources of funding have you received since the COVID-19 pandemic began?

05

Direct outcomes and impacts

5.0 Direct outcomes and impacts

This chapter considers the outcomes and impacts on CRF up to March 2022. It reviews the benefits for supported organisations, including in relation to employment and financial viability. The review of CRF outcomes and impacts draws on evidence from the surveys (telephone and online), case studies and to a lesser extent interviews with external stakeholders. Further information on the methods used to calculate these impacts are described in Chapter 3 and detailed in the annex accompanying this report.

Chapter summary

It was not possible to ascertain the degree to which CRF prevented insolvencies in the sector over the timescales of the evaluation due to changes in regulations to how insolvencies were reported during the pandemic. However, there is a clear indication that CRF strengthened organisations' finances, improved their resilience and raised their future survival prospects.

Even though the current data (bearing in mind the limitations about the temporary changes to the insolvency rules) shows that the declined and successful applicants had a comparable survival rate, the analysis suggests that the declined applicants achieved this at the expense of reduced activity and workforce.

CRF increased the net total income of organisations awarded funding by £777m. This led to increased expenditure, indicating that the extra CRF income supported an **increase in economic activity and enabled organisations to spend beyond covering their essential costs.** At the overall level, CRF increased expenditure amongst supported organisations to an additional £612m.

Organisations in receipt of CRF funding **supported 110,861 full-time-equivalents** during 2020, as well as **107,950 contractors or freelancers**. In terms of jobs that can be calculated to have been saved, this rise in economic activity **safeguarded around 6,700 jobs within the cultural sector** by September 2021 (3,000 within the CRF funded organisations; 3,700 contractor jobs including freelancers). Case study organisations highlighted the importance of safeguarding these jobs – they were unable to furlough all staff as it was critical that some staff kept working in order to preserve their specialist cultural skills. Safeguarding these jobs therefore helped to sustain these organisations' cultural talent.

We can also consider possible future job losses avoided as a consequence of improving survival rates. Indicative modelling based on the positive effects of the programme on financial health indicate that the scheme may help 15% to 20% of organisations awarded funding (620 to 830) avoid failure over the next two years. This would be associated with an additional 5,620 to 7,480 jobs safeguarded (though these estimates are highly speculative and do not account for the possibility that workers displaced may find alternative employment).

CRF had little impact on redundancies, primarily because few redundancies occurred across both successful and declined organisations, and those that did took place prior to CRF funding being awarded.[36]

There is no significant difference between the reopening rates of successful and declined applicants and both groups reopened at a similar time. There was a distinction, however, in the way organisations experienced this process, with declined organisations feeling more anxious because they had little contingency should something go wrong.

CRF **re-inflated organisations' reserves**, with the data showing that reserves were 188% higher than they would have been in the absence of the funding. Having good levels of reserves is an important indicator of an organisations' ability to withstand future financial shocks. Case study organisations highlighted the importance of having a good set of accounts and the confidence that this inspired in donors, lenders and suppliers. Having a certain level of reserves is also often a pre-requisite for applying to further grant schemes.

CRF increased the number of months for which organisations could sustain their operating expenditure by 33% and reduced the share of organisations that would have otherwise been operating at a loss during the pandemic (an important determinant of future survival).

The organisations declined for CRF funding protected their organisations by reducing expenditure, impacting on their employment levels and likely having an effect on their ability to produce cultural activity.

5.1 Financial sustainability of supported organisations

To understand how CRF impacted upon the financial sustainability of supported organisations, the evaluation reviewed data on cashflow, reserves and liabilities (also comparing this with that for declined organisations). This section draws on the telephone survey data and the case studies to explore the degree to which CRF had a positive impact on the financial standing of organisations.

5.1.1 Income

Here we consider the impact of CRF on organisations' income – an important determinant of financial health.

Case study organisations talked about the sudden drop of income they had experienced at the start of the pandemic, with some losing 70% of their income overnight once the "stay at home" order was given. The restrictions were particularly damaging to those whose revenues relied predominantly on ticket sales. These organisations found themselves in a situation where no new income was coming through; at the same time they had to refund tickets for the cancelled

[36] it is possible to safeguard jobs yet not impact on redundancies because there are other ways to reduce job numbers alongside redundancies, such as cutting hours and not replacing people when they leave).

performances, putting them in a precarious financial position. CRF helped in some part to replenish this lost income.

Findings from the case studies also suggest that in some cases CRF acted as a substitute for other public funds. For example, several council-run organisations commented that CRF helped them to be less reliant on funding drawn from a shared budget-line, which they were hoping would protect them against cuts next year.

Findings from the case studies indicate that successful organisations did draw on other sources of support prior to their application to CRF (for example CBILs and furlough). However, the case studies also demonstrate that successful CRF applicants did not then apply for other sources of funding that they might have done without the availability of CRF (also considering the timing of CRF support in relation to other funding sources). Several of the smaller case study organisations interviewed explained that they did not have enough internal resources to keep writing grant applications; therefore, once they secured the CRF funding, they chose to focus their time on delivering the activities CRF enabled them to do instead of seeking additional income streams. In contrast, one declined case study commented how they were *"going for any grant [they] could find."*

It is also possible, though, that the CRF reduced demand for funding amongst successful applicants, increasing its availability for organisations that were declined. If so, these findings would understate the impact of the programme on the income of those awarded funding.

Overall, whilst the impact of COVID-19 on overall income levels is clear for both supported and declined applicants, we see that CRF impacted upon income streams for supported organisations quite significantly through increasing revenue grants.

5.1.2 Expenditure

The evaluation results indicate that the CRF also increased the expenditure of organisations awarded grants, producing an important stimulus effect. Based on evidence from the telephone survey, we estimate that the **expenditure of organisations awarded funding was 37% higher than it would have been in the absence of the scheme** between April 2020 and March 2021. For the average organisation, this was equivalent to an increase in spending from £219,000 to £300,000.

At the overall level, this was equivalent to an additional £341m in additional spending over the course of 2020/21, and a further £272m[37] between April 2021 and September 2021 (£612m in total). This implies the CRF had potentially important economic stimulus impacts during the pandemic and only a relatively small share of the £777m in additional income received by organisations was still held in reserves by the end of September 2021. Indeed, 72% of successful applicants responding to the telephone survey felt that the CRF helped them to maintain local supply chains, at least to some extent.

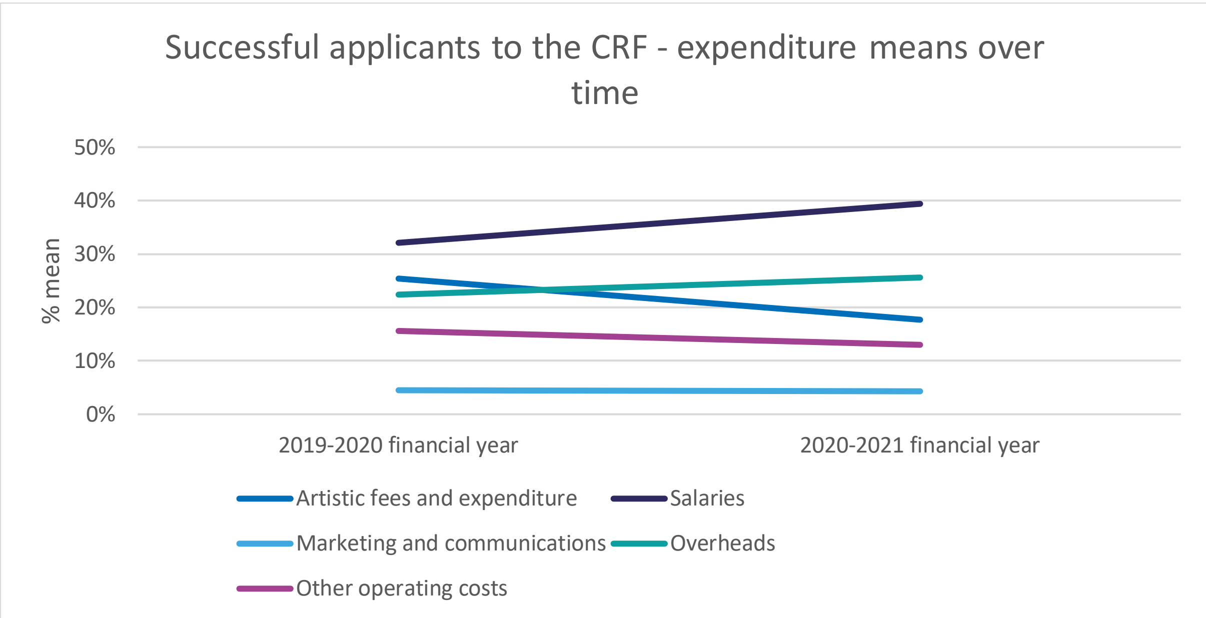
[37] This was inferred from the difference between the total impact of CRF on organisations operating surplus at the end of March 2021 (i.e. £777m - £341m = £436m) and the total impact on reserves at the end of September 2021 (£165m).

Case study organisations talked of the different ways they spent the CRF funding and the impact this had on their financial standing. Having a financial buffer gave organisations a safety net to plan ahead and explore new models and activities, which in turn helped them generate income while COVID-19 restrictions were still in place. For example, many moved their programming online, set up outdoor performance and exhibition spaces or sought to diversify their income by branching out in new activities.

"What this sustainability grant is allowing us to do is to explore perhaps new territory that the organisation hasn't explored to date in terms of income diversification, and again just give us a little bit of that safety net with the knowledge that not all of those ideas and those initiatives will perhaps work, but it allows us over the next year and a half or so to just test those ideas." (Case study organisation)

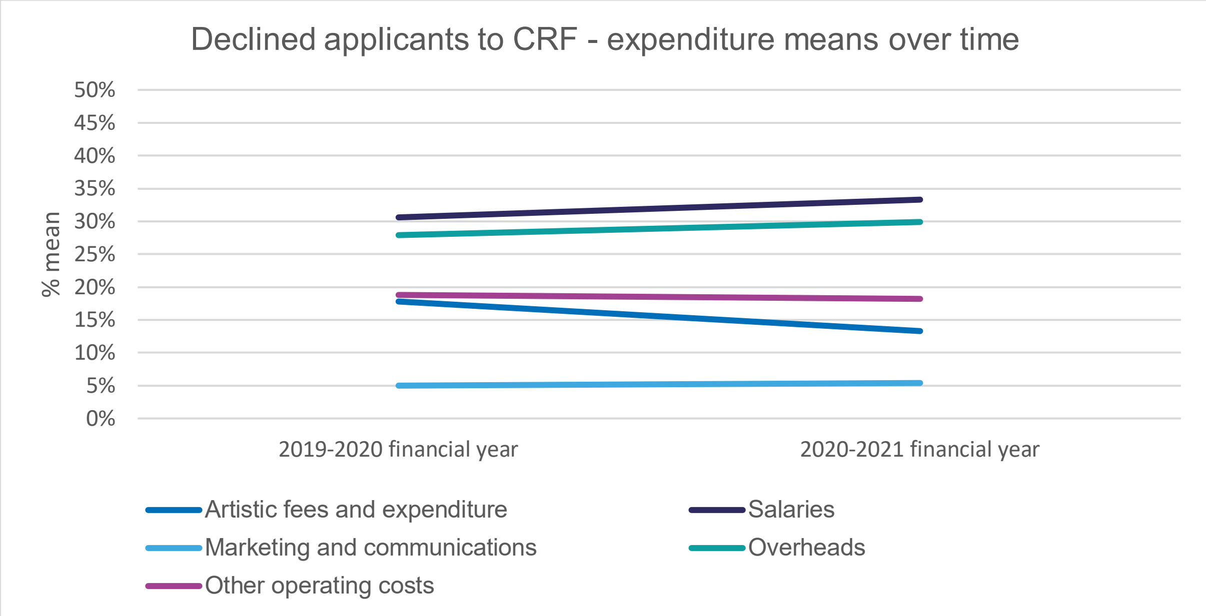
In contrast, declined organisations cut their expenditure to be sure they could survive whilst operating with lower income due to not receiving CRF funding. The differences in expenditure between the successful and declined organisations is presented in Figure 5.1 and Figure 5.2 respectively.

Figure 5.1: How an applicant's expenditure was used over time by successful applicants



Base: All successful respondents who answered their total operating expenditure for the 2019-2020 financial year and the 2020-2021 financial year (655, 617). Weighted data to Propensity Score Matching. The graph does not add up to 100% due to rounding and the exclusion of don't know/ prefer not to answer responses
Question: And what percentage of your spending in the 2019/2020 financial year was placed on the following items? And what percentage of your spending in the 2020/2021 financial year was placed on the following items?

Figure 5.2: How an applicant's expenditure was used over time by declined applicants



Base: All declined respondents who answered their total operating expenditure the 2019-2020 financial year and the 2020-2021 financial year (227, 214). Weighted data to Propensity Score Matching. The graph does not add up to 100% due to rounding and the exclusion of don't know/ prefer not to answer responses.
Question: And what percentage of your spending in the 2019/2020 financial year was placed on the following items? And what percentage of your spending in the 2020/2021 financial year was placed on the following items?

However, the survey reveals that successful and declined organisations' expenditure between April 2020 and March 2021 was still behind their pre-pandemic levels. In fact, case study organisations talked about the range of cost-saving measures they employed in order to reduce their cash outflows – for example, renegotiating rent contracts, furloughing staff and reviewing overheads.

5.1.3 Profitability

There was no evidence that the CRF influenced the average operating profitability (i.e. operating surplus as a percentage of operating expenditure) of organisations awarded funding. This indicates that the majority of organisations would have sought to preserve their financial sustainability by finding cost savings to make up for lost income in the absence of the scheme – which was the action taken by the declined organisations.

However, the CRF did reduce the likelihood that organisations would be operating at a loss during 2020/21 (relative to what may have occurred in the absence of the programme). As past research[38] conducted by the Bank of England has demonstrated that operating losses are an important determinant of future business failure, it is likely that the programme will have had an

[38] Tudela, M. and Young, G. (2003). A Merton-model approach to assessing the default risk of UK public companies. Bank of England: https://www.bankofengland.co.uk/working-paper/2003/a-merton-model-approach-to-assessing-the-default-risk-of-uk-public-companies

effect in improving the prospects of survival of some organisations awarded funding (estimates of the scale of this effect is provided in Chapter 7).

Several case study organisations also reflected that 2020 was better for them financially than 2021 due to low costs (organisations hibernating), successful fundraising campaigns (donors and the public rallying behind the sector) and the range of government support schemes. As the pandemic entered its second year, however, support thinned out while costs increased as the sector was preparing to reopen and was adjusting to the new reality.

5.1.4 Reserves and liabilities

Figure 5.3 shows the differences in reserves and liabilities between the successful and declined organisations, from the point of their first or successful CRF application through to the date of the telephone interview survey (between July and September 2021).

This shows that the primary effect of the CRF on the balance sheets of organisations awarded grants was to increase the depth of their reserves. The findings indicated that the reserves of organisations awarded funding were 188% higher in September 2021 than they would have been in the absence of the scheme. This is equivalent to an increase from £21,000 to £60,000 for the average organisation, or a total increase of £165m when aggregated across the population of organisations awarded funding.

As declined organisations had less income during the COVID pandemic they relied more heavily on their reserves for survival. The survey shows that despite declined applicants having more in reserves prior to COVID-19 at the date of the telephone survey, a quarter (25%) of declined applicants held no reserves in the 2020-2021 financial year (compared to 9% of successful applicants), putting them in a more vulnerable financial position.

Case study organisations talked about the importance of reinflating their reserves and the multiple benefits this had. In addition to providing them with a good set of accounts which inspired confidence in donors, suppliers and staff, it also meant that they could bid for other funding, where this was a prerequisite. Several case study organisations talked about the efforts of building their reserves over the years and how they had the feeling that they were *"going backwards*" when these were getting depleted.

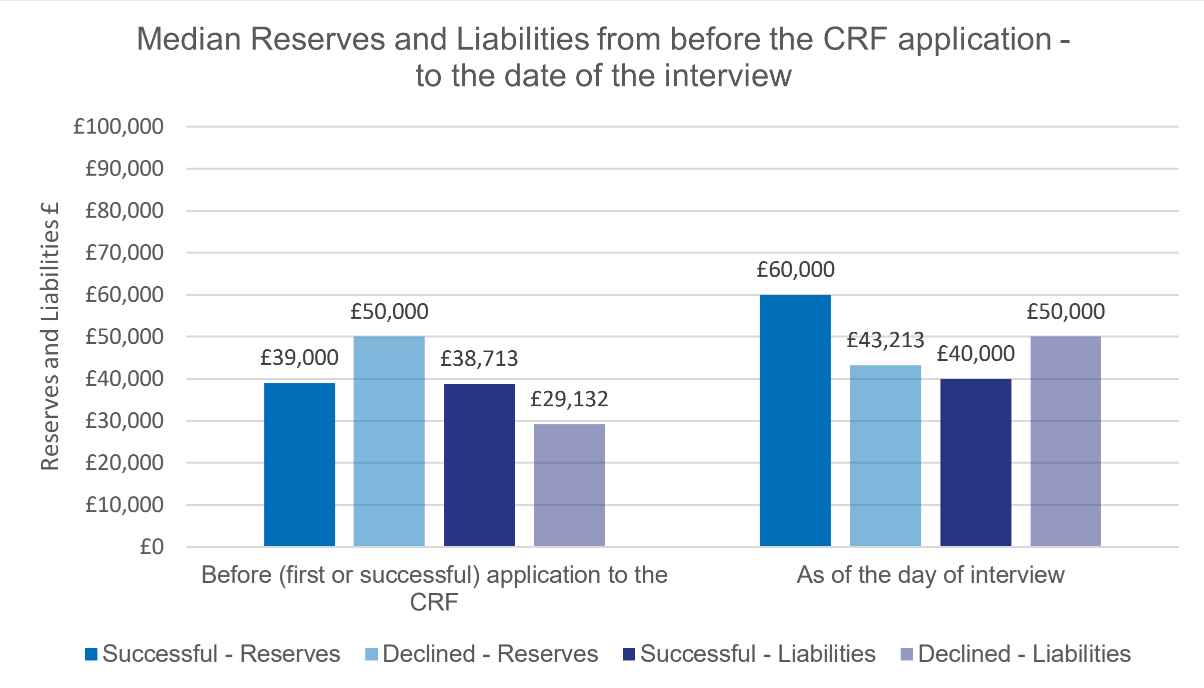
"Without CRF, it would have taken 2/3 of our reserves just to go back to nought, meaning we would have gone into the next financial year with nothing." (Case study organisation)

Furthermore, based on the survey findings we estimate that the CRF increased the **number of months of operating expenditure** that could be funded from reserves by 33% (from an average of 4.4 months to 5.9 months). The results also indicated that the CRF led to a **111% reduction in ratio of debts to assets** (approximated by liabilities divided by reserves, another important predictor of future survival rates).

The findings did not suggest that the CRF had a statistically significant effect on the **liabilities** accumulated by organisations awarded funding. As such, this indicates that organisations awarded funding would not have sought additional debt finance to cover their short-term funding needs in the absence of the scheme, but rather accessed other public funds or reduced their expenditure. While a higher share of declined applicants reported that they obtained Bounce

Back Loan Schemes, these loans were small in size (maximum of £25,000) and only obtained by a minority of declined applicants. Whilst Figure 5.3 shows that declined organisations had higher liabilities at the point of the telephone interview (between July and December 2021), this was not a statistically significant difference.

Figure 5.3: Reserves and liabilities breakdown from the application stage to the date of the interview by successful and declined applicants



Base: All respondents to the telesurvey (925), all successful applicants (679) and all declined applicants (246). Weighted data to Propensity Score Matching.
Question: Approximately how much did your organisation hold in financial reserves at the time just before your first successful application to CRF? Approximately how much does your organisation holds in financial reserves as of today? And could you tell us how much your organisation held in total liabilities at the time just before your first successful application to CRF? And could you tell us how much your organisation holds in total liabilities as of today?

