

# Executive

## Rebalancing of cultural funding

Item no: 5

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<b>Summary</b>	This report provides an overview of recent pressures on Arts Council England (ACE) to rebalance public funding for arts and culture away from London and the likely impact of resulting funding policy changes on the London boroughs. It proposes possible approaches to militate against any further rebalancing of funding.
<b>Recommendations</b>	The Executive is recommended to comment and provide guidance on the proposed approach to making the case against further rebalancing of cultural funding away from London, which is outlined in paragraph 16.



# Rebalancing of cultural funding

## Overview

1. For the past 18 months there has been growing pressure on Arts Council England (ACE) to 'rebalance' its funding away from London towards the rest of the regions. This pressure is now bearing fruit with a shift in ACE's funding policy away from the capital towards the rest of England. This shift is likely to have a negative impact on provision in the London boroughs. With further reductions to its budget expected, ACE is likely to come under renewed pressure in the coming months to implement further rebalancing of funding away from London, unless a strong case can be made against this.

## Background

2. ACE is the national development agency for the arts in England, supporting a range of activities across the arts, museums and libraries. It distributes two types of funding:
  - a) Grant-in-aid funding from government is allocated to National Portfolio Organisations (NPOs) and Major Partner Museums (MPMs). There are currently 663 NPOs across the country, 241 of which are London-based. These range from institutions of international significance such as the Royal Opera House and Sadlers Wells Trust, to more local organisations such as Watermans in Hounslow or the Queens Theatre in Havering. There are currently 21 MPMs, two of which – the Museum of London and the Horniman Museum and Gardens - are in London.
  - b) National Lottery funding is distributed through Strategic Funds and Grants for the Arts awards to artists and organisations across the country. Strategic Funds target particular challenges and opportunities and include capital funding, touring funds and various thematic funds. Grants for the Arts funding is open to all individuals and organisations (apart from NPOs and MPMs) to support artistic and cultural projects and events.
3. ACE is a key investment partner for local authorities, including the London boroughs. As local authorities' funding continues to come under pressure, ACE's investment in local areas is critical in helping to sustain and develop the arts and culture offer and local communities' access to it.

4. Since the autumn of 2013, a series of high profile self-funded reports from members of the cultural sector (known as GPS Culture) have made the case that there is a '*bias towards London in public funding of the arts provided by taxpayers and National Lottery players throughout England*'. The arguments made in these reports received considerable media attention and sympathy in the national press, although some were disputed by the sector and by ACE itself. Media coverage has included some negative press around the contributions made by London boroughs to arts and culture, with a criticism of the boroughs in the final GPS Culture report for the supposedly low level of contribution that they make to NPOs. Many of these criticisms are not supported by investment data.
5. Following the publication of the first of the GPS Culture reports, a Culture Media and Sport (CMS) Select Committee inquiry was held last year into the work of ACE, including '*whether the geographical distribution of [its] funding is fair and the justification for the current weighting of this towards London*'. The inquiry was held just before ACE was due to make its next round of grant-in-aid investment in NPOs and MPMs. London Councils submitted written evidence to the inquiry (included in Appendix 1).
6. The CMS inquiry concluded that London receives more than its fair share of cultural investment. Since then, ACE has introduced new Strategic Funds explicitly targeted towards organisations outside London, such as a £15m fund for 2015-18 for '*developing ambition and talent outside London*'. On Thursday 29 May its new Chief Executive, Darren Henley, also made a speech committing to achieve a shift of a minimum of 5 percentage points in the distribution of National Lottery investment away from London, from a current ratio of 70:30 outside the capital, to a 75:25 ratio by the end of 2015/18<sup>1</sup>. This is equivalent to reducing the allocation that goes to London by one sixth (almost 17%). Grant-in-aid funding is currently unaffected.

### **Arguments against rebalancing cultural funding**

7. London Councils, along with partners such as the Greater London Authority (GLA), has been making the case that rebalancing cultural funding away from London is not justified given that:

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<sup>1</sup> This follows a rebalancing of the investment ratio from 60:40 over the lifetime of National Lottery investment (since the mid-1990s).

