

Executive Summary: Hard Facts to Swallow

Prologue

- London will continue to receive a necessary and substantial premium in public funds over and above its strictly calculated national 'fair share' so that the capital city can continue to play its critical role in the cultural and artistic life of England and the United Kingdom.
- Current levels of imbalance in funding of the arts between London and the rest of England are, however, excessive and unjustified. They prevent England from realising the potential of the arts and the cultural and creative industries for the economy. They frustrate participation in the arts at local level and prevent the arts from fulfilling their role in promoting individual and community wellbeing.
- The arm's length principle, allied to informed expertise in arriving at judgements of artistic quality, is fully supported. That 'principle' does not, however, prevent governments from establishing overall public policy for the arts within which the Arts Council has a defined remit to deliver its own policies and programmes.
- Looking to the immediate future there is no greater challenge to the Arts Council than its responsibility to form new partnerships for culture and the arts with local authorities as they are transforming through co-operation with their neighbours to deliver shared services and through devolution of functions to agencies and to communities.
- Our researches of the past 18 months have led us to the conclusion that there is a pressing need for reform of the arrangements for public funding of the arts in England. Our concerns acquire edge, impetus and urgency from our sense of the scale and nature of the threats confronting arts funding by local government, alongside the substantial opportunities that exist for the future if the foundations for new relationships can be laid now.

Geographic imbalance and the Arts Council's claims for its Investment Plans

- Considering the arts (i.e. excluding museums expenditure) and strictly comparing like with like, our analysis cannot substantiate the claims made by the Arts Council England that:
 - funding of the National Portfolio in London has moved from 51% to 47% of the total;
 - there is a 'current trend' of 60% of grant in aid investment outside London, or that
 - there is a 'current trend' of 70% of National Lottery investment outside London.
- During the three years of Arts Council England's 2015-18 investment plans the imbalance between national funding for the arts in London and in the rest of the country will worsen.
 - The Arts Council will have stewardship of funding to support the arts in England directly of £1,589 million (excluding operating costs of over £100 million) provided by taxpayers and lottery players from across the whole of the country;
 - £689 million (43.4%) of this will be invested in the arts in London at £81.87 per head of population (php) as against £900 million in the rest of the country at £19.80 php. A ratio of over 4 : 1 in favour of the capital;
 - Were Lottery funding to have been treated separately and with closer reference to the Directions issued to the Arts Council by DCMS, there would have been an expectation that these funds - for new and additional activity in the arts - would have been deployed to redress the long standing imbalances in taxpayer-sourced funding rather than being used to enhance them yet further.
- In its publication 'This England' (February 2014), the Arts Council states a clear position that it would only be able to 'strengthen regional provision' as a consequence of 'our grant-in-aid cuts being restored in the event of economic recovery'. In all likely circumstances, that is a commitment to indefinite delay.

The Arts Lottery, equity and social value

- We confirm the continuing substantial inequity in the distribution of Arts Lottery funding across England with particular reference to areas of multiple deprivation (also often the highest contributors to Lottery income). Only 17% of local authority areas (most often those already the most engaged with the arts) are in receipt of more funding from the Arts Lottery than their citizens have contributed.
- We recognise the growing cultural diversity of England's population. We express concern at the continued failure of the Arts Council adequately to reflect this, to produce effective strategies for support of the arts within those cultures or to engage in a sustained way with exceptional artistic talent and leadership arising from them.
- Latest research illustrates the extent to which the investment plans focus ever more benefit, increasingly Lottery-sourced, on those from the most advantaged backgrounds. Arts Council England's suggestion that subsidy per attendance is a 'more representative measure' of public benefit from public subsidy would point to the same conclusion particularly given the (average) subsidy to the major ballet and opera companies - for each individual performance of - £78,860.
- Fundamental to the fair and effective functioning of the arts funding system are the remit of and Lottery directions issued to the Arts Council by the DCMS, and the undertakings that the Arts Council has given in relation to the Lottery. We identify:
 - the breach of the principle that Lottery funding should only be for 'new and additional' activity, focused on time-limited activities and not be used to substitute for funds previously provided through government funding;
 - failure to create strategy or funding programmes of substance to support the role of the arts, culture and creative industries in regional economic development;
 - failure to create strategy or programmes to support the role of the arts and culture working locally, with a principal emphasis on participation in creating social value, and enhancing individual and community wellbeing. We note in particular that the 'flagship' programme Creative People and Places, designed to address areas of least engagement in the arts, has been cut by 46% in the investment plans.