Table 5.1 below brings together the key findings in relation to the financial sustainability of CRF successful applicants.

Table 5.1: Estimates of the total impact of CRF on operating income, expenditure, and reserves

Outcome	Impact of CRF (%)	Total impact
Operating income (£)	1.39	£777m
Operating expenditure (£)	0.37	£341m
Reserves (£)	1.88	£165m

Source: Culture Recovery Fund Survey, Ipsos UK.

5.1.5 Insolvency

It was not possible to ascertain the degree to which CRF prevented insolvencies in the sector over the timescales of the evaluation. This is due to the Corporate Insolvency and Governance Act (CIGA), which led to a reduction in the number of insolvencies across the whole economy between April 2020 and September 2021 (see Section 3.4). This is likely reflected in the very low proportion of applicants contacted by the survey that were insolvent; of the 925 organisations that we contacted through the telephone survey only 5 were insolvent at the time of interview. Overall, this represents just 1% of the sample.

Evidence from the case studies does however indicate that CRF was felt to be important for the ongoing survival of organisations.

"*CRF is transformative funding for any organisation that is lucky enough to get it…We've achieved so much that would have taken us potentially a decade, and certainly wouldn't have had the impact that it's had, and it's not just us who has managed to do that."* (Case study organisation)

When asked to think about the role CRF played on their finances, case study organisations tended to reflect on how crucial the support had been for the financial health of their organisation, with a number describing it as "*essential*", "*fundamental*" and "*a lifeline*". Several case study organisations felt very strongly that without it they would have either not survived or would have mothballed for much longer. This sentiment was much more pronounced among CRF 1 case studies:

"The primary feeling was not about being able to take risks, it was literally about being able to keep going to the next day, it was about the practical sustainability of the organisation because at that point we literally didn't think we were going to survive until October; it was so fundamental, it is making me a bit tearful talking about it because it was so awful and every single day we thought, 'This is it', and so every bit of money that came in, it meant that we could literally pay staff for the next month and not have to go through another round of redundancies. It [CRF] was seminal and enabled sustainability; the risk taking came later – the first 6-9 months it was about, 'Are we going to survive?' and it was as basic as that." (Case study organisation)

Most, however, could not disentangle the CRF support from other support measures they had taken to safeguard their business and could not necessarily pinpoint their survival to one in particular. These organisations tended to talk about the CRF funding in terms of support to their recovery, building their operations back better and emerging stronger from the pandemic. The financial check-ins we conducted largely confirmed that the funding strengthened organisations and made them more resilient to future financial shocks. This is further illustrated by the experience of the declined case studies, who whilst also survived, had to make harder choices to get to that point.

"Without CRF I think we would have survived, because we have survived more, but we couldn't have had the step change we've had…we've seen a developmental shift…would we have made films and done the other things we have done this year otherwise? I don't know." (Case study organisation)

For example, one theatre whose CRF application was declined talked about how even though their programming selection paid off, there was a strong anxiety that they only had a single opportunity to get it right and they lacked contingency in case their recovery plan did not succeed.

"It was only via managing to secure external funding that we were able to do that…[the org] is still a business, it is still operational…but it's just the way we had to manage through that process was made more difficult [without CRF]'." (Case study – declined organisation)

5.2 Employment

In order to determine the outcomes and impacts of CRF in terms of employment, we here review the jobs, procurement spend and the use of contractors associated with CRF support. This section reports information collected from the telephone survey, presents findings of the econometric analysis, whilst also drawing on evidence from the case studies (and to a lesser extent stakeholder interviews). In particular, the evaluation considered the challenge of disentangling the impacts of CRF in terms of safeguarding direct jobs from those safeguarded by the effects of the CJRS (which was available to the comparison group).

The survey highlighted that the impact on retaining full-time staff was particularly pronounced amongst those organisations that received smaller amounts from the CRF. In contrast, for those organisations receiving more than £1 million, full-time staff declined by eight, but part-time staff increased by five, suggesting that some full-time staff potentially moved to part-time (see Table 5.2 below).

Table 5.2: Median number of employees before CRF and at the time of interview (successful applicants only, by CRF funding size)

Numbers in brackets are prior to first successful application to the CRF. Numbers without brackets are figures from the date of interview	£50,000 or less	£50,001 – 100,000	£100,001 – 250,000	£250,001 – 500,000	£500,001 – 1m	£1m +
Full time staff	1 (1)	2 (2)	6 (6)	12 (13)	25 (26)	60 (68)
Part time staff	1 (1)	2 (2)	5 (4)	12 (12)	20 (22)	54 (49)
Consultants / contractors / freelancers	2 (1)	4 (3)	4 (2)	4 (2)	3 (3)	10 (10)
Volunteers	6 (4)	3 (2)	0 (0)	0 (0)	8 (5)	20 (28)

Source: Culture Recovery Fund Survey, Ipsos UK.

Although organisations awarded funding reduced their overall employment levels (in terms of Full Time Equivalents) following the award, they were estimated to employ **14% more workers** (Full Time Equivalents) in September 2021 than they would have done in the absence of the CRF. For the median organisation, this was equivalent to an increase in employment from 5 to 6 FTEs (i.e. one additional job FTE per organisation supported[39]). As organisations predominantly reduced their overall employment levels over the period, we infer that the effect of the CRF was mainly to safeguard jobs (rather than to create new jobs).

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[39] Note that this only includes directly employed workers, and would exclude jobs in separate trading organisations such as cafés or shops.

When aggregated across the population of organisations awarded funding, we estimate that **CRF safeguarded around 3,000 jobs by September 2021**[40] **amongst supported organisations**. This was estimated by applying the estimated impact of CRF (14%) to employment levels in the median organisation (6 FTEs) and the total number of organisations awarded funding.[41] DCMS estimates[42] indicate that overall employment in the cultural sector fell by 4,000 jobs between 2019 and July 2020 to June 2021, suggesting that the contraction in the sector would have been almost twice as large in the absence of the programme. It should be noted that this does not include the potential jobs safeguarded as a result of future closures avoided (which are estimated in Chapter 9).

Case study organisations identified two main ways in which CRF supported staff retention: **covering staff salaries** (and in some very specific circumstances topping up the salaries of furloughed workers) and **creating work opportunities** by funding activities. The latter was also linked to boosting staff morale, which some thought was particularly important given the uncertainty everyone in the culture sector was living through. In contrast, two of the declined case studies lost staff during the pandemic because, in their view, staff were concerned that the failure to secure CRF funding would result in redundancies, so they decided to look for jobs elsewhere.

Creating new job opportunities was not a discrete and primary aim of CRF, and this was reflected in the case study evidence with only a few organisations reporting that they had hired new employees as a direct result of CRF. However, several organisations outlined that because CRF protected (and in some instances strengthened) their finances, they were in a position to start recruiting. In fact, several of the case study organisations who had gone through large-scale redundancies at the beginning of the pandemic were actively recruiting at the point of their second interview in January 2022. A small number of other case study organisations said that they had used CRF 2 and CRF 3 support to re-hire employees that were previously made redundant.

In terms of **redundancies**, few organisations applying for CRF funding had made redundancies, and those that had, did so in the period between the first national lockdown and the launch of the scheme. Organisations can reduce their employment costs by making redundancies, reducing working hours, or by not replacing staff when they leave voluntarily. The findings imply that the impacts of the programme in safeguarding jobs predominately arose from the replacement of workers leaving voluntarily or through increasing working hours, rather than preventing redundancies. While this is true at aggregate level, the qualitative evidence picked up individual cases where the funding prevented further redundancies by giving organisations the confidence and financial means to retain staff.

The survey results **did not find that CRF impacted on the number of employees on furlough**. This could be because, per organisation, the number of furloughed employees was quite small (and so it would be challenging to detect statistically significant differences between the successful and declined organisations); while almost seven in ten (69%) applicants were

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[40] The overall estimated employment impacts of the CRF (including effects on contractors) are summarised in Section 9.
[41] The relevant calculation was: 4,214 x (6 x (1 - 1 / (1 + 0.14))
[42] DCMS (2021) DCMS Sector Economic Estimates: Employment 2019 to June 2021

using furlough at the time of application, the median number of full-time employees on furlough was one (for both successful and declined) and most did not furlough part-time employees.

Although overall CRF did not impact on the total number of people on furlough, there were examples in the case studies where CRF enabled organisations to bring people back from furlough, or helped them avoid using the CJRS scheme altogether. Some of the small organisations reflected that if they had furloughed staff, they would have either had to mothball or increase burnout in employees who would have been left to cover multiple jobs. For others the furlough scheme did not work in principle where staff had to keep active in their role (for example in order to maintain the skills that were central to the running of the organisation) and CRF supported this.

"CRF has helped us bring back a team, execute campaigns – whether the shows happened or not - we had core staff costs covered – win, lose, or draw – as long as we could commit to shows we could pay staff and exist as an operation. It gave jobs to people, whether it be directly through employment, contractors, and also within venues." (Case study organisation)

The Fund did not appear to have any effect on the number of volunteering opportunities. This is perhaps unsurprising considering it did not lead to organisations re-opening sooner, as we describe below.

5.3 Re-opening

The econometric analysis showed that CRF had a limited effect in terms of accelerating the reopening of cultural institutions. Organisations awarded funding were no more likely than declined applicants to have reopened at the end of June 2021 or at the end of September 2021, and funding did not appear to have any significant impact on the number of visitors received (amongst organisations open to the public). There was also some evidence that the CRF worked to delay reopening for non-commercial organisations (although this effect was not persistent).

Evidence from the case studies suggest that while the reopening rate was the same between those that did and did not receive CRF, the two cohorts experienced the process differently with the declined feeling more anxious and uncertain. CRF recipients often highlighted that without the CRF support they would not have had the confidence to reopen at the scale they did (in terms of number of sites as well as type of programming). In contrast, the declined case studies were more risk averse, which meant that they either started off small or with a content that was considered to be commercially safe. Across the cultural sector, the pandemic reduced the level of risk organisations could afford to sustain; however declined organisations, having used most up of their reserves, had even less contingency than the successful organisations. Case studies commonly reflected on the resource implications of needing to prepare for opening up and putting on events again having been 'out of action'. Here there was a sense that CRF had helped them to retain some momentum and engage in running activities again where they might have not otherwise been able to:

"We wouldn't have been able to even start planning for the things we are [without CRF], because we wouldn't have had sufficient reserves…it has enabled us to re-start the company….in a way that is potentially most attractive to audiences." (Case study organisation)

"I think broadly, if we'd not had CRF 1 money, we would have had to mothball the organisation. We would have had to close, we'd have had to lose even more staff than we did, and we'd have had had to put everything into almost a deep freeze. And if you do that, it takes longer to come back". (Case study organisation)

The case studies also highlighted that CRF funding provided organisations with the confidence and resources to reopen by underwriting any losses incurred as a result of social distancing as well as cancellations driven by the surge of COVID-19 cases.

"Without the money we would have had to seriously consider mothballing…and saying, 'Let's wait until next Christmas', because otherwise we would have risked the entire organisation going down because we don't have investors, so literally every penny we spend on these shows over Christmas would have been at risk." (Case study organisation)

Ultimately, the case studies do not provide for a comparative analysis between the supported and declined organisations in terms of the impact on the rate of reopening. However, the case studies suggest that CRF may have had an impact on the *intensity* of activity associated with, or following, reopening.

5.4 Negative impacts

While case study organisations were extremely grateful for the CRF support they had received, some also identified several unintended downsides to the programme. The most pronounced negative impact highlighted by case studies related to publication of the awarded amounts per organisation and the impact this had on public perceptions about the financial health of the organisation. Some organisations reported that staff expectations were unrealistically raised in terms of what the CRF funding would mean for job security and salaries and a few also said that their landlords were less willing to offer them concessions as they thought that CRF had solved all their financial challenges. Overall, whilst there are wider transparency and accountability benefits associated with having award details within the public domain, supported organisations did outline that this impacted on how they were perceived (externally and internally). This was slightly more pronounced for organisations with a limited track record of receiving public funding support.

06

Wider social, economic and cultural impacts

6.0 Wider social, economic and cultural impacts

Here we consider the outcomes and impacts of CRF in relation to the wider cultural sector and local economies. We draw on evidence from the case studies and telephone survey to consider the extent to which CRF helped to preserve cultural and heritage assets, supported freelancers and contractors and delivered wider socio-economic benefits. The impact of CRF on the funded organisations was covered in Chapter 5; here we focus on the ripple effect of CRF.

Chapter summary

The employment of contractors in organisations' supply chains was 41% higher than it would have been in the absence of CRF. The results suggested that 3,700 contractor jobs (including freelancers) were preserved in total as a consequence of the programme by the end of September 2021.

These effects are significant, but interviewees highlighted that while CRF helped organisations create some work opportunities for freelancers, they thought it was not done at a scale sufficient to offset the damage caused by the pandemic. The main support fund for the self-employed was via the Self-Employment Income Support Scheme (SEISS) rather than CRF, as CRF was deliberately focused on organisations, venues, sites and collections. Up to 28 October 2021 the SEISS scheme paid out £812m in grants to 82,000 self-employed people in the arts, entertainment and recreation sectors[43], and the government felt that this was the best route to support the self-employed in the cultural sector. However, interviewees reported that some of the detailed eligibility rules of SEISS were not well suited to the cultural sector, and that some self-employed workers in the cultural sector were ineligible for support. This is not a specific critique of CRF, but rather a wider lesson for the government in designing future emergency support schemes, highlighting how it is important to be more aware of how different organisations and stakeholders will interact with different government support schemes, and to more rigorously test assumptions about who will be supported by which scheme.

By stimulating the supply chain and consumer spending, CRF led to net reductions in unemployment at the local level, equivalent to **safeguarding up to 20,500 jobs** (including the 6,700 direct and indirect jobs described above). Examples from the case studies included employment opportunities for lighting and sound hire companies, marketing experts, and events companies whose services were required as organisations were resuming activities. Furthermore, the survey indicated that those awarded grants tended to place a high share of procurement spend locally; this suggests that the role of the CRF in sustaining expenditure during the COVID-19 pandemic (including on contractors) was an important driver of these local economic impacts.

[43] See: https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-december-2021

As CRF does not appear to have helped organisations open more quickly, there is little evidence that the scheme had a significant effect on local visitor economies.

Specialist skills and talent pipelines were retained to a degree with funded organisations attributing some of this success to CRF in addition to the furlough scheme**.** Case studies highlighted that unlike the furlough scheme, the CRF support meant that staff could keep practising their trade, which was important for maintaining skillsets and motivation. However, the qualitative evidence also suggests that organisations have lost staff with transferrable skills such as marketing and IT, including backstage technicians, to other industries offering better job security, although CRF was believed to have mitigated this problem to a degree.

CRF also supported the **preservation of cultural and heritage assets** and enabled organisations to continue with their wider commitments such as delivering community and educational programmes. The evidence also suggests that, in a number of cases, CRF helped organisations to widen access to cultural goods and provide enriching cultural experiences for the public. There are also indications that CRF enabled some organisations to take some "**artistic risk**" and be bolder with their programming. While the pandemic generally made organisations more risk-averse, the CRF funding provided assurances, which encouraged organisations to be more willing to create new material and experiment more than they would have done otherwise.

6.1 Preserving cultural and heritage assets

There is some evidence that **CRF made a positive contribution to keeping the cultural sector's assets in a good state of repair**. The core of CRF was a revenue fund and, as such, this funding was only available to carry out essential building maintenance, repairs to dangerous and deteriorating parts of buildings, restoration and cleaning of architectural features, plant updates, and essential preservation works. Where support was used in this way, there was a positive view amongst organisations about the associated outcomes and potential impacts. Positive outcomes and impacts on the state of physical assets were reported – the telephone survey highlighted that just over half (56%) of successful applicants felt that the CRF allowed them to maintain cultural and heritage assets in a good state of repair.

In some cases, CRF was able to add particular value since organisations with charitable status outlined that since they had no assigned budget for preservation works, these investments would otherwise not have been funded.

6.2 Contracting (including use of freelancers)

The employment impacts of the CRF were not limited to workers directly in employment. The findings of the evaluation also indicated that by helping preserve supply chain spending, the scheme increased the employment of contractors (including freelancers that form a critical part of the supply chain in many creative industries). As shown in Table 5.2, the median organisation took on between one and two additional contractors from receiving their CRF funding to September 2021.

Furthermore, the evaluation findings suggest that **the CRF employment of contractors was 41% higher amongst organisations awarded grants by September 2021 than they would have been in the absence of the programme**, by comparing contractor numbers between the successful and declined group of organisations.

Again, applying this result to the median number of contractors employed by organisations awarded grants and the number of organisations awarded funding, the programme was estimated to have safeguarded a total **3,700 jobs for contractors** in total by the end of September 2021.[44] This is in addition to the 3,000 safeguarded jobs within the CRF organisations described in Chapter 5, meaning that in total CRF led to the **safeguarding of 6,700 FTEs within the CRF organisations and their supply chains**. This excludes wider effects on local economies (covered in Section 6.4).

However, these findings need to be considered within the broader context of both the profile of the sector (32% of the workforce is self-employed compared to 16% of the workforce overall) and the scale of the challenges this class of workers experienced during the pandemic. Analysis of ONS Labour Force Survey for 2020[45] showed that by the end of 2020, 38,000 freelance jobs had been lost. This figure does not correlate precisely with those aspects of the cultural sector covered by CRF (which are narrower than the overall CCI sectors that this figure covers[46]), but nonetheless the figure does illustrate the impact of COVID-19 on the scale of job losses amongst freelancers connected to the cultural sector.

The main support fund for the self-employed was via the Self-Employment Income Support Scheme (SEISS) rather than CRF, as CRF was deliberately focused on organisations, venues, sites and collections. Up to 28 October 2021 the SEISS scheme paid out £812m in grants to 82,000 self-employed people in the arts, entertainment and recreation sectors[47], and the government felt that this was the best route to support the self-employed in the cultural sector. However, interviewees reported that some of the detailed eligibility rules of SEISS were not well suited to the cultural sector, and that some self-employed workers in the cultural sector were ineligible for support.

"So there is a sort of big gap of people that couldn't claim anything and effectively had 16 months of no income. We did what we could and the work that CRF funded was great in a sense that it allowed us to employ freelancers but from a cultural landscape perspective the lack of support for freelancers has been detrimental to the sector, and it is also added to the huge sense of division between buildings and freelancers.[…]The fact that this is a sector that relies predominantly on the freelancer workforce and that workforce was not provided for formally is quite a big omission." (Case study organisation)

The freelancers we spoke to who benefitted from CRF funded projects echoed this view and talked about the struggles they and their colleagues were having since the pandemic began. The concerns revolved around the nature of portfolio working in the cultural sector, which meant

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[44] The overall estimated employment impacts of the CRF (including effects on contractors) are summarised in Section 9.
[45] Centre for Cultural Value, March 2021, The impact of COVID-19 on jobs in the cultural sector, https://www.culturehive.co.uk/CVIresources/the-impact-of-covid-19-on-jobs-in-the-cultural-sector-part-3/
[46] This figure is for Cultural and Creative Industries (CCIs), and includes some in creative and cultural occupations not within the CCI's sector, but excludes some freelancers working within the sector but not in creative and cultural occupations (e.g. catering, security, project managers).
[47] See: https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-december-2021

that a proportion of freelancers within the sector were not eligible for SEISS as an alternative to CRF support (usually reflecting that their freelance activities within the sector accounted for less than half of their overall income).

This is not a specific critique of CRF, but rather a wider lesson for the future, highlighting how it is important to be more aware of how different organisations and stakeholders will interact with different government support schemes, and to more rigorously test assumptions about who will be supported by which scheme.

6.3 Retaining specialist skills and talent

Two-thirds of successful applicants responding to the survey agreed either completely or a great deal that CRF enabled them to sustain their talent pipeline for the future, with music organisations most likely to report this to have been the case (79% agreeing).

