
Funding Decentralisation in the UK Cultural Sector:

How have we done so far?

John Holden

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Preface

Colin Tweedy

John Holden is Head of Culture at Demos and a visiting Professor at City University. He has Masters Degrees in law and art history and is the author of an influential body of work on cultural value and on leadership.

I find myself referring to his ideas more and more. He is always able to add energy and verve to the case for public cultural subsidy (which can become a sterile debate) but what does he believe the role of the cultural sector to be?

Two of his most recent publications in particular have caught my eye and had significant policy implications: *Capturing Cultural Value* (2004) and *Cultural Value and the Crisis of Legitimacy* (2006). In the latter booklet, Holden made it clear that the instrumental, intrinsic and institutional arguments for cultural value are best seen as different ways of looking at the same thing. For the sake of simplicity he expresses the three elements that combine Cultural Value in the shape of an equilateral triangle, one I rarely draw, but often quote.

He explains why culture is valuable and as always his ideas encourage courageous, confident and radical thinking. Why should we fund culture? Because the public wants it. Why fund it more? Because the public wants it more.

Holden recognises that A&B has helped to shape this conversation in the arts and through this piece he has helped us provide a more extensive arsenal of debate.

These are challenging times for arts and business relationships. The corporate door is often neither open nor closed — but necessity, in difficult times, becomes the mother of invention. What can we do to help? The common ground is people. The priority need is to find and articulate the benefits of the arts, not the funding arguments. This has been A&Bs approach, focusing on people and involvement, not purely money.

It seems there is a need for multiple solutions to complex challenges. Arts & Business always welcomes views to shake up the debate around art funding that have dogged culture for the past 30 years. The arts should never be put in some little corner. We all have to work to a basic assumption that they are central to the social debate. British politicians have often failed to be explicit about their interest in and support for culture. The public remain far ahead of both politicians and the media in their active support for culture.

I am pleased that Holden sees a lot that is good in the current funding ecology of UK culture; his overall prognosis is fairly healthy. As many would suspect, his conclusion focuses on the need for the arts to diversify their income streams. Old news perhaps; but I note that it is the urgency of this task that we all need to listen to and take heed. The time is for action.

We of course welcome your views on the content of John Holden's essay or other aspects of this debate, please visit:

www.artsandbusiness.org.uk/futureculture

Essay

John Holden

Seven years ago I went to a meeting about arts sponsorship in the U.K. It was held in London, and almost everyone attending was from the capital. We heard from a distinguished panel about their experiences in raising money, and there were contributions from the floor. About half an hour into the discussion the Chairman asked in despair: isn't there anyone here from outside London? So I put my hand up and said that yes, I was the Chair of an arts organisation, and that my experience of trying to find sponsorship appeared to be radically different to that of most of the other people in the room. We didn't have U.S. investment banks queuing up to sponsor shows of cutting edge art. We even found it difficult to get the companies in our town to support education work, because their corporate loyalties mostly lay in Chicago or Tokyo. Instead we were about to embark on an exercise to raise money from private individuals. "And where" asked the Chairman "is this arts organisation?" "Basingstoke" I replied, at which point the London arts crowd burst into peels of raucous laughter, and I left in disgust.

I was angry for many reasons. Underlying the laughter seemed to be an assumption not only that the art that we were involved with would be second-rate (it very definitely is not, we are a concert hall that hosts world class performers), but that the people of Basingstoke were somehow less appreciative, less entitled, less worthy, less able to enjoy culture.

Sadly, the laughter in the room confirmed that, when it comes to culture we are still a divided nation. We are divided by attitude and by geography. There are still parts of the arts world where "ordinary people" have no place. The Turner Prize winner Jeremy Deller said recently that when he curated his Folk Art Archive exhibition last year, "one reviewer said to me 'what will you say to artists who now won't be able to show at the Barbican for the next three months?' She was absolutely serious and she was shaking with anger. Like we'd taken away an opportunity for proper artists¹".