- The arts and culture sector is characterised by interdependence between London and the regions. While there should be strong investment in the regions, this should not be at the expense of London, as this would damage the sector as a whole.
  - The significant investment that London receives from ACE is due to the important role it plays as a national and international capital of culture and a tourism gateway to the rest of England. Almost half of the NPO funding that goes to London-based organisations goes to four organisations that serve national and international audiences, namely English National Opera, Royal National Theatre, the Royal Opera House, and the Southbank Centre.
  - Many of the London-based organisations that ACE funds do a considerable amount of work outside the capital, and have much wider areas of benefit. These include organisations with a specific touring focus such as English Touring Opera, as well as theatre companies, literary foundations, music producers, and audio description services that have a London post code, but work extensively, or even exclusively, outside London<sup>2</sup>.
  - Londoners are not benefitting disproportionately from the levels of investment that London-based organisations receive; in 2014, arts participation in London was lower than in all other English regions<sup>3</sup>.
  - London is not a homogenous entity; the picture of ACE and other cultural investment is very different in inner and outer London. Some parts of London receive considerably less public funding than equivalent areas in regions across the country.
  - The extent of the ‘imbalance’ in funding subsidy to the capital has been widely misreported.
8. These arguments are set out in more detail in our response to the CMS Select Committee inquiry in Appendix 1.
9. ACE has recognised the merit of these arguments to some degree but not wholly. In committing to distribute more of its money outside London, it has stated that it will not do so at the expense of the cultural life of the capital. In his inaugural speech as ACE Chief Executive, Darren Henley said that he is: “*committed to maintaining London’s status as a world capital of the arts. A flourishing London, with its arts and cultural organisations that serve the whole nation, is essential*”. However, ACE’s commitments to rebalancing National

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<sup>2</sup> Examples of these are provided in paragraphs 3.2 and 3.3 of annex 1

<sup>3</sup> Taking Part, 2014

Lottery funding are likely to have a negative impact not only on the sector but also on London's residents.

### **Implications for London boroughs**

10. As previously outlined, while London has a relatively high concentration of NPOs based within its boundaries, many of these serve national and international audiences. Their work is not readily accessible to many of London's communities due to cost, travel and language barriers. These communities are more likely to engage with the work of smaller, locally-based companies who are reliant on the ACE funds that will be affected by rebalancing.
11. The distribution of NPOs is also uneven across the capital. Outer London boroughs in particular have fewer NPOs, and six<sup>4</sup> have none at all, meaning they only receive National Lottery-backed funding from ACE and are reliant on this to create high quality activities which engage and inspire local communities. Any decline in the amount of this funding available to London is therefore of concern, particularly given that participation levels in the arts are already so low in London compared with the rest of the country.
12. The rebalancing of funding away from the capital also needs to be set in the context of the needs of London's rapidly growing population. London is growing by an extra 100,000 people a year. If funding continues to be rebalanced away from London as its population grows, this will lead to more and more Londoners unable to access cultural provision.

### **Anticipated future developments**

13. With further reductions to ACE's budget expected under this parliament, this is likely to reignite debate around how public funding for the arts and culture is distributed. ACE is likely to come under renewed pressure to further rebalance National Lottery funds away from London, and to rebalance grant-in-aid investment as well. This is of concern - any further rebalancing will have a negative impact on the engagement and participation of London's local communities in arts and culture, as well as on the future development and diversity of the sector. The debate around the distribution of public funding for the arts and culture may also generate negative press coverage of the boroughs' contributions to arts and culture, as it has to date.