The case study organised that employed staff with specialist skills, such as dancers, musicians, costume makers and stone masons, agreed that CRF helped them retain these skillsets within their organisations. Some interviewees reflected that, unlike furlough, CRF allowed their staff to remain active, which was essential for maintaining their skills and keeping them motivated.

"CJRS couldn't work for dancers because you need them to be rehearsing for 10 weeks before they perform anything. So, the long tail of preparedness for performance is really important." (Case study organisation)

Others, who relied on staff with niche but transferrable skills such as backstage technicians, were worried that they might lose staff to other, higher paid and less volatile industries. For these organisations, being able to use CRF to keep employing staff or topping up their furlough wages was of particular importance.

A number of case studies indicated that CRF had been beneficial in terms of retaining specialist heritage skills within the sector. For one organisation, CRF facilitated their diversification to supplying products for new-build properties from a previous focus solely on the heritage and period properties. This was successful in ensuring that specialist skills of their sculptors could be retained:

"They are turning their hand to decoration and very fine sculpture work in the new builds…the skills have been focused on restoration, but now (are) being used on new build. It's just really good to see that these skills have got a future." (Case study organisation)

While case study organisations talked positively of preserving in-house specialist skills thanks to the CRF support, several case study organisations reflected that their focus on safeguarding specialist jobs meant that they had lost and were struggling to replace more generic skills such as marketing managers, IT specialists and front-of-house staff. Case study organisations also reported this in relation to professionals with digital and technical skills, the demand for which increased over the course of the pandemic as organisations sought to increase their online presence.

Many of those in the sector holding functional roles with transferable skills chose to move into alternative sectors. A Centre for Cultural Value report noted this in relation to roles in administration, finance, fundraising, general management, human resources, marketing and operations.[48] This was also reported by a number of case study organisations, who described some of the workforce as having *"fallen out of love with the sector"*, and being drawn towards sectors and positions offering greater security, stability, better pay and working hours, and enabling a better work-life balance.

The skills gaps which have emerged within the sector, in conjunction with skills shortages exacerbated by challenges around recruitment, mean that organisations anticipated an impact with regards to growth and innovation levels. In particular, shortages in more generic skill sets (e.g. front of house or administration support) were reported as a barrier to future growth.

6.4 Effects on local economies

The findings of the analysis indicated that the programme's effects in stimulating supply chain and consumer spending did lead to net reductions in unemployment at the local level.

As highlighted in Chapter 3, the evaluation explored the effects of the CRF on local economies by extending the scope of the analysis from the organisations applying for funding to the local economies in which they were located. These analyses examined the relationship between the level of CRF funding allocated to different types of areas (Middle Layer Super Output Areas (MSOAs and Local Authorities) and unemployment and other proxy measures of local economic activity (including footfall and volumes of Trip Advisor reviews). The analyses also controlled for other characteristics of local economies that might also influence these outcomes or the level of funding received (such as the density of the creative and cultural industries in the area).

The findings of these analyses showed:

- Each CRF grant awarded led to an average reduction in the number of unemployed claimants of 1.3% (or 3.4 claimants) at the level of the MSOA within which the organisation was located. This equated to a total reduction in the number of unemployed claimants locally of 6,500 by January 2022. This compares to safeguarding of 6,700 direct and indirect jobs reported above and in Section 5. This indicates that either many of the workers whose jobs were protected by the programme would not have found employment in other industries without the programme, or that the CRF was critical in supporting employment in locally important industries.

Additionally, there was evidence that the effect of the programme was larger at the level of the Local Authority than at the very local level. The econometric analysis examined the relationship between the number of unemployed claimants (as taken from monthly claimant count statistics published by Nomis) in each Local Authority and the share of creative and cultural organisations receiving CRF grants awarded to organisations located in that area, while controlling for other factors that may have influenced unemployment levels and the volume of funding received (such as the density of the creative and cultural industry). The results of these analyses indicated that:

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[48] Walmsley, B. et al. (2022). Culture in Crisis: Impacts of COVID-19 on the UK cultural sector and where we go from here. Leeds: Centre for Cultural Value., https://www.culturehive.co.uk/CVIresources/culture-in-crisis-impacts-of-covid-19/

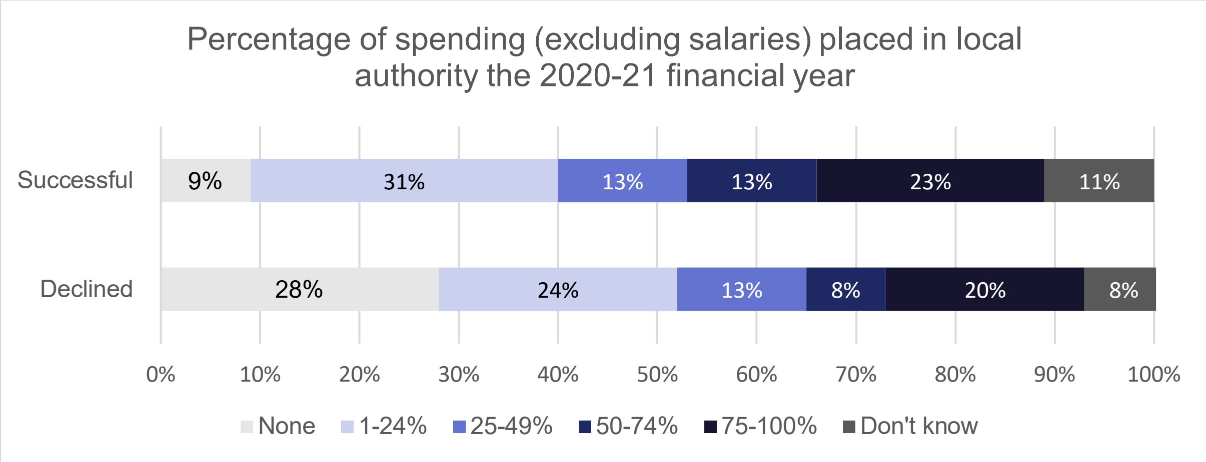
- The number of unemployed claimants was estimated to fall by 0.7% for every 1% of local cultural organisations receiving CRF grants.
- The median share of local creative firms receiving CRF grants across Local Authorities where at least one cultural organisation received a grant was 2.4%. This was calculated by dividing the number of grants received by organisations based in each local authority by the number of businesses in the creative and cultural industries (as defined by DCMS, and measured using published figures from ONS' Business Register of Employment Survey).
- Combining these two results gives an estimated average percentage reduction in the number of unemployment claimants attributable to the CRF of 1.7% (0.7 x 2.4).
- The median number of unemployed claimants over the evaluation period in Local Authorities was 3,570. Combining this with the estimated impact of the CRF on unemployment number gives an estimated reduction in the number of unemployed claimants attributable to CRF (per Local Authority) of 62 (i.e. 3,570 x 0.017).
- Based on the available monitoring information, organisations in 329 local authorities received a CRF grant. This implies the total net reduction in the number of unemployed claimants associated with the CRF was 20,500.

This suggests that the CRF led to an estimated 1.7% reduction in the number of unemployed claimants per Local Authority. This was equivalent to a total net reduction in unemployment of 20,500 claimants[49] across the 329 Local Authorities benefitting from the scheme (i.e. including the 6,700 direct and indirect jobs described previously). This reduction in unemployment claimants is the net effect of the intervention (considering displacement and crowding out for example). This indicates that the CRF produced potentially important economic stimulus effects during the pandemic (though it is possible that these impacts were partly offset by displacement effects over longer distances).

The survey indicated that those awarded grants tended to place a high share of procurement spend locally – with around 46% of organisations placing more than 50% of their total expenditure with suppliers based within their local authority. This suggests that the role of the CRF in sustaining expenditure during the COVID-19 pandemic (including on contractors) was an important driver of these local economic impacts.

[49] Universal Credit payments vary by the circumstances of the individual, though assuming an average payment of £375 per month and that these impacts persist for 12 months, this would be equivalent to £92m in Exchequer savings.

Figure 6.1: Spending breakdown placed in local authority in 2020/2021 by successful and declined applicants



Base: All respondents who answered a survey question to provide their total operating expenditure the 2020-2021 financial year (831, successful applicants 617 and declined applicants 214). Weighted data to the organisational profile. The graph does not add up to 100% due to rounding and the exclusion of don't know/ prefer not to answer responses.
Question: Could you tell us approximately what percentage of your total spending, excluding salaries of employees, was placed with suppliers based in your local authority (Including local branches of national suppliers) for the financial year 2020/21?

However, while the CRF helped sustain expenditure (with potentially important effects on the quality of cultural outputs of the organisations awarded funding as well as limiting job losses), there was no robust evidence that the programme increased the vitality of local visitor economies by attracting additional visitors (compared to the counterfactual organisations which did not receive CRF support) by January 2021, with only weakly significant effects on footfall and review-based measures of local economic activity. The econometric analysis also indicated that the CRF did not lead to an increase in the number of visitors received by organisations awarded funding (amongst those open to the public) and as reported in Section 5, did not accelerate re-opening.

These findings are likely to be influenced by the emergence of the Omicron variant in Autumn 2021, which had a significant (though likely temporary) effect in depressing patterns of consumer behaviour. As such, the impacts of the CRF on local visitor economies is only likely to be visible in the longer term, when visitor patterns settle to a new equilibrium following the pandemic. These impacts are likely to be strongly linked to how far patterns of mobility return to pre-pandemic norms, and evidence is emerging that the pandemic could lead to long-term reductions in footfall in urban centres (e.g. Google Mobility reports suggest that retail and recreation footfall remained 27% below pre-pandemic norms in Greater London,15% in Greater Manchester, and 18% in the West Midlands).

6.5 Maintaining wider social, educational and community commitments

Maintaining wider commitments was a core objective of the CRF but this covered a wide range of different activities. The telephone survey found that almost nine out of ten (88%) organisations reported that the CRF enabled them to maintain their wider commitments.

Many of the case study organisations reported that they were running community and educational programmes before the pandemic across a range of settings (schools, care homes, hospitals) and themes (mental health, tackling loneliness, supporting young creatives). Most of these continued being delivered over the course of the pandemic (often online which in some instances increased the outreach of the programmes), with only one case study organisation saying that they had temporarily paused theirs due to staff shortages. In contrast, one of the declined case studies reported that they had entirely stopped their outreach programme due to lack of resources.

While several case study organisations directly attributed the preservation (or in some cases development) of these programmes to CRF support, most talked about indirect contributions. This was often the case because organisations did not think of CRF as a distinct pot of money and instead considered it as part of their wider income streams. This meant that even though the educational and community programmes were often funded through other means, this was only possible because CRF covered organisations' pressing needs. Where organisations developed new educational and community programmes, CRF was used to support the building of the digital infrastructure, such as a new mobile app.

6.6 Other outcomes

In addition to the main outcomes discussed above, some case study organisations pointed to other ways the CRF funding had impacted them or their sector, including in relation to some unanticipated outcomes.

There were mixed reports of how CRF had impacted **partnership working and relationships** across the sector**.** Positively, several organisations highlighted the support and learning they shared with each other during the application process. Linked to this, one organisation commented that when working with other CRF recipients, they were a lot more likely to be flexible and understanding of any delays, which suggests that CRF brought a degree of calm within the sector by alleviating the immediate financial distress.

"[CRF has] given us a bit of breathing room to create really meaningful, sustainable partnership-based funding models, which is how any of us is going to get through this, through successful partnerships." (Case study organisation)

In some cases, organisations used the CRF funding to progress and formalise links with partner organisations. For example, one large theatre became home to a dance company not able to tour as they had prior to the pandemic; this was partly facilitated due to CRF 1 funding.

However, one organisation expressed concerns that CRF strained relationships with those who did not receive funding (or received it at a much later stage). The organisation added that while at the beginning of the pandemic there was a sense of camaraderie within the industry, this later changed to competitiveness between those who received CRF funding and those who did not.

Case study interviewees also frequently mentioned that the CRF funding was effective in **'keeping hope alive'** as well as lending credibility to their organisation.

"CRF gave us hope, a real hope that we could survive this. Hope and faith that we would come out of the other side. This and of course the financial support." (Case study organisation)

In addition to boosting morale, this also had very practical implications, with several case study organisations saying that they had retained their donors or accessed additional funding because of the increase in public confidence brought about by CRF. Organisations talked about 'proving their worth' to funders since they regarded the CRF investment as a vote of confidence in their activities.

"We didn't realise how much we needed the money and how much it helped us with external organisations; it really helped us with our conversations with the bank, they were really pleased that we have got the money, it was a bit of a vote of confidence for us. It also gave us a lot of collateral, we had to prepare a lot of information for the application, so I think this helped us when going to or talking to other vendors." (Case study organisation)

The evidence also suggests that in a number of cases CRF helped organisations to **widen access to cultural goods and provide enriching cultural experiences for the public**. For example, one supported organisation was able to open the doors of its parkland for local communities to walk through, which was made possible due to CRF support which paid for the hire of staff to be on-site. In a few other cases CRF support was spent directly on activities which aimed to improve audience diversity. Whilst it is too early to gauge the impacts associated with these outputs, it seems that CRF has in some cases enabled activities which aimed to improve public engagement and inclusion.

There are also some indications that CRF enabled organisations **to take some "artistic risk"** and be a bit bolder with their programming. While the pandemic generally made organisations more risk-averse, the CRF funding provided assurances which encouraged organisations to be more willing to create new material and experiment than they would have otherwise.

"[Without CRF] I think we would have seen a lot more things not opening, a lot more closures, and I don't think there would have been the experimentation that has been going on." (External stakeholder, city region policymaker)

07

Potential future impacts and positioning for the future

7.0 Potential future impacts and positioning for the future

This chapter considers the potential future impacts of CRF and how cultural sector organisations are positioned for the future on account of CRF support. Here we consider the financial health of supported organisations into the future, both in terms of how they themselves report their prospects and confidence going forward but also predictions around future sustainability that can be derived from the econometric analysis.

Chapter summary

The study used Bank of England data to model future survival rates based on current financial health. This suggests that in the next two years the CRF was estimated to have reduced the probability of failure from 31%-39% to 17%-19% depending on the time horizon considered. This is equivalent to a reduction in risk of between 15 and 20 percentage points, implying that the programme could **eventually lead to the preservation of between 620 and 830 organisations.**

The findings indicate that around **60% to 70% of organisations awarded funding are likely to survive regardless of the CRF**. However, in many cases these survival outcomes would have been achieved at the cost of reductions in the scale of operations and the employment of workers and contractors. Furthermore, these organisations were generally more financially healthy as a result of CRF.

The findings also indicate that between **17% and 19% of organisations awarded funding remain in a financially precarious situation regardless of the CRF** (implying that the funding provided in these instances was not sufficient to fully de-risk the organisation for the future).

Overall, supported organisations tended to be **cautiously optimistic** about the future. The vast majority of supported applicants surveyed felt that the CRF helped them to deliver a plan for future financial sustainability. Successful applicants were much more confident in their future survival (56% very confident) compared to declined applicants (39% very confident).

The majority of organisations consulted did, however, cite uncertainty around future outbreaks and management of COVID-19 as a risk to their recovery and future. In the context of drastically reduced income over 2020/2021 many organisations felt they had a journey yet to travel in terms of recovery and regaining lost ground.

In looking to the future, case study organisations and consulted stakeholders shared a number of insights pertaining to the changes experienced by the sector, and the ongoing challenges that have resulted from the pandemic. Important trends included: difficulties in recruiting staff with generic skills; a shift in audience demographics; reduced ticket sales compared to pre-pandemic levels; reduced international tourism; and fewer advance bookings.

7.1 Predicting future survival probability

To provide an indicative estimate of the potential impacts of the CRF on the future survival of organisations, the results of the evaluation were used in conjunction with the results of a 2003 Bank of England study[50] investigating the impact of accounting measures on the future probability of default over one year and two years[51]. The results are set out in Table 7.1 below and suggest (on an indicative basis) that:

- The CRF was estimated to have reduced the probability of failure from 31% to 39% to 17% to 19% depending on the time horizon considered. This is equivalent to a reduction in risk of between 15 and 20 percentage points, implying that the programme could **eventually lead to the preservation of between 620 and 830 organisations**.
- The findings indicated that around **60% to 70% of organisations awarded funding would have been likely to survive regardless of the CRF**. However, as explained above, in many cases these survival outcomes would have been achieved at the cost of reductions in the scale of operations and the employment of workers and contractors. Furthermore, these organisations were generally more financially healthy as a result of CRF.
- The findings also indicate that between **17% and 19% of organisations awarded funding remain in a financially precarious situation regardless of the CRF** (implying that the funding provided in these instances was not sufficient to fully de-risk the organisation for the future).

These findings should be treated as purely indicative. Firstly, they are based on findings that are not wholly relevant to sector (i.e. they are based on an investigation into defaults amongst publicly traded companies across a range of industries) or the broader context (while the analysis period included severe recessions, the conditions created by the pandemic are arguably unprecedented). Additionally, at the time of writing, the economy was facing a variety of macroeconomic headwinds, that could have knock-on consequences for the survival of firms.

Based on these indicative estimates, the CRF might be expected to safeguard a further 5,600 and 7,480 jobs by averting the future failure of cultural organisations. This would comprise 3,700 to 4,980 workers directly employed by cultural organisations and 1,900 to 2,500 contractors or freelancers)[52].

Table 7.1: Estimated reduction in the probability of failure over two years

	Probability of failure over one year	Probability of failure over two years
Probability of failure without CRF	0.39	0.32
Probability of failure with CRF	0.19	0.17
Reduction in risk of failure	**-0.20**	**-0.14**

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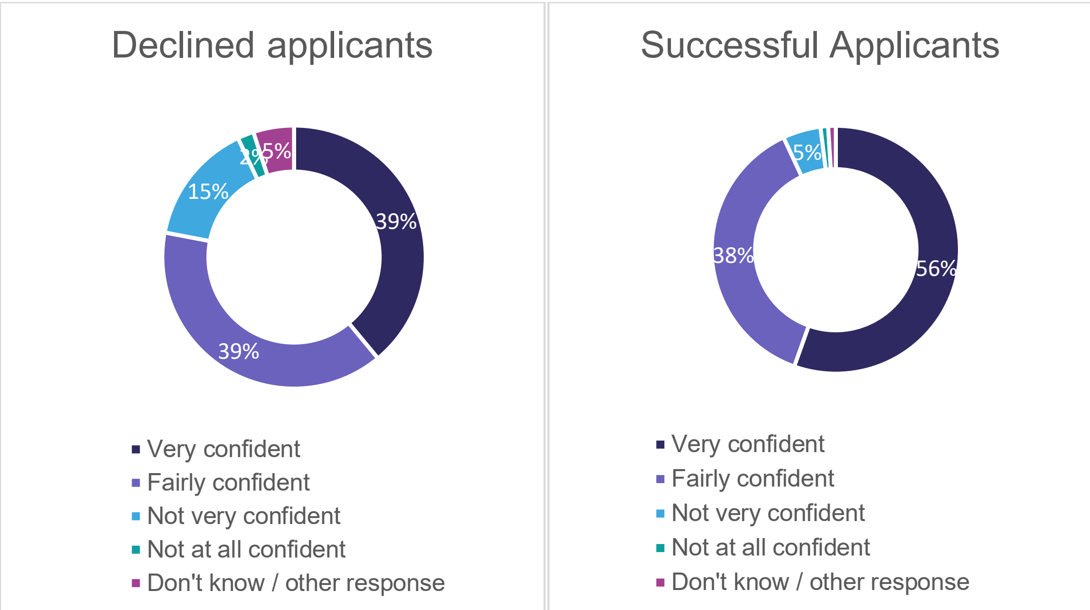
[50] Tudela and Young (2003) A Merton Model approach to assessing the default risk of UK public companies
[51] Note that this analysis covered CRF 1 and CRF 2, with the latter having a less significant emphasis on securing the survival of cultural organisations.
[52] These have been estimated by applying the median levels of employed workers (6) and contractors (3) reported by organisations receiving funding from CRF to the estimated potential numbers of organisations safeguarded (620 to 830).