But what about geography? How are we doing in the nations and regions? The danger when looking at this question is to fall into the trap of turning it into a debate about taking money away from London in order to spread it more widely. This misses the point. London, for all its amour-propre, is and will remain a world-class cultural centre. It will continue to attract artists, writers, and performers from all over the world and audience demand will continue to flourish. The point about equity is not to redistribute the contents of a limited purse so as to make life worse in London. It would be folly to jeopardise London's success. The vigour of the regions is helped, not hindered, by a successful metropolis. Rather, equity is about raising expectations, and improving infrastructure, to ensure that everyone, wherever they

¹ Interview with Charlotte Higgins in *The Guardian* 23/12/2006

live, can enjoy culture in its many forms. It is about refilling the purse from whatever sources can be found to replenish it.

Over the last ten years very significant funding streams have transformed the cultural landscape throughout the country, and significantly benefited the regions. The National Lottery provided an enormous boost — repairing and refurbishing ancient buildings, creating new galleries and concert halls and funding new arts activities. The lottery distributors have been assiduous in spreading their benefit throughout the land; the Heritage Lottery Fund for example has given money to projects in every local authority area. On top of that, after years of cuts and standstill, central government boosted arts spending in 2000 — Arts Council England getting £100 million more — and again the regions felt the benefit. The National companies have done more and more to meet their responsibilities outside the capital, while one of the most successful initiatives in the museum world has been the introduction of Renaissance in the Regions. Some Local Authorities have demonstrated admirable leadership and enhanced their communities through their understanding of the importance of culture. Gateshead in the North East built the Sage and Baltic; Hampshire County Council invested in new Discovery Centres. The response of the public and of artists has been such that the Arts Council can, with justification, speak of the contemporary cultural climate in the UK as a golden age.

“The vigour of the regions is helped, not hindered by a successful metropolis”

But there are many signs that this achievement is now under threat, and particularly in the regions. The forthcoming financial settlement from central government is widely expected to be harsh — and that in spite of all the evidence not only linking a thriving culture to a thriving economy, but showing ever-increasing public demand for culture — “Cultural heritage” ranks top of the things of which people in Britain are most proud². At local authority level, the budgetary dynamics are unwittingly producing a situation where some towns and counties are likely to make savage cuts in their funding for culture³. And in terms of private sector support, most of it continues to flow to a very small number of large institutions, and 78% goes to London.

² Yougov poll December 2006

³ Holden, J. *Local Authorities: a change in the cultural climate?* Demos 2006

“Some local authorities have demonstrated admirable leadership and enhanced their communities through their understanding of the importance of culture.”

Historically, the nations and regions have always had a vigorous cultural life. From municipal museums in the industrial cities of Scotland and the North, to mutually funded working-men’s libraries in Cornwall, from concert subscription series in Manchester to Eisteddfods in Wales, there is a long and honourable tradition of civic pride, self-expression, communal gathering and individual generosity.

But, when it came to culture, the post-war welfare-state settlement was unabashedly metropolitan and patrician: ballet, opera, theatre, and old masters were the order of the day. In 1951 the Secretary-General of the Arts Council could say with pride that the Arts Council was interested in funding “few, but roses” — and the rose garden was located pretty much within walking distance of Trafalgar Square. Indeed in the 1950s concern for the regions went backwards, as the Arts Council gradually closed its few regional offices.

The first questioning of that policy came with the publication, in 1959, of *Help for the Arts*, better known as the Bridges report, which described support for the arts in the UK as “rather scrappy and patchy”⁴. Of particular concern were the new towns, where overspill communities from the big, bombed cities were built without much thought to culture at all. In Harlow a group of activist citizens took matters into their own hands and banded together to demand a theatre.

But a more systemic response was required, and it was the third sector, in the form of the Gulbenkian Foundation, that provided seed money for the Regional Arts Associations that came into being in the 1960s, organised through the combined initiative of local government and arts organisations. These Regional Arts Associations eventually turned themselves into individually governed and constituted Regional Arts Boards, with core funding from the Arts Council of Great Britain. In 2002 they were taken in-house by Arts Council England and became regional offices of that organisation. In parallel with this development, and as a consequence of devolution, Wales and Scotland established their own Arts Councils.