Governance, management and transparency

- We draw attention to the lack of transparency in the operation of certain funding schemes, particularly larger awards made through Grants for the Arts where, despite clear guidance that the maximum award available within the programme was £100,000, 51 awards were made higher than this amount totalling £10.84 million in 2013/14. This included 12 awards of over £200,000 totalling £4.75 million.
- We note the implementation of an apparently undeclared policy substantially to reduce the number of awards to organisations receiving extended security of funding of up to £100,000 per annum. There has been a net loss of 352 such organisations since 2007-08. Such small organisations - typically lightweight, flexible and affordable and often specialist and culturally diverse - have a particular capacity to contribute to artistic innovation and to work with local communities across the country.
- Whilst fully acknowledging the need for expertise of the highest calibre on the Arts Council itself and without calling into any question the probity of Council members, we note that the levels of declared interest in larger National Portfolio organisations amongst the current membership (there are 36 of these distributed between 12 of the 14 members of the Council, 21 of them in London) might feed a perception that such interests could have a disproportionate influence on decision making.

- Our analysis shows that the Arts Council's operating costs have been successfully reduced. The two reorganisations have seen the loss of 248 posts and the rationalisation of properties but at a 'once off' cost of more than £14m in addition to 'normal redundancy costs' of over £4m during the period. We note that over that period the proportion of operating costs charged to the National Lottery has risen from 41% to 55%. We also note that, because of this change, the Arts Council has been able to meet the DCMS target of achieving a 50% operating costs saving from grant-in-aid.
- With regard to the priority that we place on achieving a new and nationally harmonious relationship with local government we note a disturbing inconsistency between the Arts Council's relationship with local government in London and elsewhere. In the three years to 2012-13 local authorities outside London funded National Portfolio organisations in a ratio of 32% to the funds provided by the Arts Council while in London the true average comparator figure is 6% after excluding the funding of the Barbican Centre provided by the anomalous City of London Corporation.
- London has the capacity to do more to fund the arts for its own citizens. It appears that the Arts Council has failed to use its financial leverage to develop or sustain funding partnerships in the capital to the extent that appears to be both policy and practice applied to the rest of England.

Conclusions

- The overall impression given by the 2015-18 settlement is of an increasingly closed system that operates with insufficient transparency. Too often there appear to be disguised agendas that benefit a small minority of established, and most commonly London based, arts organisations and a privileged section of the population as a whole. Guidance issued on Lottery funding that mandates far wider benefit to the whole nation and, within it, to local communities – particularly the least engaged and most disadvantaged – appears to have been ignored.
- We contend that after the next general election, any incoming administration should review the Arts Council's remit and the policies and structures for delivering it.
- In terms of policy, 'Great art and culture for everyone', Arts Council England's existing 10-year strategic framework is clearly inadequate for guiding engagement with the opportunities and challenges that exist in current public policy debates on the nature of England and the arrangements for its future governance at local, regional and national level (as well as within the United Kingdom and Europe). It is a policy document that seems to belong to another era and the Arts Council's centralised structures for governance, management and decision-making may be equally unfit for future purpose.
- Our research and analysis (the RoCC and PLACE Reports, the Arts Council's response to them and now these 'Hard facts to swallow') has illustrated the systemic inability of the Arts Council to reform itself without external intervention. The forces of custom, practice and vested interest are just too strong.
- Any new policy directions of the kind that are proposed in our reports would need to be established through the political process. These should be determined by parliament for implementation and monitoring by a reinvigorated government department.
- Such a department would continue to have the wider 'cultural' responsibilities of the DCMS. At the very least, reform in dispositions for the arts should be made alongside the same for libraries, museums and heritage. All such changes to be made with reference to arrangements for future governance in partnerships between local authorities and with localities and the communities within them.
- Change of the scale and nature that we advocate could be phased in towards full realisation in 2018-19. The implementation of new overall policy and structure could require a year of development and debate (2015), a year of detailed design and then implementation (2016) with a year's notice to those who might be affected by changes (2017). Existing commitments should be honoured but there is still capacity for Arts Lottery strategic funds and Grants for the Arts (totaling over £400 million over the coming three years) to be reconsidered and redirected.