Source: Culture Recovery Fund Survey, Ipsos UK.

This objective assessment of balance sheet strength is supported by organisations' own confidence in their ability to survive. According to the telephone survey, successful applicants were much more confident in their future survival (56% very confident) compared to declined applicants (39% very confident). This is demonstrated in Figure 7.1. On the whole most organisations were confident that they would continue to operate (94% confident among successful applicants and 77% confident among declined applicants).

Figure 7.1: Confidence levels of whether an organisation would continue to operate by successful and declined applicants



Base: All respondents to the telesurvey excluding the pilot (900). All successful applicants excluding the pilot (660), all declined applicants excluding the pilot (240). Weighted data to Propensity Score Matching. The graph does not add up to 100% due to rounding and the exclusion of don't know/ prefer not to answer responses Question: Thinking about the future, how confident, or otherwise, are you that your organisation will continue to trade or operate 12 months from now?

Whilst 80% of CRF organisations are likely to survive into the future, overall they could be operating in a smaller cultural sector, based on modelling done by Oxford Economics which highlights that the shape of the recovery will be different across sub-sectors, with some growing markedly and others reducing.[53]

7.2 Future prospects and confidence in the future

The case studies revealed that there were some commonalities in terms of how organisations felt about their future economic circumstances. The results of the impact evaluation were explored further through additional analysis of the 48 case studies of successful applicants completed as part of the evaluation (there were a total of 53 case studies when declined

[53] Creative UK group, July 2021, The UK Creative Industries, Unleashing the power and potential of creativity, https://f.hubspotusercontent20.net/hubfs/7608628/Creative%20UK%20Group%20-%20UKCI%20Report%202021%20Edition%20.pdf

applicants are included). Based on the evidence gathered from applicants, each of these cases were classified as (a) facing no risk of failure over 1 year with or without the CRF, (b) moving from risk of failure to no risk of failure by the CRF, or (c) likely to fail anyway even with the CRF. This analysis produced a broadly similar pattern of findings, with two thirds of organisations indicating that they were at no risk of failure within one year, while one third indicated that threats to their survival were materially eased by the CRF.

Overall, supported organisations tended to be **cautiously optimistic** about the future, especially those that received support from more than one round of CRF. Evidence from the telephone survey indicated that the vast majority of supported applicants felt that the CRF helped them to deliver a plan for future financial sustainability. Further analysis of the case studies indicated that in many cases, organisations facing less acute risks of failure frequently used CRF funding to strengthen their future capabilities (including bringing forward pre-pandemic investment or digitalisation plans) and to some extent to strengthen their reserves. This is likely to have longer term benefits for the resilience of the sector and safeguarding of cultural assets. In particular, CRF had helped organisations to:

- Take more risks in terms of producing new content (whereas declined case studies reported ‘playing it safe’ to ensure financial viability).
- Have thinking space by helping them take care of their everyday financial needs and letting them focus on more strategic issues. Some used this space to come up with a new recruitment approach which led to the diversification of their boards and others designed new operational models which they thought were better suited to the post-pandemic reality.

The majority however did cite uncertainty around future outbreaks and management of COVID-19 as a risk to their recovery and future. In the context of drastically reduced income over 2020/2021 many organisations felt they had a journey yet to travel in terms of recovery and regaining lost ground.

In looking to the future, case study organisations and consulted stakeholders shared a number of insights pertaining to the changes experienced by the sector, and the ongoing challenges that have resulted from the pandemic:

- As described above, difficulties in recruiting staff with generic (rather than specialist or technical) skillsets. These shortages, in some cases, undermined the capacity of venues to generate ancillary spend through selling food and drink – viewed as an important income stream to their recovery.
- Organisations noted a shift in audience demographics since re-opening, with younger people and family audiences showing a greater appetite to return to in-person events and activities, which will undoubtedly have implications with regards to programming. One organisation highlighted having noted trends in audience reactions to programming, as people lean towards booking **“feel good”** programming that provides an **“uplifting experience”.**
- Despite some segments of audiences demonstrating an appetite to return, interviewees reported ticket sales remaining down on pre-pandemic levels. One national trade body in the performing arts reported that ticket sales across their members were down by a third

on pre-pandemic levels in December 2021, a challenge reinforced by the case study evidence.

- International tourism has been severely depressed throughout the pandemic. IPS data shows that inbound visits were down 93% in Q1-Q3 2021 compared to 2019. This is expected to remain the case throughout 2022 (Visit Britain forecast only 52% of the inbound visit volume seen in 2019), prolonging the impact of the pandemic on organisations whose audience comprises a high proportion of international visitors.
- Outdoor programming and activities, which grew in popularity throughout the pandemic, are expected to remain popular, and are anticipated to continue to form a part of many organisations' programme and offer.
- Organisations were experiencing, and anticipate continuing to experience, fewer advanced bookings. With audiences booking later, in part due to a hesitancy to commit having experienced cancellations throughout the pandemic, organisations will likely be more cautious, both with regards to scale and ambition of activities, and programming more broadly.
- The implications of the pandemic have left many organisations with no margin for error regarding their operation, resulting in greater caution with regards to programming, i.e. opting for shorter runs, smaller venues and less risky product overall.

CRF 3 case study organisations tended to be more cautious in their forecasts, but this perhaps could also be explained with the timing of the case studies, with many happening in January 2022 as the sector was just recovering from the Omicron wave.

Overall, however, cultural organisations tended to report that whilst there were some challenges ahead in their continued recovery, that they no longer felt that their futures were at imminent risk. Here the majority did report that they had survived through COVID-19 and that the 'worst was over' in this respect.

08

Process evaluation

8.0 Process evaluation

This chapter addresses the process questions within the evaluation that focus on how well the design and implementation of CRF worked, including the objectives and eligibility of the Fund, the application and decision-making processes, and the governance and management structures. It is based on a mixed method design that includes a set of questions within a quantitative e-survey of applicants, questions included within the CRF 3 case studies, and interviews with internal and external stakeholders.

Chapter summary

The creation and implementation of the CRF was in general **widely praised** by external stakeholders and applicants. There was a recognition that the CRF was delivered rapidly, under pressure and in an evolving and unpredictable crisis. Points raised about how the process of managing and delivering the Fund could have gone better were always placed in context. This context was that the ALBs, DCMS and the Board were all under intense pressure, trying to operate at speed, in a very uncertain and changing environment, and that external stakeholders really appreciated the hard work that was put in by the various teams.

It was plain to the evaluation team that implementing the programme at such scale and in tight timescales depended on the hard work and dedication of individuals across Central Government, the ALBs and the Culture Recovery Board. A new delivery model of cooperation between these stakeholders was forged in order that emergency support could be mobilised in an agile way across a short period of time. This was a different way of working for all involved, and in general the evaluation highlighted that delivery partners made good efforts to adapt to this new mode of cooperation. This was all done in a context of people working under intense conditions in lockdown. With this in mind, the very fact that CRF launched and provided so many grants is commendable.

The Fund was generally well executed in relation to its aims, particularly in achieving a **low level of fraud and misadministration**. The price of achieving this was a slower programme relative to what might have otherwise been achieved and an application process that was challenging for applicants. However, given the high incidence of survival across the cultural sector, there is no evidence to suggest that a faster or less robust process would have had a greater impact. Our conclusion therefore is that the focus on preventing fraud was justified and increased the value for money of the programme.

Most of the issues raised lay with the aims and design of the Fund, rather than its implementation. In summary, much of the criticism seems to have focused on what the Fund *should* have done, not what it was *actually* designed to do.

The limited feedback, the inevitable subjectivity in the 'cultural significance test', and the complexity of the financial criteria and assessment process also featured in stakeholder views. There was a common view that the decision-making process typically appeared as a 'black box' to applicants and the wider sector, and that this was challenging for those with limited capacity and / or who were new to applying for public funding (for example organisations in the private sector).

There is no evidence to suggest that decisions in which organisations were declined CRF funds were based on recurring inconsistencies in applying assessment criteria.

Internal stakeholders reported that the governance and management structures generally worked well, and that there was learning and improvement during the programme.

CRF was based on a new delivery model, which featured close cooperation between DCMS, Treasury and ALBs. The experience and learning from this process has potential to inform and improve the design and delivery of similar schemes into the future.

8.1 Creation and objectives of CRF

8.1.1 CRF 1

The creation of the CRF came at a time of intense uncertainty. The dramatic and sudden impact that the COVID-19 pandemic was having on cultural and creative sectors when the virus first hit in February / March 2020 led to an intense period of lobbying from a variety of trade and sector bodies. Several trade bodies (e.g., The Music Venue Trust, the Independent Cinema Office, UK Theatre) and some of the ALBs had quickly surveyed their sub-sectors and were able to provide empirical evidence of the likely catastrophic impact on organisations of COVID-related closure and lockdown. This included forecasts by trade and sector bodies, as well as by some ALBs and latterly DCMS, that estimated that a significant proportion of cultural organisations would go into administration before the end of the year in the absence of dedicated government support.

The design of the CRF was also informed by the work of the Culture Renewal Taskforce, established in May 2020. This Taskforce brought together representatives from the cultural, sporting and technology worlds in order to support the restarting of these sectors, and to help develop new COVID-19 secure guidelines for the reopening of public places, including arts and entertainment events. The focus of the Taskforce was also to enable Ministers to hear views from representatives of DCMS sectors. Here it was supported by eight ministerially-chaired working groups, which brought together a broad range of stakeholders and considered challenges across cultural sub-sectors.

The creation of CRF 1 was informed by this emergency response situation and the input of stakeholders from across the cultural sector, with the main objective to ensure the survival of organisations in the cultural sector.[54] Inevitably, survival was not the only objective of CRF 1; the Fund was designed in June / July 2020, which turned out to be an optimistic period of time in which the pandemic was viewed as a relatively short-lived phenomenon. The anticipation was thus that cultural organisations would be re-opening permanently within a few months, albeit at reduced capacity. Therefore, alongside acute survival measures and mothballing, CRF

[54] 'The primary objective of this support package is to rescue cultural and heritage organisations that are at risk of insolvency this financial year', p.16 of DCMS (2020) *Outline & Full Business Case: Culture, Heritage & Creative Recovery Investment. Part I: Grants and Capital.*

1 also looked forward to this phase of re-opening by providing support to organisations to make their existing activities COVID-safe and even to explore some new activities.

"Everyone assumed the pandemic / industry crisis would only last three months at the start." (Internal stakeholder, ALB)

Financial discipline and probity was also a major objective of the Fund. The government was keen to support only those organisations that were financially viable pre-pandemic, that could show that they were genuinely in need (i.e. they had exhausted all other sources of funding and were at imminent risk of insolvency), but could also demonstrate how CRF funds would put them on a path to financial viability. The financial objectives, together with the twin cultural objectives of the CRF (see Chapter 2), were subsequently translated into the main decision-making criteria of the Fund.

Insisting on applicants demonstrating a high level of financial rigour through the application process was also one of the ways in which the government sought to reduce the likelihood of fraud and misadministration of the funds provided through CRF. This was also reported by members of the Culture Recovery Board and DCMS stakeholders to be a key objective for the government from the outset.

8.1.1.1 Speed of response of CRF 1

The CRF had to strike a balance between speed of delivery, and robustness and assurance for the investment of public money. On the whole, the conclusion of this evaluation is that the approach taken and the balance struck contributed to the value for money of the programme.

One ALB felt that the original idea for CRF was founded on*, "clear instructions to get as much money out as quickly as possible – and in response, we designed a programme that had a high-risk appetite"*. This approach was also in keeping with how the ALB had implemented their own prior COVID fund, in which money had gone to successful applicants within 5-6 weeks of making the initial application.

The balance that was struck for CRF placed emphasis on increasing assurance processes and controls (including post event assurance) to further mitigate potential fraud or misuse within the programme.[55] Less robustness in this respect may have resulted in a faster or more straightforward application process. However, given the high incidence of survival across the cultural sector, there is no evidence to suggest that a faster or less robust process would have had a greater impact.

Within these parameters, internal stakeholders largely felt that the process ran as fast as it could. As for any government investment of public funds, it was important to make an evidence-based case for a sector-specific support fund. DCMS therefore had to take CRF through the standard Business Case process to get the greenlight (it was speeded up but views differ on whether it was streamlined or not). There had to be time for organisations to apply and also

[55] Post-event assurance is the process of undertaking checks to ensure funding is used for its intended purpose. For more information see: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875844/Fraud-Control-in-Emergency-Management-COVID-19-UK-Government-Guidance.pdf

sufficient time for the ALBs to take the decisions; time which the ALBs were reluctant to compress given the complexity of the process. Some parts were done at speed, such as writing the guidance for CRF. However, DCMS stakeholders felt that this haste contributed to some of the issues that became apparent further down the line:

"We had to write the guidelines and guidance at real pace. On reflection, we should have spent more time on this, arguably." (Internal stakeholder, DCMS)

The exception to this picture was the £3.36m Emergency Grass Roots Music Venue Fund (EGRMVF) as it was delivered very fast, in one month (from application to money starting to appear in bank accounts). Music Venues Trust (MVT) were able to share evidence with the government of a more imminent threat to music venues which therefore necessitated a faster approach (based on their survey of members that showed imminent mass closures). Government therefore agreed to deliver a separate accelerated process for this sub-sector that delivered in a month. This was possible because (i) the process was more light touch than CRF as the sums involved were far smaller, and (ii) ACE had a prior grant scheme for small live music venues so already understood the issues and needs well, had a very strong relationship with MVT (who convened and supported their members throughout both EGRMVF and CRF), and a lot of the venues were already registered on ACE's grant system (Grantium).

Some ALBs, external stakeholders from national trade and sector bodies and a few of the organisations in the case studies felt that the initial process, from the announcement of the Fund in early July to the first payments (aside from the Emergency Grassroots Music Venues Fund) in mid to late autumn, was actually too slow in delivering funds to organisations across the sector.

"CRF 1, the main complaint was that it took a long time for ALBs to pay the grants, and organisations were getting desperate." (External stakeholder, trade body)

However, as we state above, our conclusion is that the focus on preventing fraud was justified and increased the value for money of the programme.

8.1.2 CRF 2 and CRF 3

CRF 1 was designed and launched in a period of great uncertainty. By autumn 2020, the pandemic had become more serious and prolonged than anticipated, and all internal stakeholders realised that further support to the cultural sector was needed beyond CRF 1. The introduction of mainstream government financial support through the furlough and CBILS, added to the fact that cultural organisations were shut for much longer than was first anticipated, meant that the applications that came in for CRF 1 were for less money than had been modelled by DCMS. There was therefore an underspend from CRF 1 of approximately £300m that went into CRF 2.

The timing of CRF 2 (January 2021) meant that it looked forward to the re-opening of the economy broadly in line with the Government's Roadmap.[56] As such, government saw the objectives of CRF 2 as not only about emergency survival but also about re-starting the cultural

[56] HM Government (2021) *COVID-19 Response – Spring 2021.*

sector, with a greater emphasis than in CRF 1 on supporting organisations to produce work and activity. In turn, it was intended to get people going out again and spending, and thus help with wider government efforts to stimulate consumer demand and confidence (‘building back better’). While meeting the financial criteria was still essential, the financial bar regarding failure was eased somewhat and CRF 2 was intended to support a wider diversity of organisations (and the changed criteria was more suited to organisations in the private sector and in supply chain organisations).

In contrast, CRF 3 was intended to be a much more targeted programme than CRF 2, focused back down again on survival support for the organisations in the sector that were hit hardest by the pandemic (including a dedicated route for those who had already been identified and funded through prior rounds). In turn, this meant reimposing the requirement for organisations to be close to failure and also raising the bar all round in terms of the financial criteria.

While external stakeholders broadly recognised the different emphasises across the three iterations of the Fund, they felt that organisations in their sub-sectors did not always recognise the differences, as illustrated with the quote below:

“CRF 1 was just emergency funding, and this wasn’t always understood more widely across the sector… the further rounds were a way of helping organisations address more embedded or systemic issues…Museums, by and large, didn’t pick up on that transition.” External stakeholder (trade body)

8.2 Targeting

8.2.1 Scope and eligibility

The design of the Fund was mindful of the highly interconnected nature of the cultural and creative sectors - viewing the sector as a cultural ecosystem. Funds were not limited to only a particular set of cultural forms that typically receive public funding; it went wider, funding commercial cultural operations, comedy venues, nightclubs and pubs among others (all provided that they could meet the Fund criteria). Similarly, organisations in the cultural supply chain were also eligible for support.

CRF was also fundamentally agnostic as to the legal and organisational status of entities. For-profit commercial organisations could apply as well as charities, trusts and cultural organisations owned by local authorities and universities, though in some areas slightly different rules pertained to different types of entity.

There were, however, other areas where the scope and eligibility of CRF were more tightly defined. CRF’s mandate was very clearly to protect locally or nationally significant cultural and creative organisations, assets and infrastructure, which was conceived principally in terms of organisations, venues, sites and collections. It was therefore a Fund that was not set up to directly support either individual workers or individual productions (e.g. theatre shows).

The rationale for this was set out in the fund business case, which outlined that to make the most of the government investment, it should be prioritised for “irreplaceable”, and “key-stone” organisations, and those of local and national significance. Implicit in this prioritisation is the avoidance of the economic scarring from the loss of organisations that would be difficult if not impossible for the market to replace.

Government stakeholders interviewed reported that there was "*no appetite*" within government for a sector-specific support scheme that encompassed the self-employed. The Chancellor had launched the Self-Employed Income Support Scheme (SEISS) earlier in March 2020, to mirror the support given to employees under the furlough scheme, and the government felt that this was the best route to support the self-employed in the cultural sector:

"We did not want to duplicate other government schemes." (Internal stakeholder, Treasury)

Other sector-specific and sector-led initiatives for the self-employed in England were created by ALBs, outside of the CRF, to support freelancers in England during the pandemic, as detailed in Chapter 2.

The financial eligibility criteria were also tightly focused in that they were designed so that CRF would only fund organisations in genuine financial need. In particular, there was a strong desire to ensure that all other funding options, including direct financial support from private sector business owners (where relevant), had been exhausted. As the ownership structures for some of the commercial entities seeking large grants or loans were complicated, this meant that scrutiny and due diligence had to be applied in these cases.

A consequence of the eligibility criteria was that trade and sector bodies were critical of how the commercial sector was treated within CRF. This critique related to multiple aspects of the Fund design, including the objectives of the different rounds (see 8.1 above), to the design of the instruments (see 8.2.2 below) and to how commercial companies were treated in the decision-making process (8.4 below). Some trade and sector body stakeholders (e.g. in theatre and music) did highlight that they had been heavily involved and consulted by DCMS and ALBs in the process of establishing the Fund (for example, in terms of identifying sector needs). However, some felt that if they had been invited to input on the specifics of design and delivery then it could have helped to offset or avoid some of the issues that parts of the sector struggled with once the Fund was launched.

A result of the decision to focus support on locally and nationally significant organisations that were financially viable pre-COVID (and specifically, a condition that applicants needed to have been incorporated by 1 May 2019), was that the programme was less able to support recently set up and project-based entities. Specifically, this was raised by stakeholders representing theatre who reported that, in commercial theatre (as with films), many new productions are delivered through their own Special Purpose Vehicles (SPVs). As such, many commercial producers had productions registered via SPVs that could not meet the criteria regarding incorporation, as well as some other elements of the financial criteria.

8.2.2 Design of the instruments / process

8.2.2.1 Grants and loans

Loans were available only above £3m in CRF 1 (this minimum 'floor' figure was reduced to £1m in CRF 2). There were a number of inter-related factors that led to the setting of these thresholds. First, the repayable finance model was novel for the sector at such scale. Second, the process for ensuring that organisations were going to be in a position to pay back the loans over a long period (up to 20 years) needed to be robust, so the assessment process was going to be resource intensive. DCMS and the ALBs reported that the minimum floor thresholds were therefore set in order to mitigate risk, by reducing the number of loans and, relatedly, because there was not the capacity to manage a large loanbook, neither for the immediate assessment and decision-making, nor the long term oversight of the repayment of the loans. The minimum thresholds were therefore seen as a way to limit the number of loan applications.