Until relatively recently then, most of the funding and support for the settled structures of culture (such as libraries, museums and concert halls) came from local authorities, while much of the impetus, and money, for cultural expansion and innovation came from trusts and foundations. Central government and the arms’ length funding bodies concentrated most of

⁴ Hewison R and Holden J, *Experience and Experiment: the UK Branch of the Gulbenkian Foundation 1956-2006*, Gulbenkian Foundation, 2006, p47

their resources on the National museums and performing arts companies, and on a small number of high-end regional theatres and galleries.

Business sponsorship is a phenomenon that is only thirty years old. It is questionable whether it should be thought of as a funding stream for culture at all, as sponsorship is a commercial transaction where the business is purchasing a set of services or goodwill in return for payment⁵. No-one would describe a fee paid by a company to its advertising agency as sponsorship, so why use the word in the cultural context? Business donations, by contrast, can be described as funding, but amount to only £14 million. At a time when corporate profitability is historically higher than it has ever been, at 14.7% in the second quarter of 2006⁶, business giving to the arts has fallen. Business support for the arts is also notoriously fickle. Mergers and takeovers, or sudden dips in profitability can radically alter a company's willingness to sponsor or donate, and very few relationships last over the long-term. Public sector funding tends to be much more stable — though sometimes to the damaging point of inertia.

To bring us up to date, the most recent phenomenon in arts funding is the growth of giving by individuals, and trusts and foundations. This is an area that looks to be full of promise. While business sponsorship and donations appear to have reached a plateau, and fluctuate around the £150 million mark, individuals and trusts taken together (and many trusts are simply an efficient and effective means of organising individual giving) are showing strong growth.

Culture, then, is funded from a multiplicity of sources. Let us not forget that the biggest and most important slice of the cake is from the box office. Almost three quarters of the population attend or participate in the arts⁷, and many spend their own money to do so. Next is money from central government and National Lottery distributors. Then there is local government, followed by the private sector in the form of money from businesses, individual donors, and Trusts and Foundations.

Finding completely accurate figures for all these funding streams is impossible. Virtually all the statistics are estimates, calculated by extrapolating from samples, and samples, moreover, that change their make-up year by year. On top of that it is difficult to get comparators from the same time periods. Nevertheless, the figures, while approximate, show the relative size of each constituent part (see Appendix — Table 1).

These figures in Table 1 show the mixed economy of cultural funding in the UK. What they do not show, is what this means for people working in the arts and culture in the regions. The first thing to realise is that each group of funders tends to play a different role. In the regions the bedrock will most likely come from local authorities. Only the largest companies will have

⁵ Sponsorship attracts VAT, so it is clear that the tax authorities treat it as the purchase of a service

⁶ www.statistics.gov.uk/cci/nugget.asp?id=196, accessed 20/12/2006

⁷ Hewitt, P. "Arts, value and national life" in *NCA news*, Issue 74, p9

dealings directly with central government. The smallest may have little to do with any of the ndpbs⁸. Only a rare handful will rely solely on private funding.

Local authorities tend to fund the unglamorous but essential parts of the cultural ecology. They maintain buildings, they support community facilities, and they are very often the first port of call for those seeking public funding for their first steps in the cultural world. They are also the major providers of revenue funding, that category of essential, regular income that makes everything else — all the ‘project funded’ work — possible. It is therefore very worrying that a Local Government Association report tells us that nationally “revenue (funding for 2005/06) is budgeted to fall significantly, by over one-fifth (21 per cent) from the outturn figure for 2004/05. Revenue funding is often critical in supporting operational service delivery, and a decrease of this magnitude may have a considerable impact on local authority cultural services activities⁹.”

At local authority level most cultural spending is discretionary — the exceptions are libraries and the basic maintenance of historic buildings in the authorities’ ownership. Thus when council spending is squeezed, as it is in some parts of the country, and as it will be more and more as the repayments of Private Finance Initiatives begin to bite, culture will inevitably suffer. For those towns, cities and regions where this will happen — and it is impossible to predict where they will be — this is very bad news. And that is because other sources of funding provide additionality, not the basics. Funding from the Arts Council, and from private sources makes possible much of the most interesting and useful work done by cultural organisations, but businesses do not sponsor the salaries of box-office staff and cleaners — they sponsor opening nights. The Arts Council cannot afford to pick up the tab for electricity bills and replacement carpets, when its remit is to promote art. The biggest threat to culture in the regions thus comes from the possibility of local authority cuts, and they will be the sort of cuts where other funders will not be willing to take on the responsibility.