Internal stakeholders from DCMS, the Culture Recovery Board and ACE all felt that, with the benefit of hindsight, they would have liked to have had (i) greater flexibility in terms of whether to give out money as a grant or as a loan, and (ii) other debt finance instruments. In particular, greater flexibility would have applied to organisations seeking amounts in the 'middle' of the range (c.£500K- £1m). Similarly, one of the commercial organisations that was declined a grant and interviewed for the CRF 3 case studies also stated that what they really needed was a loan, but that this was not available through the CRF at the level they wanted (as the floor for the loans was still too high at £1m). The government did explore the option of 'blended' funding (whereby organisations could potentially be awarded both a grant and a loan). However, this proved to be technically and legally too complicated given the different institutional and governance arrangements that pertain to the loans and grants. There were some organisations, though, that were awarded a grant in CRF 1 and a loan in CRF 2. In feedback, it was clear that Board members, DCMS and ACE felt that the split between grants and loans in CRF could have been improved.

"Potentially a missing component to CRF is something around a working capital facility… where people would have a facility that will give them confidence. It's repayable of course, but they wouldn't have to draw it down immediately." (Internal stakeholder, ALB).

One focus of the evaluation was to explore how the design of the fund and loans changed over the different rounds of CRF, in response to continual review. Other changes that were made to the instruments over the three iterations of the CRF mainly related to:

- Tightening criteria on how much organisations could apply for – in CRF a cap was introduced that this had to be no more than 25% of annual turnover;
- Establishing cumulative maximum amounts that individual organisations could expect to receive over the course of the whole CRF (the precise amounts varied according to the organisational status, with commercial organisations having the lowest cumulative amounts at £1.5m in CRF3 and charities and local authorities and other not-for-profits having a cap at £4m); and
- Introducing an EoI stage in CRF3 for applicants new to CRF, to make the process more efficient (i.e. by providing a quick assessment of eligibility to applicants based on a much lighter-touch form compared to the effort required for a full application).

In addition, each ALB tweaked their own application process across the rounds. For example, ACE streamlined their application form in CRF 3. For NLHF and HE, the process was the opposite: an increase in the level of detail and scrutiny that was applied to the application forms and decision-making process over the successive rounds.

Where external stakeholders were aware of the detailed changes that were made over the successive rounds by different ALBs, they were inclined to be critical of the changes. Partly this focused on confusion and frustration arising from ALBs taking different approaches to the same issues in different rounds (for instance, changing the approach to reserves, the wording of the State Aid question[57], or the definition of public access in the case of heritage). Partly, this was due to a more general perception of increased paperwork and bureaucracy, which gave the impression to these external stakeholders that the Fund had, *"reverted back to the standard public funding model"*[58].

A key decision in the design of the instruments was what organisations could spend CRF on in terms of eligible costs. Organisations applying for CRF support were entitled to use this money to re-inflate their reserves that had been run down during the pandemic, in addition to supporting direct operating costs. This was a decision that was applauded by both the successful organisations in the case studies and by several external stakeholders, even if there were some differences in how each ALB implemented this.

"CRF enabled organisations to put money into their reserves and this was a big and important step. It recognised that survival is a process – there is an emergency need but there is also a long-term survival need." (External stakeholder, city region policymaker)

8.3 Engagement, application process and feedback

8.3.1 Engagement and support

The speed of the rollout of CRF 1 and the scale of interest in applying meant that it was not possible for the ALBs to provide much support to organisations regarding their applications, with the partial exception of BFI. Instead, the mantle was taken up by others – principally the trade and sector bodies, but also local policymakers with briefs for culture across England (e.g. the GLA, West of England, Liverpool and Manchester Combined Authorities) – to run advice and guidance sessions for CRF 1.

This was not to say that no advice at all was given out by ALBs at all in CRF 1. ALBs published guidance on applying to the programme and signposted to dedicated customer service teams for technical support. Furthermore, organisations across the case studies and trade and sector bodies also reported that ad hoc, one-to-one advice was often given to organisations if they requested it, though this usually required organisations to know who to contact within the ALBs and to have an existing relationship with them.

"Unless you were familiar with [ALB], if you didn't have that personal relationship with them, it was hard to find advice." (External stakeholder, trade body)

ALBs reported that only occasionally did they proactively reach out to organisations to elicit applications. One such case was in relation to the group of venues owned by local authorities.

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[57] The State Aid regulation regime changed during the course of the programme due to EU exit.
[58] (External stakeholder, trade body), December 2021.

As applications came into ALBs' portals, it was clear that initially there were very few from local authorities. ALBs in some cases reached out to these venues to urge them to apply, and it turned out that the venues were mainly previously unaware that they were eligible.

There was more engagement by ALBs to explain the application and decision-making process in CRF 2, and DCMS and ALBs both reported that they were able to use the increased time available and lessons learned from earlier rounds to develop and improve guidance. Engagement with new applicants was then less pro-active for the third and final round of funding, as the government anticipated that the large majority of this would be applied for by an existing pool of organisations that had been funded in the previous rounds (the Continuity Support Scheme).

8.3.2 Application process

As set out above, funding schemes need to strike a balance between speed and ease of delivery, and the robustness and assurance of their assessments, in order to ensure high value for money. Our conclusion is that the process represented good value for money, and that there is no evidence that the fund would have achieved more impact with a faster or simpler application process.

The consequence of this was that organisations generally found the CRF application process time consuming and difficult, particularly those with no prior experience of applying for public money. Across the case studies, organisations typically reported spending 2-3 weeks or more on their applications, sometimes having to also pay accountants to support with providing evidence in relation to the financial data. In many cases, these difficulties were influenced by the lack of key personnel due to them being on furlough. Several organisations that completed the e-survey reported in the open text comments that they felt that the level of professional advice that was being utilised by others, either contracted directly or via membership of a proactive trade body, created an uneven playing field for those who could not afford / could not access this type of support.

"We experienced great difficulty with round 1 & 2 but after working with a professional bid writer whom charged a fee we were successful in round 3." (CRF successful applicant, respondent to e-survey)

"I think that there was a lack of understanding about how small businesses operate, and the gathering of the level of detail financially put off a lot of small business as they would have had to use external professionals in order to satisfy the level of detail required." (CRF successful applicant, respondent to e-survey)

When asked directly about the application process, the e-survey data is also very clear on how challenging most organisations found the CRF process:

- A balance of 42% of organisations rated the process of applying for funding as difficult (i.e. when all those who thought that it was easy were subtracted from those who rated it as difficult)
- Further, a balance of 40% of organisations reported that it was more difficult than they had expected in advance

- Across the survey cohort, there was a balance of just 2% of organisations that agreed that the process was ‘straightforward and easy to understand’.

Declined applicants were understandably the most negative across all the areas covered in the survey. As they were under-represented in the e-survey, the findings would most likely have been even more negative had declined applicants been represented in the survey sample in proportion to their representation within the overall applicant pool.[59]

The success or not of the application was not the only factor that appears to have made a difference to how organisations viewed the application process. Of the organisations in the e-survey whose organisational / legal status could accurately be identified, the commercial organisations found the process more difficult, were more likely to have found it harder than anticipated, and did not find the process straightforward or easy to understand as compared to the not-for-profit organisations in the sample. Because the application system was the same for both commercial and non-commercial organisations, this is likely to be due to their relative lack of experience in applying for public funds. Clearly, this quantitative evidence from applicants reinforces the testimony from external stakeholders that the process was more difficult for commercial organisations.

Stakeholders, both internal and external, had more mixed views on the application process – some thought it was proportionate to the scale of the funding, others thought it was not easy, particularly for smaller or commercial organisations.

Some of the complexity of the application process was born of the circumstances of the time. For instance, the launch of wider government support measures (CBILs and furlough) added more detail into the process regarding how CRF would fit with these and what information on these was required from applicants. ALB stakeholders reported that it took time to get clarity on this from government. The speed with which CRF 1 was delivered also meant that application forms could not be trialled with applicants before launch, and the differences in approaches between ALBs led to some gaps and confusion (as did the guidance, as referenced above). Much effort was given to creating a more even approach in subsequent rounds.

The pre-existing grant systems used by the ALBs, particularly ACE’s Grantium, were also a source of struggle and frustration for those organisations not used to them (disproportionately private sector organisations). This was reported by several of the successful case study organisations but also by internal and external stakeholders.

Lastly, external stakeholders from both city region policymakers and trade bodies reported that the burden on applicants for CRF 3 was at least as much about timing and duration as it was about detail and complexity. The window for application for the main Continuity Support scheme was announced with not much notice, was opened for only a short time period (11 days) and took place during the August summer holidays. For existing Arts Council National Portfolio Organisations (NPO), it also coincided with the application period to request an extension of their NPO funding until 2022/23. Some sector networks and practitioners that were consulted during the evaluation reported that their organisations felt that they could not apply for CRF 3

[59] Declined applicants accounted for 10% of the e-survey respondents whereas they accounted for between 33% and 43% of the applicant pool, depending on the Round.

because they did not have the capacity to pursue a CRF application and the NPO funding extension simultaneously.

8.3.3 Feedback

Feedback (as with pre-application engagement) was another area in which speed of delivery due to the emergency situation was prioritised. The feedback given to declined organisations varied by ALB and over different rounds. Broadly speaking, due to ALB capacity constraints and the volume of applications, very little feedback was given during CRF 1, and what was given tended to be instigated by the applicant as a query or contestation of the result. As time went on more feedback was supplied to applicants, for example as part of CRF 2 and Continuity Support, as these constraints eased somewhat (the volume of applications was lower and ALBs had more dedicated resources to manage the process). In particular, NLHF/HE moved from providing no individual feedback in CRF 1 to individual feedback to all applicants in CRF 3. Organisations that were interviewed as part of the declined case studies reported that they would have liked more feedback and more communication in general; a 'voice' in the process as one organisation put it.

The general low level of feedback given to applicants in CRF 1 and 2 contributed to some perceptions of a lack of transparency.

"The decision-making process was a black box; it would have been nice if it were more transparent." (External stakeholder, city region policymaker)

8.4 Decision making

Organisations needed to meet the two essential criteria in order to be successful (the financial criteria and the cultural significance test).[60] While stakeholders and organisations may not have all agreed on, or liked, the financial criteria, there was a consensus across the stakeholders that it was an objective criteria that had been applied robustly and consistently – at least consistently within each ALB's process.

As described above, there were small differences in the design of instruments and processes across different ALBs, and these differences persisted through into the application and decision-making processes. ACE's approach was reported by internal stakeholders to be necessarily more thorough as they had to assess many more applicants that they had no prior knowledge of than was the case for NLHF and BFI. For instance, the sector the BFI was supporting was relatively small and well-known to them, so BFI therefore tried to make sure that the information they requested of organisations was proportionate to their size and capacity. They injected some flexibility into the application and decision-making process by asking smaller organisations to make their 'best efforts', while being mindful that this would fall short of what the larger, publicly funded and better staffed organisations could produce.

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[60] A third 'balancing' criterion was also designed to be applied to the applications, related to ensuring a good spread of geographic activity and supporting diversity (simplified in CRF2 and 3 to 'opening up access to culture'). However, this criterion was only ever intended to be used if the amount of money asked for by the applications that were deemed fundable exceeded the amounts available to be disbursed. As it turned out, this was never the case in any round of CRF so the balancing criteria were never used.

In contrast to the objectivity of the financial criteria, stakeholders felt that the cultural significance test was more subjective – an element of subjectivity being inevitable for the assessment of a qualitative criterion. ALBs were the sole judge of this, based on their sector knowledge and expertise, certainly for the smaller grants. Even for the large awards that went through the Culture Recovery Board, internal stakeholders from the Board reported that they were very reliant on the recommendations made by the subject-matter expert ALBs regarding cultural significance. One of the stakeholders from the Board stated that they would have liked more qualitative information on cultural significance from the ALBs and a little less financial data, which would have supported better conversations about these more subjective issues (though they also reported that the ALBs did an excellent job in terms of their recommendations to the Board).

Some external stakeholders also felt that the cultural significance test was quite subjective, which contributed to a broader sense that, from the outside, the process could seem opaque – this was compounded by the limited feedback provided to applicants.

However, despite some uncertainty about how objective and consistent the cultural significance criteria were in CRF, ALBs and DCMS stated that the very large majority of declined decisions were made on financial grounds, not because organisations had failed the cultural test. The impact of any subjectivity in the application of the cultural significance test affecting decisions therefore seems small. Indeed, a bigger cause of the relatively small number of initial accusations that were received and investigated by ACE in particular were driven by allegations of fraud or misuse from the sector itself (from commercial businesses), levelled at some of the successful applicants (who were other commercial organisations). The funded organisations in question were sometimes asked to provide additional information and documentation, but (at the date of the fieldwork) only one of these specific allegations of fraud had been substantiated.

A key misunderstanding – or disagreement – about what the precise financial objectives of the Fund were (or what they should have been) was at the root of more general complaints across the sector:

“Organisations had been mandated to close because of the pandemic, so couldn’t understand why they had to prove they needed the money.” (Internal stakeholder, ALB)

There was a perception across some commercial businesses that the CRF should function as a straightforward income substitution fund (because the government was the reason for closure). However, this was never how the CRF had been designed and set up. This misperception or disagreement was compounded for the commercial theatre sector in England because of the different approach taken by the US Government in their Shuttered Venue Scheme. In the States, commercial productions on Broadway – viewed by West End producers as their closest international rivals – did receive large sums from the Scheme because it took the alternative approach to CRF, and was more focused on straightforward income substitution.

8.4.1 Should CRF have treated commercial and not-for-profit organisations differently?

Having witnessed the difficulties of having to assess commercial organisations within the same process as not-for-profit organisations, a few external stakeholders and one Board member reflected that it would probably have been better to have had separate processes for these different types of organisations. However, the internal stakeholders were strongly of the opinion that having one process was more effective, both in terms of fairness but also because of more practical concerns related to the extra time and resources that setting up a twin system would have entailed:

“It’s incredibly useful [having one system] to ensure that everyone went through the same process. I think that’s the only way we could have done it.” (Internal stakeholder, ALB)

“Layering on different schemes for private sector businesses on top of those for charities would have just slowed things down.” (Internal stakeholder, Board)

8.4.2 Geographic distribution and diversity (‘opening up access to culture’)

There were few comments made by external stakeholders regarding the geographic distribution of CRF money. Protecting England’s cultural infrastructure necessarily meant providing funds to the existing infrastructure, which all stakeholders accepted is unevenly distributed across the country. Geographic spread was not an issue brought up spontaneously by trade and sector bodies. External stakeholders from a number of the largest city regions in England also all reported that they were aware of, and happy with, the distribution of CRF funds to their areas. Internal stakeholders from the ALBs and Board reported that the sheer numbers of CRF awards meant that funding went to organisations all over the country, but not in equal amounts. Lastly, as internal stakeholders noted regularly, this was also a responsive Fund, with no targets ever set for the kinds of organisations that would be funded or where they were based.

There was a little more regret expressed by stakeholders, both internal and external, that diversity was not a core criterion in the decision-making process (although organisations that did not meet this criteria were required to develop and implement a diversity milestone as part of their funding agreement). As with geography, the diversity / opening up access to culture criteria was a balancing criterion that was never used because CRF was never over-subscribed. In turn, the limited scope that may have existed within the Fund to pro-actively direct money to particular kinds of organisations, or certain parts of the country, therefore never arose. However, this did not mean that diverse organisations were not funded, merely that it was not necessary to reject other organisations for funding in order to prioritise them.

“Things like diversity and inclusion are very important to us, and they are in CRF (in the balancing criteria), but they’re not very prominent. And the balancing criteria were never used.” (Internal stakeholder, ALB)

8.5 Governance and implementation

Internal stakeholders were all clear that CRF was a government investment that the ALBs were delivering. This meant that effectively (i) the ALBs were delivery bodies with some leeway (particularly in CRF 1) in how each ALB could design the application and decision-making process but bound by the Memorandum of Understanding around their grant, and (ii) that the ALBs themselves would not necessarily have designed CRF in the same way if they had a completely free hand in designing and delivering the Fund:

"It was a government programme we were delivering. We delivered what they designed, and as a result there were a number of aspects that we would have done differently." (Internal stakeholder, ALB)

Overall, criticisms and differences of opinion reported by internal stakeholders regarding the governance and implementation of the Fund were quite rare and mild, particularly in the context of how much all the internal stakeholders felt went right about the process and the governance relationships. Similarly, points raised by external stakeholders about how they felt the process of managing and delivering the Fund could have gone better were always placed in context. This context was that the ALBs, DCMS and the Board were all under intense pressure, trying to operate at speed, in a very uncertain and changing environment, and that external stakeholders really appreciated the hard work that was put in by the various teams.

"How many [ALB] decisions were overturned by the Board? I would have thought it was very small. Now there's two interpretations of that: either it's because we were rubber stamping decisions, or because the ALBs had done a bloody good job. At the beginning, I worried it was the first but by the end of the process I was convinced it was the latter; the job the civil servants did was astonishing. And it wasn't the case that there wasn't discussion, there was; they just did a great job – with impartiality." (Internal stakeholder, Board)

"In these circumstances, I think they [ALBs and DCMS] did an extraordinarily good job. I know it was a real challenge to put it together at such short notice… from an external perspective, it was a very impressive operation." (External stakeholder, trade body)

8.5.1 Barriers and enablers

Although there were four ALBs involved in awarding the grants, DCMS took the view that the much smaller number of loan applicants, and the greater complexity of the process, meant that one ALB should deliver all of the loans, regardless of sub-sector. ACE acted as agent for DCMS on the CRF loans, and had experience delivering non-grant funds. However, as this was a novel funding arrangement for DCMS and ACE, and due to its role as agent for DCMS, this role inevitably involved significant collaboration with DCMS in some areas, as well as expert input and oversight from the Culture Recovery Board. Other solutions were found to address the challenge faced by ALBs of having to assess private sector businesses with which they were unfamiliar. In particular, Historic England assessed the private sector heritage applications in CRF1 and 2, reflecting experience of dealing with the private sector (for instance through private owners of historic houses).[61]

As mentioned previously, the Culture Recovery Board was instigated by the government to add an extra layer of scrutiny and due diligence to the larger sums (the loans in particular) as a further way of mitigating any fraud. The Board ended up being more intensively involved than was initially planned in order to provide more detailed advice on loan investments in particular. Key to this more detailed involvement was the creation of an Investment Sub-committee, to specifically deal with the complexity and risk exposure of the loans process. All internal stakeholders reported that the Sub-committee proved very valuable as it brought together the

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[61] In CRF3, the two heritage ALBs split the applications in terms of whether organisations were applying for Continuity or Emergency Support, so this distinction was not possible.

financial and business experience within the Board with support from the ALBs and external third-party financial assessors (e.g. Ernst and Young, PricewaterhouseCoopers). Of the internal stakeholders that expressed a view, all reported that the independent financial assessors also proved valuable, including by helping ACE to make some improvements to the loan application form for CRF 2.

However, the enhanced role of the Board did mean that the individual Board members, particularly those on the Investment Sub-committee, ended up with a very heavy workload. This was far in excess of what had originally been stated when the Board members had agreed to sign up and was difficult to manage for people who were volunteering their time while continuing with their day jobs and other commitments. Some Board commitments were scaled back over time as there were no loans in CRF 3.

There was a degree of criticism from ALB stakeholders that parts of the governance process were inefficient. In particular, at the outset of CRF, DCMS acted as an intermediary between the ALBs and the Board, which the ALBs felt only added extra work for themselves. As time went on, this was remedied and the ALBs could talk directly to the Board. Similarly, ALBs felt that more collaboration between government departments could have speeded up decision-making.

All internal stakeholders reported that the DCMS ALB Working Group worked very well at officer level. Stakeholders from the Board noted how important it was in terms of helping to ensure joined-up working across the ALBs: DCMS and ALB stakeholders reported how the Working Group had worked to identify and iron out some inconsistencies in approach after CRF 1 and generally act as an effective troubleshooting and coordination mechanism. In CRF 2, DCMS made a concerted effort to bring about more alignment across the ALBs.

“[The ALBs] really got out of their silos and worked together, it was very impressive.” (Internal stakeholder (Board).

In terms of capacity, the delivery of the first iteration of the Fund stretched the ALBs the most. Personnel to work on CRF 1 within the ALBs had to be identified and assembled very quickly, which meant that the ALBs were sometimes having to bring together teams from all different areas of their organisation. More fundamentally, the experience of delivering CRF 1 evidenced to the ALBs that they needed more resource to manage with the scale and complexity of the process suitably, so more internal resources were dedicated to administering the Fund. More structures were also put in place by ALBs to respond to queries, feedback and allegations of fraud from applicants. The burden was particularly heavy for ACE as they took a leading role in administering the bulk of the applications and the largest and most complex awards. At the start of the pandemic, and through 2020, ACE had to pause some funding programmes in order to prioritise the distribution of emergency funding (their own emergency schemes as well as CRF).

A further challenge for implementation of the Fund was the short time that organisations had in which to spend their grants (in CRF 1 it was 6 months, CRF 2 and 3 it was 3 months; all three funding periods were extended). External stakeholders and case study organisations often reported that this created difficulties, including the strain it put on freelance and contract labour, as all successful CRF applicants were looking to spend money and buy services during the same short window. Whilst extensions to grant periods were possible, and did happen (particularly in heritage), consultations with the sector and with external stakeholders suggested that this was not always widely known about as a possibility.

"It [the timeframe] has made the businesses spend the funds in ways that they would not necessarily have spent if they had had a longer time period, but I understand that this was out of necessity." (External stakeholder, city region policymaker)

8.6 Conclusions

The creation and implementation of the CRF was in general widely praised by external stakeholders and applicants. There was a recognition that the CRF was delivered rapidly, under pressure and in an evolving and unpredictable crisis. Overall, criticisms and differences of opinion reported by internal stakeholders regarding the governance and implementation of the Fund were quite rare and mild, particularly in the context of how much all the internal stakeholders felt went right about the process and the governance relationships. Similarly, points raised by external stakeholders about how they felt the process of managing and delivering the Fund could have gone better were always placed in context. This context was that the ALBs, DCMS and the Board were all under intense pressure, trying to operate at speed, in a very uncertain and changing environment, and that external stakeholders really appreciated the hard work that was put in by the various teams.

The Fund was generally well executed in relation to its aims, particularly in achieving a low level of fraud and misadministration.

The design and delivery of CRF was not, and could have never been, perfect. It needed to rely on pre-existing systems and processes (which were not designed for such a programme), there was neither the time nor capacity to anticipate and fully mitigate all of the implementation challenges in advance, and changes to the Fund had to be made constantly in response to the evolving pandemic.

All stakeholders and many applicants accepted that speed, capacity pressures and uncertainty therefore played a major role in the factors that contributed to some less positive perceptions across the sector regarding how the CRF was delivered:

- ALBs were unable to systematically engage with applicants to help them navigate the application process, particularly in CRF 1 (though more was provided in CRF 2), or to provide individual feedback on decisions.
- A host of technical and procedural issues (e.g. timings and duration of the windows for each round, changes to the technical criteria across each round) could have been handled better.

But there were also other contributory factors to some of the criticisms that have been levelled at the Fund. In particular, implementing the financial aims of the CRF within the application and decision-making criteria had far reaching consequences. The approach to fraud and assurance created a robust but sometimes complicated application process that was very exacting for applicants, particularly those with limited capacity and / or who were new to applying for public funding (e.g. organisations in the private sector). Further, this approach seems to have run counter to the government's own recommendation regarding fraud control in emergency management to implement 'low friction controls' to counter the threat of fraud; the controls within CRF seem to have been quite high friction.[62] Ways to ease the burden on applicants, particularly for smaller organisations and those new to public funding, were either only partially implemented (e.g. one ALB reported maintaining some flexibility and proportionality in their assessment processes, but this ALB gave out the fewest awards and smallest sums), or were implemented late in the process (e.g. a light touch EoI stage was only introduced into the application process across all ALBs in the final CRF 3).

Various criticisms were also made by external stakeholders of the award decisions, of which the most salient was that the decision-making process was a 'black box'. The perceived opaqueness stemmed in part from the limited feedback given to applicants (in CRF 1), but also from the complexity of the financial criteria and assessment process. Both factors gave rise to major 'information asymmetries' between those on the inside of the decision-making process (the ALBs, DCMS and the Board) and those on the outside (everybody else).

Commercial entities and not-for-profit organisations provided differing feedback relating to their experiences of the eligibility, application and decision-making processes of CRF. Clearly, the direct feedback from commercial organisations that applied to CRF, as well as external stakeholder testimony from trade bodies, strongly suggests that they had a more difficult experience in accessing CRF funds. However, the roots of the challenges that private sector organisations experienced also stem from the fact that they were more likely to have never applied for public funding before, so their 'baseline' starting position was lower than for most of the not-for-profit applicants. The scheme did very little to balance out these different starting points, given the very limited scope for ALBs to engage with the applicants. The burden and complexity of the application process resulted in applicants often having to utilise paid-for professional help to apply, sometimes facilitated by trade bodies. Those that could not access this type of support felt disadvantaged.

But the process evaluation has found no evidence to suggest that decisions in which organisations were declined CRF funds were based on recurring inconsistencies in applying assessment criteria. Rather, the evidence suggests instead that many criticisms, particularly from the commercial sector, have arisen in relation to the aims and design of the Fund (in addition to the demanding and complicated application process) rather than the implementation *per se*. This includes some obvious elements of the eligibility criteria (e.g. the focus on organisations, venues and sites rather than productions/work and individuals). But it also includes a misunderstanding of, or disagreement with, the way in which the financial assessment worked (e.g. the imperative to only support organisations that had exhausted all other sources of funding). In summary, much of the criticism seems to have focused on what the Fund *should* have done, not what it was *actually* designed to do.

Moving onto the latter, the CRF successfully distributed £1.46 billion of support to organisations since the introduction of the programme (with more funds distributed through other parts of the CRF package), with so far limited overall concerns about fraud rates. It is worth stating that this

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[62] HM Government Counter Fraud Function (2020) *Fraud Control in Emergency Management: COVID-19 UK Government Guidance*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875844/Fraud-Control-in-Emergency-Management-COVID-19-UK-Government-Guidance.pdf

represents a historic and unprecedented achievement for the cultural sector in terms of the scale and speed of the delivery of CRF. The impact of these funds on the successful applicants, and wider cultural sector, is dealt with elsewhere in the report. But it is clear that the Fund was generally well executed in relation to its aims, in the context of major external challenges, and, based on current data, particularly so in achieving one of its key objectives: to prevent fraud and misadministration. Less robustness in this respect may have resulted in a faster or more straightforward application process that would have been easier and less-time consuming for applicants. Future funds should consider carefully how to strike this balance and how to learn from the experience of the CRF, both as highlighted above in the preceding sections and in the lessons learned below. However, that this trade-off between assurance and speed within CRF was ultimately worth it, is perhaps best evidenced by the difficulties that other Government COVID-19 emergency funds (e.g. Bounce Back loans) have had, funds which gave a greater priority to accelerating payments but have experienced very high levels of fraud.[63]

8.6.1 Lessons learned

Crisis programmes more broadly

- *Streamline the Outline and Full Business Case process.* While the timeframe for the Business Case process was compressed for the CRF, the overall process was not suspended (and views amongst stakeholders differ over whether it was streamlined or not). The time and resources spent on the business case process inevitably had an opportunity cost for other elements of fund delivery, including the development of the guidance for applicants. More time and resource on this part of the process might have forestalled problems downstream.
- *Give more explicit consideration at the design stage to the trade-offs between risk and rigour* The balance struck between assurance and speed on this fund created CRF application forms and processes that were criticised for being burdensome for applicants to complete. There is little evidence that the time that it would take applicants to complete applications was factored into the design of the process from a Value for Money (VfM) perspective. The trade-off should be explicitly acknowledged, discussed and assessed as part of the design process.
- *In contexts where emergency funds have (i) complicated funding rules, and (ii) many applicants that are small organisations and / or new to public funding, use an Expression of Interest stage as a light touch first funding gate.* A full application to the CRF typically took organisations two or more weeks' worth of work. This effort was particularly galling for declined applicants, many of whom could probably have been saved a lot of work if an EoI stage had been used from the outset.

Cultural sector programmes

- *Make wider use of funding instruments beyond grants*. Legal complexities, allied with capacity and time constraints, limited the use of loans within the CRF and greater porosity between them and the grants. In future, some of the limitations experienced in CRF could

[63] For instance, the level of fraud for the Bounce Back loans is estimated at £3.5bn, though this is lower than the original estimate of £4.9bn (NAO (2020) *Investigation into the Bounce Back Loan Scheme*).

be overcome if DCMS / ALBs already had an ‘off the shelf’ loan product ready to go, as well as more general experience of using a wider range of debt finance instruments (e.g. a working capital facility). The experience of CRF provides useful learning on how the sector can be funded more innovatively and where alternatives to grants may be more suitable to address sector needs.

- *Have revised and better sub-sectoral data, intelligence and relationships for ALBs and DCMS*. Eligibility criteria designed to work across the entire cultural ecosystem was widely welcomed by internal and external stakeholders. However, it exposed that there were limitations in the level of detailed intelligence government had about the cultural sector beyond their usual grant-funded clients. This applied to both basic data about how many organisations there are in what sub-sectors, through to more added value data concerning organisations’ finances, what different organisations’ needs are, and what their role and function is within the supply chain. Overcoming these gaps will require not just data gathering exercises, but also refreshing ALBs’ networks, and arguably developing closer relationships with key trade and sector bodies. Better data, intelligence and relationships are all required if ALBs’ ambitions to build on the experience of CRF to expand their footprint and enhance their relevance are to be realised.
- *Consider having a standing cadre of appropriate people to call upon to serve on future independent / advisory boards*. The Culture Recovery Board was seen by internal stakeholders to have added significant value to the governance and implementation of CRF. At the heart of the Board’s functioning was the independent members that brought in specialist expertise in financial and business management, both generalist and sector-specific. Stakeholders from the Board reported that it was a great model of ‘national service’ but one that relied on having a list of highly experienced and competent people. It was thus suggested that, going forward, having a cadre of people with a similar profile ‘ready to go’, who could be drawn upon to participate at short notice in a similar exercise, would be useful.
- *Maintain close working relationships between the ALBs*. CRF was based on a new delivery model, which featured cooperation between DCMS, Treasury and ALBs. All internal stakeholders reported that the requirement to collectively administer the Fund necessitated much closer working between the ALBs than was the case during ‘business as usual’. This was viewed very positively and stakeholders, particularly Board members, were keen to see this more joined-up approach to supporting the cultural sector continue into the future. The experience and learning from this process has potential to inform and improve the design and delivery of similar future schemes. In order to facilitate future joint working, new mechanisms will be needed to foster cooperation which build on and replace those put in place for the delivery of CRF.

09

Value for Money

9.0 Value for Money

This chapter sets out a Value for Money assessment of the Culture Recovery Fund. It includes an examination of value for money against the 3E's framework (i.e. economy, efficiency, and effectiveness) as well as an indicative cost-benefit analysis of the programme. The findings of this chapter draw from both the process and impact evaluation of the scheme.

Chapter summary

The programme was **efficiently implemented**, with administrative costs absorbing a smaller share of programme costs than other COVID-19 response programmes.

The processes adopted by the programme were **reasonably effective in ensuring resources were directed at organisations that had exhausted other funding options**, and it was estimated that 80% of funds awarded represented additional income to the organisations concerned.

However, the scheme was less effective in directing resources to organisations facing acute risks of failure as a result of the pandemic, and indicative modelling suggests that around 60% to 70% of organisations awarded funding would have survived regardless of CRF support. There may have been opportunities to increase value for money with greater targeting of organisations facing more acute financial pressures as a result of the pandemic. However, these findings need to be placed in the context of when decisions were made: Targeting the organisations most at-risk on the basis of application information would have been challenging since the uncertainty of the pandemic and associated restrictions meant that it was difficult for organisations to make accurate forecasts about their incomes and expenditures, and therefore financial risk.

Furthermore, the scheme was launched prior to the extension of other government support, and so it would not have been possible to anticipate the survival of these organisations. Finally, targeting support in this way would likely have led to more cost cutting measures and a loss of greater numbers of jobs across the cultural sector.

The results of the evaluation also indicated that the CRF **met its overall objectives** and may have secured the future survival of 620 to 830 organisations while safeguarding between 6,700 (lower bound estimate) and 20,500 (upper bound estimate) jobs in the cultural sector and supporting industries. An indicative cost-benefit analysis indicates that the scheme might be expected to deliver between **£1.98 and £3.66 in benefits for every £1 spent**, through the preservation of cultural assets and reducing unemployment levels. **In a best-case scenario, the programme could deliver up to £5.98 in benefits per £1 of public spending** (and only in the unlikely scenario that visitors remain at 2020/21 levels would the benefits of the programme fall short of public spending on the programme).

9.1 Economy

This section provides an assessment of how far the resources absorbed in the delivery of the scheme were deployed economically (i.e. how far they were the minimum needed to achieve the primary objectives of the CRF):

- **Additionality:** As stressed in the process evaluation, implementation processes were designed to ensure that resources were directed at organisations that had exhausted other funding options. The impact evaluation indicates that these processes were reasonably effective, with 80% of the funds awarded to organisations representing additional income. This implies a rate of deadweight of around 20%, i.e., if CRF was not available the supported organisations would likely have accessed 20% of the funds they received from alternative sources. It should also be noted that the CRF was launched before other government support schemes were extended to provide protective support to the economy during the emergence of the second wave of COVID-19 (such as CJRS and CBILS). This created alternative sources of income for organisations that could not have been anticipated at programme launch which will have reduced the level of additionality associated with CRF funding.
- **Need:** It is less certain that programme resources were targeted at organisations experiencing significant threats to their prospects of survival. As highlighted elsewhere, at the time of writing (March 2022) it is only possible to provide an indicative assessment of the likely eventual impact of the programme on survival rates. However, as per Chapter 7, modelling based on the impacts of the programme on the financial health of organisations awarded funding indicates that:
  - CRF appears to have reduced the future probability that organisations awarded funding would fail over one to two years by around 15-20 percentage points.
  - 60% to 70% of organisations awarded funding would be expected to survive regardless of funding from CRF (though CRF has placed them in a stronger financial position).

  The limited impact on survival rates is likely to reflect the targeting of the programme at organisations that were financially viable prior to COVID-19 (which may have been better placed to weather the impacts of the pandemic). The value for money of the programme could potentially have been improved with greater levels of targeting of organisations facing more acute financial pressures due to the pandemic, although many of the organisations which would have survived without support would have only done so through cost cutting measures and the loss of greater numbers of jobs within the sector. In other words, whilst the value for money of the programme could potentially have been improved by providing support to fewer organisations (and meanwhile still saving the same number of organisations), this would likely have led to more job losses in the sector.

- **Sufficiency:** The findings of the impact evaluation also indicated that almost 20% of organisations awarded funding were still facing financial challenges and an elevated risk of failure over the next one to two years. The future failure of cultural organisations could present a threat to the future value for money to the programme.

9.2 Efficiency

This section provides an assessment of the efficiency of delivery processes employed in the delivery of CRF:

- **Administration costs:** Based on monitoring information compiled by DCMS (covering CRF 1 and CRF 2 only), the administration costs of the programme (including costs incurred by ACE, NHLF, and BFI) totalled £33.1m[64] across 2020/21 and 2021/22. This was equivalent to 2.8% of the total public funds over the period (£1.3bn[65] including administrative costs). There are few directly relevant benchmarks against which to assess how far these costs were proportionate (as few evaluations of COVID-19 support programmes were published at the time of writing). However, there are indications that scheme administration costs were a smaller fraction of programme delivery costs than other initiatives launched during the COVID-19 pandemic.
- **Applicant costs:** The process evaluation indicated that the application process required applicants to incur costs (e.g. paying accountants to retrieve the required accounting data) to provide the information needed to submit their applications. While these costs have not been quantified as part of the study, they were considered high by some stakeholders and undoubtedly many applicants found the application process challenging.

  However, these types of costs are not uncommon in large scale government grant programmes and the information required was considered necessary to ensure resources were targeted at need and reduce fraud risk. Other COVID-19 response programmes have highlighted that the removal of business-as-usual checks to accelerate funding decisions and/or minimise burdens on applicants can lead to significant fraud risks. As such, reducing the information burden on applicants to improve accessibility could have had a significant adverse effect on value for money.
- **Timescales:** The process evaluation indicated that the timescales involved in establishing the programme and awarding funding were considered extensive in the context of an emergency response effort by many stakeholders. However, opportunities to accelerate implementation timescales could largely only have been found by removing business-as-usual checks put in place to ensure resources were directed at need and to eliminate fraud risk (creating threats to value for money). The evaluation also suggested any acceleration of funding decisions would have been unlikely to significantly alter the final outcomes of the scheme:
  - **Threat to survival:** As indicated above, few organisations indicated that they were facing immediate risks to their survival and accelerating funding decisions would not have led to higher survival rates.
  - **Redundancies:** The evidence collected indicated that organisations applying for funding made most of their redundancies in the period between the start of the COVID-19 pandemic and their application for funding.

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[64] This excludes £7.6m in administrative costs incurred by Historic England, which is out of scope of this evaluation.
[65] Note that while this includes £254m in repayable finance, these loans may not prove to be a cost to the Exchequer depending on how far they are eventually repaid in full.

9.3 Effectiveness

The findings of the impact evaluation indicate that the CRF met its core objectives to a large extent:

- **Failures avoided:** Based on the results of the impact evaluation, we estimate that the CRF could lead to the safeguarding of between 620 and 830 organisations over the next two years.
- **Jobs safeguarded:** The programme also led to the safeguarding of some 6,700 jobs in September 2021 (both direct and indirect jobs), retaining specialist skills and talent pipelines. If reductions in unemployment in the wider local economy are included, then this effect could be as high as 20,500.
- **Potential jobs safeguarded:** In addition, a further 5,620 to 7,480 jobs could potentially be safeguarded as a result of averting the future failure of cultural organisations[66]. The overall estimated jobs impacts of the CRF are summarised in the following table.

Table 9.1: Summary of employment impacts

Type of employment impact	Timeframe	Timeframe
	By September 2021	Post-September 2021 (potential impacts in addition to those by September 2021)
Direct jobs	3,000	3,720 to 4,980
Indirect jobs	3,700	1,900 to 2,500
Total	**6,700**	**5,620 to 7,480**
Net local employment impacts (i.e. net of local displacement and crowding out)	20,500	-

Source: Ipsos UK analysis

- **Re-opening:** There was limited evidence to indicate that the scheme accelerated the reopening of the sector (a key objective when the scheme was launched).
- **Other impacts:** CRF had wider cultural impacts such as helping organisations continue their wider social, educational and community commitments; and preserve cultural and heritage assets.

The findings above were used to derive cost effectiveness metrics as set out in Table 9.2. The estimated cost to the public sector per organisation saved was estimated at between £1.4m and £1.9m, while the estimated cost per job safeguarded was estimated at between £58,000 and £177,600. These findings do not account for any parallel savings to the public sector arising

[66] Note that estimates of the future net employment impacts of CRF have not been prepared, as the high levels of labour demand in 2022 will likely mean that workers displaced will quickly be redeployed in an alternative productive capacity.

from reduced payments of unemployment benefits over the period or any effects in reducing demand for funding from parallel schemes[67].