“The Arts Council cannot afford to pick up the tab for electricity bills...”

Even though it accounts for a relatively small proportion of the mix and shows significant annual variation, private funding in the nations and regions is a significant source of revenue for culture.

⁸ Non Departmental Public Bodies

⁹ Local Government Association/York Consulting, *The Impact of Spending Review 2004 on Local Authority Spending on Cultural Services*, p39

Table 2 (see Appendix - Table 2) shows private investment in the nations and regions in 2005, and the percentage change from the previous year. The difference between the total shown here (£410.7 million) and the total shown in A&B's annual report for total private investment, (£529.5 million) is due to the fact that the latter figure is an estimate based on extrapolating from known data, whereas this table shows actual returns known to A&B offices.

The problem is that private investment is very concentrated. Of 745 organisations polled by A&B, total private sector income (including business, individuals and trusts) accounted for 13% of their income — but 77.3% of this went to just 1% of respondents. It appears that there is plenty of scope for cultural organisations to improve on this result. Out of total UK philanthropy (i.e. individual giving), 3.6% goes to the arts. 78% of that goes into London or National organisations. This means that culture in the regions attracts just 0.79% of total UK giving, and there must surely be an opportunity for growth here, especially since research undertaken by A&B shows that “almost 80% of arts organisations who apply for private funding get it.”¹⁰

“The danger when looking at this question is to turn it into a debate about taking money away from London.”

What conclusions can we draw from all of this information? There is much positive news. The transformation of the national cultural infrastructure through Lottery funding, the concern shown by national governments and their funding bodies for regional agenda, widespread and growing public demand for culture throughout the country — these are all things to celebrate. In about the last fifteen years our lives have been enriched by a healthy cultural ecology where the private art market, local authority leadership, individual philanthropy, the teaching in art schools, central government commitment, and the boom in the creative industries have combined in a rich mix.

It would be folly to undermine this ecology, but there are many signs that that is exactly what is about to happen. The next round of the Comprehensive Spending Review is widely believed to involve cuts for culture. Local Authority spending on culture, whilst healthy in some places, appears to be nearing crisis in others¹¹. Private giving remains highly concentrated in London, and to a small number of recipients.

¹⁰ Tweedy, C. Arts and business, in *NCA news*, Issue 74, p8

¹¹ Holden, J *Local Authorities: a change in the cultural climate?* Demos, 2006

What this means for cultural organisations in the nations and regions is that they will have to do everything in their power to diversify their income streams. For many of them, hearing this will be nothing new. What is new is the urgency of the task; and what remains unknown is whether, if public sector funding decreases, other sources will fill the gap.

Appendix – Table 1

	£millions
DCMS direct grants, including via Non-departmental public bodies (indpbs ¹²) Such as Arts Council England: Museums, Galleries and Libraries	545
Arts	418
Historic Buildings and Architecture	158
Regional Cultural Consortia	4
Arts Council Scotland	60
Arts Council Wales	25
Arts Lottery Funding (2005/ 06 grants)	210
Heritage Lottery Fund (2005/06 grants)	350
UK Film Council	40
Total central govt, ndpbs and lottery	1,810
Local Authorities England and Wales (museums, galleries, heritage, arts support theatre and libraries)	400
Local Authorities England and Wales (libraries)	975
Total Local Authorities	1,375
Business	155
Individuals	250
Trusts	100
The Art Fund	4
Total Private Sector	510

¹² DCMS 2006 Annual report

Table 2

Arts and Business Region	2005/06 £millions	Y2Y (%) 04/05 to 05/06 – Normal
Yorkshire	£6.1	-30.4%
West Midlands	£8.2	-39.2%
Wales	£7.5	-27.9%
South West	£12.1	56.5%
South East	£15.9	-1.8%
Scotland	£22.2	-10.6%
Northern Ireland	£2.1	-28.4%
North West	£9.8	-9.6%
North East	£11.1	52.6%
London	£304.9	3.5%
East Midlands	£3.7	25.6%
East	£7.1	-35.3%
Total	£410.7	

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