The unit values associated with these outcomes appear comparatively high relative to those estimated for traditional job creation programmes, although there are substantial issues in judging cost-effectiveness in this case owing to the historically unique context and the unprecedented level of uncertainty in which the scheme was developed. As noted above, the CRF was not a job creation scheme and the absence of published evidence from other evaluations of COVID-19 response programmes makes it challenging to determine the relative cost-effectiveness of CRF. The VFM analysis should be revisited at a later date when (a) it is possible to observe the direct impacts of the CRF in preserving cultural institutions following the COVID-19 pandemic, and (b) a broader evidence based on the cost-effectiveness of COVID-19 response programmes is available.

Table 9.2: Cost effectiveness metrics

	Public funding (£m)	Additional failures avoided and jobs safeguarded	Additional failures avoided and jobs safeguarded	Cost per outcome achieved (£)	Cost per outcome achieved (£)
		Low scenario	High scenario	Low scenario	High scenario
Survival outcomes	1,190	620	830	1,919,000	1,434,000
Jobs safeguarded	1,190	6,700	20,500	177,600	58,000

Source: Ipsos UK analysis

9.4 Cost-benefit analysis

The findings from the impact evaluation were used to provide an indicative cost-benefit analysis of the CRF, focusing on its benefits in two key areas:

- **Benefits of preserving cultural assets**: The core benefits of the CRF arose from its impacts in preserving cultural assets that may have been lost in the absence of the programme. This will improve social welfare to the degree that users derive benefits from the existence of these assets (e.g. from their enjoyment of viewing the cultural assets, or the knowledge that the asset exists). These benefits will endure to the point at which responsibility for curating the relevant assets is assumed by another actor – i.e. the benefit of CRF keeping an organisation solvent would eventually erode, as the assets would likely be owned by somebody else, who would make them publicly accessible again. For the sake of this analysis we have assumed the assets would become publicly available again in 2025.
- **Economic stimulus**: The evidence from the impact evaluation also indicated that the programme helped stimulate the economy and reduced local levels of unemployment

[67] Using values from the DWP Cost Benefit Analysis Guidance, the offsetting costs to the public sector from reduced benefit payments would range from £63.0m to £192.7m (assuming unemployed workers would have otherwise found work within an average of one year).

during the COVID-19 pandemic. This will have led to further Gross Value Added[68] (GVA) impacts via the wages earned by employees that would have otherwise lost their jobs. These impacts will endure until the point at which workers would have otherwise been reabsorbed into employment.

A key challenge for a cost-benefit analysis of the programme is establishing the net resource costs of the programme. In principle, a cost-benefit analysis should be based on the opportunity costs associated with the programme. This is challenging in this instance because the public funding provided through the CRF largely represents a transfer payment from the taxpayer to the organisations awarded funding. While the impact evaluation provided estimates of how far this funding led to additional spending, only a share of these costs will represent resource costs. For example, while construction costs or overhead spending will represent resource costs, some workers retained by organisations may not have been deployed in a productive capacity in the absence of the programme.

As such, the primary focus of the following analysis is on the value of benefits relative to the gross Exchequer cost of the programme. This provides a measure of the efficiency of the programme that can be more readily benchmarked against other COVID-19 response programmes. However, this is not entirely unproblematic as it is possible the CRF will have had (unquantifiable) effects in reducing spending elsewhere in the public sector, either by reducing spending on unemployment benefits or reducing demand for other sources of government support provided during the COVID-19 pandemic.

The CRF may have had a broad array of other benefits that could not be quantified as part of the evaluation. This would include its effects in preserving human capital within the industry and strengthening the broader ecosystem, which would help to increase the productivity and resilience of the sector in the longer-term. It was also not possible to develop a reasonable approach to valuing the non-user benefits of the CRF, which will also lead to an understatement of the value for money associated with the programme.

9.4.1 Economic impact

The impact evaluation also indicated that the CRF produced economic stimulus effects by reducing unemployment (both directly, and indirectly through supporting the supply chain and consumer spending in local economies). In the short-term, this stimulation of demand may lead to productivity gains if it enables the employment of workers that would otherwise have remained unemployed. As such, the economic benefits of the programme can be understood in terms of the additional GVA produced by workers that would have otherwise remained unemployed[69].

The following assumptions were adopted to estimate the GVA impacts associated with the CRF:

- The GVA impacts of CRF were approximated on the basis of the wages earned by workers whose jobs were safeguarded. A simple assumption was made that workers whose jobs

[68] The value added in the production process, broadly equivalent to other measures of income (such as Gross Domestic Product).
[69] See Annex for a discussion of how this approach aligns with the HM Treasury Green Book.

were safeguarded earned an annual salary of £31,375 (in line with estimated average annual earnings for DCMS sectors excluding tourism[70])[71].

- The economy was assumed to return to an equilibrium rate of unemployment in 2024/25 in line with the Office for Budgetary Responsibility's (OBR) forecasts prepared for the Spring Statement 2022[72]. In the absence of the programme, unemployed workers were assumed to enter employment at a constant rate between 2022/23 and 2024/25 (i.e. in line with the OBR's projection of when the economy is expected to return to a post-pandemic equilibrium).
- The economic impacts of the CRF were estimated both based on its effects on unemployment (i.e. an effect of 6,700 jobs) and including broader local multiplier effects arising from higher levels of spending (i.e. an effect of 20,500 jobs, which is an upper bound estimate). These latter estimates could be subject to (unquantifiable) offsetting displacement effects between local authority areas and should be treated as a notional upper bound on the national effects of the programme in reducing unemployment.
- This approach does not account for any further jobs that may be safeguarded due to the improved prospects of survival enabled by CRF. This was accounted for in scenario analyses in which the failure of 620 and 830 organisations leads further direct effects on unemployment resulting from their closure. This was modelled by assuming each closure leads to an additional nine unemployed workers in 2022/23 (the median number of FTEs and contractors employed by organisations awarded funding in 2021). These workers are assumed to be reabsorbed into employment at the same rate.

The estimated GVA impacts of CRF under these assumptions are set out in Tables 9.3 to 9.6. The present value of the GVA impacts of CRF are estimated to range from £851m to £2.2bn (with the degree to which multiplier effects arising from the programme are included a key driver of the total economic benefits).

Table 9.3 Estimated GVA impacts of CRF, 2020/21 to 2024/25 - Direct unemployment impacts only- by September 2021 (low and high scenario)

Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Discount factor	1.00	0.97	0.93	0.90	0.87	
Number of additional unemployed claimants	6,700	6,700	4,467	2,233	0	
Associated GVA impact (£m)	210	210	140	70	0	**630**
Present value of GVA impact (£m)	210	203	131	63	0	**607**

[70] Annual Survey of Hours and Earnings
[71] An alternative approach would be to use GVA per worker. Based on DCMS Sector Economic Estimates, GVA per worker in the cultural sector was around £40,200 between October 2020 and September 2021. Using this approach would generate slightly larger estimates of the economic impacts of the programme than set out here.
[72] Office for Budgetary Responsibility (2022) Economic and Fiscal Outlook – March 2022

Table 9.4 Estimated GVA impacts of CRF, 2020/21 to 2024/25 - Direct and indirect unemployment impacts - by September 2021 (low and high scenario)

Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Discount factor	1.00	0.97	0.93	0.90	0.87	
Number of additional unemployed claimants	20,500	20,500	13,667	6,833	0	
Associated GVA impact (£m)	643	643	429	214	0	**1,929**
Present value of GVA impact (£m)	643	621	400	193	0	**1,858**

Table 9.5 Estimated GVA impacts of CRF, 2020/21 to 2024/25 - Additional unemployment impacts (post September 2021) arising from enhanced prospects of survival (low scenario, 620 organisations saved from failure)

Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Discount factor	1.00	0.97	0.93	0.90	0.87	
Number of additional unemployed claimants	0	0	5,620	2,810	0	
Associated GVA impact (£m)	0	0	176	88	0	**264**
Present value of GVA impact (£m)	0	0	165	80	0	**244**

Table 9.6 Estimated GVA impacts of CRF, 2020/21 to 2024/25 - Additional unemployment impacts (post September 2021) arising from enhanced prospects of survival (high scenario, 830 organisations saved from failure)

Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Discount factor	1.00	0.97	0.93	0.90	0.87	
Number of additional unemployed claimants	0	0	7,480	3,740	0	
Associated GVA impact (£m)	0	0	235	117	0	**352**
Present value of GVA impact (£m)	0	0	219	106	0	**325**
Present value of GVA impact - Low (£m)	210	203	295	143	0	**851**
Present value of GVA impact - High (£m)	643	621	619	299	0	**2183**

Source: Ipsos UK analysis

9.4.2 User benefits

Non-market benefits

As highlighted above, the impact evaluation results indicated that the CRF was expected to preserve between 620 and 830 cultural organisations that may have otherwise been lost. By saving cultural assets from failure, the CRF can be seen to have protected the welfare of visitors and non-visitors (the general public) to the safeguarded assets.

Estimating the value of culture assets is challenging as such goods and services are usually hard to quantify or have significant intangible components. However, non-market valuation techniques can instead be used to inform the "expected" value of such assets, and to quantify the loss in value should such assets have been forced to close in the absence of CRF support.[73] Such services are beneficial to the individual and society as a whole and, as a result, create value, as laid out in the DCMS 2021 Cultural and Heritage Capital (CHC) framework paper. Exploring the evidence base on the value of cultural services demonstrates what is missing from a standard Social Cost Benefit Analysis (SCBA) in terms of measuring the full benefits of the CRF. Non-market valuation can instead be used to inform the "expected" value of such assets, and to quantify the loss in value should such assets have been forced to close in the absence of CRF support. Note that there are limited studies in which to conduct this type of benefit transfer analysis, which is why DCMS are working on the Culture and Heritage Capital Programme to further develop the evidence base. Recommendations on research gaps which have emerged through this study are outlined in detail in the sub-section: 'Gaps and areas for future research'.

The value of the cultural assets preserved by the CRF were estimated using a benefit transfer approach. This involved using the results of prior studies seeking to estimate the value of comparable cultural institutions to users to infer the value of the organisations whose survival was secured by the programme (drawing on empirical evidence produced by DCMS and ALBs seeking to measure users' Willingness-to-Pay (WTP) to preserve or maintain the asset[74]). WTP, in line with HM Green Book (2022) represents a monetary measure of welfare for a non-market good or service, which is comparable with SCBA because it provides an income equivalised value. This was only feasible for four types of institutions for which there was sufficient evidence to support the benefit transfer approach - museums, theatres, visual arts (galleries), and historic areas and buildings. These organisations represented 15% to 17% of the population of organisations supported by the CRF. A full list of the non-market values used in this analysis can be found in Appendix Table A35. The underlying value of these types of institution may differ to other types of institution, making extrapolation to the full CRF sample difficult (see text box).

The analysis is based on the estimated effects of CRF on survival over a 1 and 2 year horizon. However, the benefits of these outcomes are considered over a 5 to 10 year period, which allows for the possibility that cultural assets are eventually brought back into use over time.

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[73] In recognition of these measurement challenges, DCMS has been developing a formal Cultural and Heritage Capital approach (emulating approaches to valuing natural capital) that can be used to estimate stocks and flows relating to cultural and heritage capital assets. The intention is to provide an improved basis for informing funding decisions. See, DCMS (2021) *Valuing Culture & Heritage Capital: A framework towards informing decision making*. DCMS: London.

[74] Willingness to Pay studies seek to determine how much users and non-users value non-market goods through surveys seeking to elicit their willingness to pay for the non-market good.

Non-market benefit transfer: Step-by-step

Step One: Assign CRF organisations to categories of non-market value in the DCMS/ALB benefit transfer database through manual, desk-based process (in the future we recommend a rules-based approach be developed based on secondary data indicators of organisational scale and reach).

Step Two: Scale values to local/regional/national reach of institutions and significance/antiquity. In absence of benefit transfer (BT) values at these scales, apply an assumptions-led approach.

Step Three: Estimate partial WTP associated with probability of survival per visitor: multiplying the survival probability by the individual-level WTP value in the four categories for which we have WTP values. All WTP values should be based on the lower bound WTP estimates provided in the benefit transfer studies (where available).

Step Four: Estimate per organisation benefits (1-year): Multiply the survival WTP by annual visitor numbers for each organisation funded by CRF, to estimate an aggregate survival WTP per organisation in year one (as reported in the penultimate row of Table 9.4).

Step Five: Aggregate per organisation values to the previous year's visitor numbers reported by funded organisations in the survey treatment sample. Alternative visitor aggregation numbers can be constructed using different projections for expected visitor scenarios.

Step Six: Estimate Net Present Value (NPV) over appropriate evaluation period.

Technical details are provided in the annex to the report, but estimates of average WTP for relevant cultural organisations were combined with:

- The benefits of the programme were assumed to endure until 2024/25. This reflects the assumption that in many cases, the cultural assets preserved would be made available to users again by another actor (e.g. another museum acquiring the collection of a museum that did not survive the pandemic).
- To estimate per organisation benefits we multiply the partial WTP (average WTP taken from DCMS benefit transfer tables multiplied by the survival probability rate for each institution) and aggregate this by annual visitor numbers for each organisation funded by CRF based on administrative data provided by those organisations from 2019 (pre-pandemic) and 2020/2021 (mid-pandemic). Projections of annual visitor numbers to 2025 under three scenarios: (a) a worst-case scenario that visitor numbers remain at 2020/21 levels (based on visitor data provided by institutions during this period), (b) a best-case scenario in which visitor numbers bounce-back to 2019 levels in 2022/23 (based on visitor data provided by institutions during this period), and (c) a central case scenario which was developed based on projections prepared by Tourism Economics (see report annex for further details) that the travel and tourism sector returns to 82% of its size post-pandemic. This provided an estimate of the use value of each asset supported by CRF.
- The value of CRF was then estimated by multiplying the estimated use value of the institution by the estimated impact of the CRF on its probability of survival.

The results of the analysis are summarised in Table 9.7. Overall, the findings indicate that the value for money associated with the CRF is likely to be strongly linked to the recovery of visitor numbers. The BCR estimates show that the social return for each £1 of public spending on the funded institutions is positive in all but the worst-case scenario of future visitor numbers (noting that the worst case scenario assumes that visitor numbers remain where they were during the COVID-19 pandemic, which is an unlikely outcome, and not one which is supported by current trends in visitor numbers):

- In the scenario where visitor numbers return to 2019 pre-COVID-19 levels from 2022 onwards, each £1 of public sector spending on CRF is estimated to lead to user benefits of £1.40 to £1.86.
- In the central scenario (where visitor numbers return to 82% of pre-COVID-19 levels), each £1 of public sector spending on CRF is estimated to lead to user benefits of £1.15 to £1.53.
- However, in the worst-case scenario (where visitor numbers remain at 2020/21 levels), each £1 of public spending leading to user benefits of £0.23 to £0.33 for every pound of CRF funding. The worst-case scenario of a return to COVID-19 pandemic levels of visitor numbers is an unlikely outcome, and not one which is supported by current trends in visitor numbers. For the purposes of this evaluation, it may be more appropriate to focus only on the two central and best case scenarios.

Table 9.7 Visitor non-market value safeguarded through the CRF

	Worst case scenario (visitor numbers remain at 2021 levels)	**Worst case scenario (visitor numbers remain at 2021 levels)**	**Central scenario (visitor numbers recover to 82% of 2019 levels from 2022)**	**Central scenario (visitor numbers recover to 82% of 2019 levels from 2022)**	**Best case scenario (visitor numbers return to 2019 levels from 2022)**	**Best case scenario (visitor numbers return to 2019 levels from 2022)**
Estimate impact on probability of survival	High	Low	High	Low	High	Low
Aggregate per organisation benefits (annual)	£3,969,668	£2,792,526	£25,010,838	£18,732,714	£30,426,811	£22,789,190
Present Value over five years	£14,580,904	£10,257,171	£91,866,790	£68,806,744	£111,760,086	£83,706,501
Gross Exchequer cost (combined round 1 and round 2 funding amounts for organisations in the WTP sample)	£44,399,590	£44,240,190	£60,097,297	£59,937,897	£60,097,297	£59,937,897
Visitor numbers (reported by each institution) for aggregation	2,721,607	2,703,207	16,043,042	15,984,351	19,517,083	19,445,683
Cost effectiveness (£s of user benefits per £1 of CRF spending)	**0.33**	**0.23**	**1.53**	**1.15**	**1.86**	**1.40**

Source: Ipsos UK analysis Note: All WTP figures based on lower bound confidence interval, to account for hypothetical bias and benefit transfer error. Legend: WTP = Willingness to Pay; lb = lower bound. All numbers based on treatment sample for which WTP figures were transferable from the DCMS/ALB database.

Details in the report appendix show results over a 10-year horizon to explore the possibility that it may take ten years (rather than five) for the assets preserved by the CRF to be brought back into use.

- **In the best-case scenario** (where visitor numbers return to 2019 pre-COVID-19 levels from 2022 onwards), the 10-year NPV of visitor non-market values safeguarded through the CRF is higher than under the 5-year assumption, ranging from £113.4m to £171.4m. Each £1 of public sector spending on CRF is estimated to lead to user benefits of £2.89 to £3.85.
- In the **central scenario** (where visitor numbers return to 82% of pre-COVID-19 levels, as predicted for the travel and tourism sector by 2025), the 10-year NPV of visitor non-market values safeguarded through the CRF is positive ranging from £82.6m to £130.2**.** Each £1 of public sector spending on CRF is estimated to lead to user benefits of £1.15 to £1.53.

- However, in the **worst-case scenario** (where visitor numbers stay at remain at 2020/21 levels), the NPV of visitor non-market values safeguarded through the CRF is negative, with each £1 of public spending leading to user benefits of £0.48 to £0.68 for every pound of CRF funding.

9.4.3 Non monetised benefits

This analysis also does not include some key potential benefits of the programme, including the value of cultural assets preserved to non-users and possible productivity gains arising from enhancing the ability of cultural organisations to retain their workforce. The non-market methods used in this report only partially measure the impact and do not capture other externalities such as benefits to other social outcomes such as education and health.

9.4.4 Cost effectiveness metrics

Based on monitoring information provided by DCMS, the total gross cost of the programme to the public sector was £1.3bn for CRF 1 and CRF 2 (including administrative costs incurred by DCMS and the three ALBs covered by the scope of this evaluation). However, this includes £254m in repayable finance awarded through the programme, and only defaults on those loans represent a cost to the Exchequer in the long term. Future default rates are highly uncertain, and for the purposes of this analysis, a 10 percent default rate was assumed over the 20-year term of the loans[75]. This gives an estimated total cost to the public sector of £1.0bn.

This has been used to assess the overall efficiency of the programme, though it should be noted that this will overstate the total Exchequer costs of the programme. In particular, the programme is likely to have reduced costs to other parts of the public sector by both reducing the payment of unemployment benefits and by reducing demand for other COVID-19 response programmes. This also does not include the costs borne by applicants in preparing applications for funding (though these are likely to be a relatively small fraction of gross public spending).

Table 9.8 provides a series of cost-effectiveness metrics combining the results in relation to the user benefits arising from the preservation of cultural institutions and the economic benefits of the programme (noting that the assessment of the user benefits associated with the programme only relates to a subset of the portfolio where there was sufficient evidence to enable an assessment, so estimates of the overall cost effectiveness of the CRF should be treated as indicative as it assumes that these results are representative of the overall portfolio). The table shows that:

- Based on its direct effects in increasing GVA via safeguarding employment and central estimates of the user benefits arising from preservation of cultural institutions, the CRF is estimated to have delivered between £1.98 and £3.66 of benefits per £1 of public sector spending on the programme.

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[75] This assumption is based on early information on default rates on CBILS loans published by the British Business Bank that suggested that in September 2021 (18 months following the launch of the scheme), the value of defaults was 0.5% of the value of loan facilities approved. The assumption of 10 percent was derived by extrapolating this over the typical 20-year term of the loans awarded through CRF. See British Business Bank (2021) Covid-19 Emergency Loan Schemes Repayment Data.

- If the apparent multiplier effects of the CRF are not significantly offset by displacement of economic activities in other areas and the cultural assets preserved would have taken significantly longer to be brought back into the use, this BCR could rise to £5.98 (the best case scenario).
- The benefits of the programme only do not exceed its costs in the worst-case scenario where visitor numbers remain at 2020/21 levels until 2025 and the local multiplier effects of the programme are entirely offset by displacement effects. This worst case scenario is considered unlikely (although we include it here to indicate a lowest range scenario), given the observed increase in visitor volumes as social distancing restrictions have been withdrawn. Case study organisations reported continued uncertainly but also partially restored confidence and visitor patterns.

Table 9.8 Cost-effectiveness metrics

	Core range (direct effects only)	Core range (direct effects only)	Best case scenario (including indirect effects)	Worst case scenario (visitors remain at 2020 levels)
	Low	High		
Gross public sector cost (£m)	1,022	1,022	1,022	1,022
Economic benefits (£m)	851	2183	2,183	851
£s of GVA per £1 of public sector spending	**0.83**	**2.13**	**2.13**	**0.83**
£s of user benefits per £1 of public sector spending	1.15	1.53	3.85	0.23
Indicative total benefits per £1 of public sector spending	**1.98**	**3.66**	**5.98**	**1.06**

Source: Ipsos UK analysis

9.5 Conclusion

The programme was efficiently implemented, with administrative costs absorbing a smaller share of programme costs than other COVID-19 response programmes. The CRF was generally well executed in relation to its aims, including in achieving a low level of fraud and misadministration.

While some stakeholders raised concerns with the administrative burdens placed on applicants and time taken for funding to reach organisations, it may only have been possible to address these issues by removing business as usual processes for verifying the need for public sector support and mitigating against fraud risks. Parallel schemes have demonstrated that the removal of these processes can create potentially significant fraud risks and there was little evidence that an accelerated process would have improved the survival or job protection results of the scheme.

The processes adopted by the programme were reasonably effective in ensuring resources were directed at organisations that had exhausted other funding options, and it was estimated that 80% of funds awarded represented additional income to the organisations concerned.

The results of the evaluation also indicated that the CRF met its overall objectives - safeguarding between 6,700 (lower bound estimate) and 20,500 (upper bound estimate) jobs in the cultural sector and supporting industries, and potentially secured the survival of 620 to 830 organisations (which would be associated with the safeguarding of a further 5,620 to 7,480 jobs).

However, the scheme was less effective in limiting the allocation of resources to organisations facing acute risks of failure due to the pandemic. Indicative modelling suggests that around 60% to 70% of organisations awarded funding would have survived without CRF support. While many of those that would have survived without funding would have only done so through cost cutting measures and the loss of greater numbers of jobs, there may have been opportunities to increase value for money with greater targeting of organisations facing more acute financial pressures. However, it should be noted that the programme was launched under conditions of unprecedented levels of uncertainty regarding the upside and downside risks associated with the evolution of the pandemic.

An indicative cost-benefit analysis focusing on the direct impacts of the scheme and some reasonable assumptions regarding the return of visitors to the cultural sector indicates that the scheme might be expected to deliver between £1.98 and £3.66 in benefits through the preservation of cultural assets and reducing unemployment levels. In a best case scenario, the programme could deliver up to £5.98 in benefits per £1 of public spending (and only in the unlikely scenario that visitors remain at 2020/21 levels would the benefits of the programme fall short of public spending on the programme).

10

Summary and conclusions

10.0 Summary and conclusions

This evaluation has reviewed the outcomes and impacts of the CRF, bearing in mind its overarching goal to support the cultural sector to survive and weather the effects of the COVID-19 pandemic.

Chapter summary

The CRF was a large-scale programme delivered at pace and in the context of an evolving, uncertain, and unprecedented situation. It could never resolve all the crises faced by the cultural sector and nor was it intended to. Within this context, the findings are positive. CRF was broadly implemented well. It supported a large number of organisations and had a positive impact on their financial health. The benefits from the number of organisations it likely prevented from failing (620 to 830), and the number of jobs it safeguarded (up to 20,500), outweigh the costs of implementing the programme (with every £1 spent leading to between £1.98 and £3.66 in benefits). The positive cost benefit ratios do not include the intangible benefits that the programme generated, such as enabling more risk-taking cultural endeavours, supporting the mental health of people working in the cultural sector, and providing wider cultural opportunities for the public during a time of national crisis.

The programme has highlighted lessons learnt for future support funds should a similar crisis ever arise, including the need to be more prepared with more up-to-date data on the cultural sector, and focusing on how different government support schemes interact with each other.

The cultural sector is emerging from the pandemic. Overall, cultural organisations tended to report that whilst there were some challenges ahead in their continued recovery, they no longer felt that their futures were at imminent risk (with some exceptions). The findings from this evaluation show that CRF strengthened the financial health of the sector, and it would have been in a worse position without the support from the programme.

The evaluation has engaged widely with the cultural sector through gathering **evidence directly from over 1000 organisations that applied to CRF, and over 55 stakeholders from across the wider cultural sector**. So, whilst the evaluation brings robust evidence in relation to the outcomes and impacts of the CRF itself, it also provides a body of evidence to illuminate the circumstances that the cultural sector is in, at this point in its recovery from the COVID-19 pandemic.

The evaluation points to a range of outcomes and impacts, linked to those directly relating to organisations, but also more widely in relation to social, economic and cultural impacts. Below we revisit, and answer, the evaluation questions.

To what extent did CRF deliver its intended impacts and outcomes for the organisations that received funding?

It was not possible to ascertain the degree to which CRF prevented insolvencies in the sector over the timescales of the evaluation due to changes in regulations to how insolvencies were reported during the pandemic. However, there is a clear indication that CRF strengthened organisations' finances, improved their resilience, and raised their future survival prospects.

Even though the current data (bearing in mind the limitations about the temporary changes to the insolvency rules) shows that the declined and successful applicants had a comparable survival rate, the analysis suggests that the declined applicants achieved this at the expense of reduced activity and workforce. In contrast, over the same period successful organisations' expenditure increased, indicating that the extra CRF income they received supported an **increase in economic activity and enabled organisations to spend beyond covering their essential costs.** At the overall level, CRF increased expenditure amongst supported organisations to an additional £612m.

This rise in economic activity **safeguarded around 6,700 direct and indirect jobs** by September 2021 (3,000 within the CRF funded organisations; 3,700 contractor jobs). **CRF had little impact on redundancies, primarily because few redundancies occurred**, and those that did took place prior to CRF funding being awarded (the findings imply that the impacts of the programme in safeguarding jobs predominately arose from the replacement of workers leaving voluntarily or through increasing working hours, rather than through preventing redundancies). However, the qualitative evidence revealed that while this was true at an aggregate level, there were individual cases where the funding did help to prevent further redundancies.

There is no significant difference between the reopening rates of successful and declined applicants and both groups reopened at a similar time. There was a distinction, however, in the way organisations experienced this process, with declined organisations feeling more anxious because they had little contingency should something go wrong. This sentiment also, to an extent, influenced organisations' programming choices, with CRF-funded organisations taking on more artistic risk.

CRF **re-inflated organisations' reserves**, with the data showing that they were 188% higher than they would have been in the absence of the funding. Having good levels of reserves is an important indicator of an organisations' ability to withstand future financial shocks and, in fact, preliminary analysis shows that **CRF reduced the risk of future business failures by 15% to 20%** over the next two years. The future preservation of cultural organisation could potentially lead to a further 5,620 to 7,480 jobs safeguarded.

Overall, there is a clear indication that CRF strengthened organisations' finances, improved their resilience and raised their future survival prospects.

To what extent did CRF support the delivery of wider economic, social and cultural benefits?

By stimulating the supply chain and consumer spending, CRF led to net reductions in unemployment at the local level, equivalent to safeguarding up to 20,500 jobs (including the 6,700 direct and indirect jobs described above). As CRF does not appear to have helped organisations open more quickly, there is little evidence that the scheme had a significant effect on local visitor economies.

In addition to having direct impact on the funded organisations, CRF also **had some "ripple" effect on the local community and wider cultural sector**. There is evidence that contractors (including freelancers) somewhat benefited from the scheme; however, the organisations and stakeholders we interviewed were largely of the opinion that freelancers and contractors across the sector continued to face enduring challenges. **Specialist skills and talent pipelines were retained to a degree with funded organisations attributing some of this success to CRF.**

Other wider impacts included the protection of physical heritage assets (through the maintenance and repairs of the physical fabric), and freeing up resources so organisations can continue to invest in their community programmes.

To what extent did the design and implementation of CRF enable the delivery of its intended outcomes?

The creation and implementation of the CRF was in general widely praised by external stakeholders and applicants. There was a recognition that the CRF was delivered rapidly, under pressure and in an evolving and unpredictable crisis. Overall, criticisms and differences of opinion reported by internal stakeholders regarding the governance and implementation of the Fund were quite rare and mild, particularly in the context of how much all the internal stakeholders felt went right about the process and the governance relationships. Similarly, points raised by external stakeholders about how they felt the process of managing and delivering the Fund could have gone better were always placed in context. This context was that the ALBs, DCMS and the Board were all under intense pressure, trying to operate at speed, in a very uncertain and changing environment, and that external stakeholders really appreciated the hard work that was put in by the various teams. With this in mind, the very fact that CRF launched and provided so many grants is commendable.

The Fund was generally well executed in relation to its aims, particularly in achieving a low level of fraud and misadministration. The price of achieving this was a slower programme relative to what might have otherwise been achieved and an application process that placed more burden on applicants. However, given the high incidence of survival across the cultural sector, there is no evidence to suggest that a faster or less robust process would have had a greater impact. Our conclusion therefore is that the focus on preventing fraud was justified and increased the value for money of the programme.

Most of the issues raised lay with the aims and design of the Fund, rather than its implementation. In summary, much of the criticism seems to have focused on what the Fund *should* have done, not what it was *actually* designed to do

The level of feedback, the inevitable subjectivity in the 'cultural significance test', and the complexity of the financial criteria and assessment process also featured in stakeholder views. There was a common view that the decision-making process typically appeared as a 'black box' to applicants and the wider sector, and that this was challenging for those with limited capacity and / or who were new to applying for public funding (e.g. organisations in the private sector).

There is no evidence to suggest that decisions in which organisations were declined CRF funds were based on recurring inconsistencies in applying assessment criteria.

Internal stakeholders reported that the governance and management structures generally worked well, and that there was learning and improvement during the programme.

To what extent did the CRF represent value for money?

The programme was efficiently implemented, with administrative costs absorbing a smaller share of programme costs than other COVID-19 response programmes.

The processes adopted by the programme were reasonably effective in ensuring resources were directed at organisations that had exhausted other funding options, and it was estimated that 80% of funds awarded represented additional income to the organisations concerned.

However, the scheme was less effective in directing resources to organisations facing acute risks of failure as a result of the pandemic, and indicative modelling suggests that around 60% to 70% of organisations awarded funding would have survived regardless of CRF support. There may have been opportunities to increase value for money with greater targeting of organisations facing more acute financial pressures. However, based on the evidence, this would likely have led to more cost cutting measures and the loss of greater numbers of jobs across the cultural sector.

The results of the evaluation also indicated that the CRF met its overall objectives and may have secured the survival of 620 to 830 organisations while safeguarding between 6,700 (lower bound estimate) and 20,500 (upper bound estimate) jobs in the cultural sector and supporting industries. An indicative cost-benefit analysis indicates that the scheme might be expected to deliver between £1.98 and £3.66 in benefits for every £1 spent, through the preservation of cultural assets and reducing unemployment levels. In a best case scenario, the programme could deliver up to £5.98 in benefits per £1 of public spending (and only in the unlikely scenario that visitors remain at 2020/21 levels would the benefits of the programme fall short of public spending on the programme).

What is the current state of the cultural sector, considering organisational fragility, and labour market and supply chain scarring?

Overall, supported organisations tended to be cautiously optimistic about the future, especially those that received support from more than one round of CRF. The vast majority of supported applicants surveyed felt that the CRF helped them to deliver a plan for future financial sustainability.

The majority however did cite uncertainty around future outbreaks and management of COVID-19 as a risk to their recovery and future. In the context of drastically reduced income over 2020/2021 many organisations felt they had a journey yet to travel in terms of recovery and regaining lost ground.

In looking to the future, case study organisations and consulted stakeholders shared a number of insights pertaining to the changes experienced by the sector, and the ongoing challenges that have resulted from the pandemic, including difficulties in recruiting staff with generic skills; a shift in audience demographics; reduced ticket sales compared to pre-pandemic levels; reduced international tourism; and fewer advance bookings.

What lessons can be learnt for future crisis funds, both in relation to the culture sector and beyond?

Through the sector engagement and evidence reviewed across the evaluation, there are some aspects of learning that can be applied in providing future support to the cultural sector, and for future crisis programmes more broadly:

- **Lessons learnt for crisis programmes more broadly**
  - Streamline the Outline and Full Business Case process
  - Give more explicit consideration at the design stage regarding the trade-offs between risk and rigour
  - In contexts where emergency funds have (i) complicated funding rules, and (ii) many applicants that are small organisations and / or new to public funding, use an Expression of Interest stage as a light touch first funding gate.
- **Lessons learnt for cultural sector programmes**
  - Make wider use of funding instruments beyond grants
  - Have revised and better sub-sectoral data, intelligence and relationships for ALBs and DCMS
  - Consider having a standing cadre of appropriate people to call upon to serve on future independent / advisory boards
  - Maintain close working relationships between the ALBs.

Overall conclusion

The CRF was a large-scale programme delivered at pace and in the context of an evolving, uncertain, and unprecedented situation. It could never resolve all the crises faced by the cultural sector and nor was it intended to. Within this context, the findings are positive. CRF was broadly implemented well. It supported a large number of organisations and had a positive impact on their financial health. The benefits from the number of organisations it likely prevented from failing (620 to 830), and the number of jobs it safeguarded (up to 20,500), outweigh the costs of implementing the programme (with every £1 spent leading to between £1.98 and £3.66 in benefits). And this does not include the intangible benefits it generated, such as enabling more risk-taking cultural endeavours, supporting the mental health of people working in the cultural sector, and providing wider cultural opportunities for the public during a time of national crisis.

The programme has highlighted lessons learnt for future support funds should a similar crisis ever arise, including the need to be more prepared with more up-to-date data on the cultural sector, and focusing on how different government support schemes interact with each other.

The cultural sector is emerging from the pandemic. Overall, cultural organisations tended to report that whilst there were some challenges ahead in their continued recovery, they no longer felt that their futures were at imminent risk. The findings from this evaluation show that CRF strengthened the financial health of the sector, and it would have been in a worse position without the support from the programme.

Gaps and areas for future research

As we highlight through this report, this evaluation only provides evidence on the short-term impact of CRF. It is highly likely the true impact of CRF will not be seen for some time – especially considering it was too early to assess the impact of CRF on survival rates. Therefore, we recommend that the survey used in this evaluation be repeated in two years' time, in order to capture the medium-term impact of CRF. This would also assist in producing a more accurate assessment of value for money.

This study used Bank of England modelling of the relationship between accounting variables and the future risk of failure[76] to estimate the future survival of cultural organisations. This was completed by combining evidence of the impacts of CRF on the financial health of cultural organisations (for example depth of reserves) with Bank of England modelling of the relationship between accounting variables and the future risk of failure.

These findings are limited as the underpinning research was not specific to the cultural sector (and could not accommodate the effects of the CRF on aspects not captured in accounting variables, such as changes to business models). This methodology could be more tailored to the culture sector in the future by examining the actual survival rates amongst organisations awarded funding and the comparison group, and assessing the relationship between survival and the financial strength indicators captured as part of the survey in this study.

This is the first time that robust, pre-validated Willingness To Pay (WTP) values have been applied to multiple organisations across the culture and heritage sector to build a more complete picture of the non-market benefits they provide within CBA analysis. There remain gaps in the evidence base – around 85% according to this study – and there are still questions to be answered around how best to incorporate non-use values from the general population. In terms of next steps, we recommend that:

- **Benefit transfer analysis** could be explored to adjust the benefits transfer to local, regional, and national reach using observable data on the size and scale of the cultural offering, with caveats that proxy data may not exist for cultural significance. Candidate metrics that have been scoped at an initial stage include the ABLMA data on visitor attractions[77], ACE's NPO data[78], UK Theatre's sector specific dataset. [79]
- **Benefit transfer literature reviews** could involve exploration of the DCMS REA for WTP values that can fill gaps in the CRF table, e.g. festivals, music, films, designed landscapes. Further study is required to identify which of the studies in the REA are suitable for transfer to CHC categories, and the extent to which an average across a potentially small number of such studies would provide a robust value for benefit transfer or introduce outlier bias.
- **Addressing gaps in the empirical benefit transfer evidence base:** We recommend that further benefit transfer research be commissioned to fill the gaps in key categories of cultural heritage assets namely Music organisations, Industrial and transport assets, Combined arts organisations, Smaller religious heritage assets and Festivals.

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[76] Bank of England (2003) A Merton-model approach to assessing the default risk of UK public companies.
[77] https://www.alva.org.uk/details.cfm?p=423
[78] https://www.artscouncil.org.uk/our-data/our-npos-and-annual-data-survey#section-4
[79] https://uktheatre.org/

The underpinning methodologies should align as closely as possible to the current database of benefit transfer values (museums, galleries, theatres, historic areas) developed by DCMS/ALBs. The approach taken for this study should also be tested in more depth, potentially by collecting one or two more local-level studies in those categories.

More broadly, this research has highlighted the importance of accurate and timely financial data in understanding the effectiveness of cultural sector programmes, but also the impacts and value of activities across the cultural sector and its supply chain. The application and performance data for the CRF was managed within systems that pre-dated the programme and which were often limited in relation to the datasets available and how easily they could be accessed and shared. Whilst this was understandable in the context of a programme which, by necessity, had to be mobilised at pace, there is now an opportunity to improve financial and performance data sets and monitoring systems for future. Here, there should be reflection on the nature of data sets needed to understand more about the sector, and the systems required to record and retrieve information in an agile and timely way.

Where programme delivery is collaborative, and involving a range of stakeholders, as has been seen on CRF (and as might be the case again in future crisis response programmes) there is a particular opportunity for monitoring to be improved through ensuring that data is recorded consistently between delivery organisations, and that it can also be shared easily between partners. In a constantly changing economic context, and, as we saw with COVID-19, a constantly changing public health context, it is important that government policy and support can be tailored on the basis of up-to-date and accurate data, whether that be on the circumstances right across the cultural sector, but also a sub-set receiving specific forms of support. This will better enable continuous learning about what policy approaches responses are the most appropriate and effective in supporting the sector.

The evaluation has reinforced the findings of a scoping study commissioned by DCMS, *Better data on the cultural economy,* which concluded that significant data gaps prohibit the ability to account for the value of the cultural sector accurately.[80] In particular, it highlights that in-depth financial data from constituent organisations is necessary to undertake more detailed financial modelling of the cultural sector. The report concluded that there are five opportunity areas for collecting better data:

1. Exploiting administrative data - this represents the best opportunity for collecting data to report on the cultural sector's impact;
2. Standardisation - systematising how organisations collect, segment and analyse data is most likely to generate new insight;
3. Linking - connecting different datasets is most likely to add value to the data collected;
4. Annual, organisation-level data is the most valuable data building-block; and
5. Modernising how data is collected, such as moving away from submission using PDFs, so generating new insights is sustainable.

[80] MyCake, in association with The Audience Agency, 2021. *Better data on the cultural economy: Scoping Study: Availability, coverage, gaps and limitations of data representing economic activity in the cultural sector – and how to improve it.* DCMS, London. See: https://www.gov.uk/government/publications/better-data-on-the-cultural-economy-scoping-study

ECORYS | Answering tomorrow's challenges today

5th Floor
Queen Elizabeth House
4 St Dunstans Hill
London
EC3R 8AD

T: +44 (0) 207 444 4200
E: london@uk.ecorys.com

ecorys.com