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<sup>4</sup> Bexley, Bromley, Ealing, Enfield, Hillingdon and Sutton

## Proposals

14. London Councils has been expressing concerns directly to ACE about the rebalancing of arts and culture funding both at an officer level and through its Member representatives on the Arts Council Area Council for London<sup>5</sup>. Activity has included:
- The publication of an initial report in June 2014 on London local government support for arts and culture;
  - The publication of a second report in November 2014 on the value that the cultural sector places on support from London's local authorities;
  - A comment piece in Arts Professional<sup>6</sup> in February 2015 on London local government's wider support for arts and culture;
  - A letter to the new Secretary of State for Culture Media and Sport in June 2015 on the issue of rebalancing.
15. Through this work, we have highlighted the fact that investment by the London boroughs in arts and culture compares favourably with that of local authorities across the country, particularly on a per capita basis<sup>7</sup>, and that the boroughs also provide support for arts and culture in a range of different ways, not just through direct funding.
16. Looking ahead, London Councils can continue to make the case both publicly and directly to ACE against further rebalancing of arts and cultural funding away from London. This would involve working with potential partners such as the GLA, and developing a communications strategy to target central government, the arts council, the sector and the media with:
- Additional reports on the support that London boroughs provide for arts and culture and how this compares with other parts of the country;
  - A report and London Councils on-line policy briefing on the different ways that London boroughs support arts and culture;
  - Positive stories in the press about boroughs' support for arts and culture in all its forms, including placing content in a local authority Arts Professional special in the autumn of this year;

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<sup>5</sup> The London Councils representatives on the Arts Council Area Council for London are: Cllr Kevin Davis, Leader of RB Kingston; Cllr Guy Nicholson, LB Hackney; Cllr Flick Rea, LB Camden; and Cllr Florence Eshalomi, LB Lambeth.

<sup>6</sup> Arts Professional is a prominent arts management journal and website which has run negative stories about the London boroughs' contributions to arts and culture.

<sup>7</sup> In 2013/14 the average London local government arts and culture spend per head was £27.62 compared to an England average of £23.35.

- Information on the needs of local communities in London which are not being met through ACE funding;
- Direct engagement with the Arts Council through our Member representatives on the Arts Council Area Council for London and with ACE's newly appointed Chief Executive, including encouraging him to visit inner and outer London boroughs to see the impact of rebalancing;
- In the longer term, working with the newly formed London APPG to make the case against further rebalancing of cultural funding.

## **Recommendations**

17. The Executive is recommended to comment and provide guidance on the proposed approach to making the case against further rebalancing of cultural funding away from London, which is outlined in paragraph 16.

## **Financial Implications for London Councils**

There are no financial implications for London Councils.

## **Legal Implications for London Councils**

There are no legal implications for London Councils.

## **Equalities Implications for London Councils**

There are no equalities implications for London Councils

## **Appendices**

London Councils' Response to the Culture, Media and Sport Select Committee's Inquiry on the Work of Arts Council England

## **Background Papers**

[Rebalancing our Cultural Capital, GPS Culture, 2013](#)

[Culture Media and Sport Select Committee Inquiry into the Work of Arts Council England](#)

[A New Destination for the Arts – Between a ROCC and a Hard Place, GPS Culture, 2015](#)



## **APPENDIX 1**

### **London Councils' Response to the Culture, Media and Sport Select Committee's Inquiry on the Work of Arts Council England**

#### **Executive summary**

London Councils welcomes the opportunity to submit evidence to the Culture, Media and Sport Select Committee's inquiry on the Work of Arts Council England (ACE).

London Councils represents London's 32 borough councils and the City of London. London Councils works to ensure that our member authorities have the resources, freedoms and powers to do the best possible job for their residents and local businesses.

This submission responds primarily to the question raised by the inquiry as to whether the geographical distribution of ACE's funding is fair and the justification for the current weighting of this towards London. Key points in the response are:

- London local government supports and values arts and culture and considers access to good quality arts and culture as an important part of the quality of life for Londoners and communities. London local government supports the arts through funding but also a range of other activities. London Councils would be extremely concerned at a significant reduction in ACE funding to London.
- The arts and culture sector operates within an ecology characterised by interdependence between London and the regions. Each benefits from the activity of the other. There should be strong investment in the regions, but not at the expense of London, as this would damage the ecology as a whole.
- London receives significant investment from ACE, but that is because of the important role it plays as an international capital of culture and a gateway to the rest of England. Much of the ACE investment that London receives goes to organisations of national and international significance.
- Many of the organisations that ACE funds that are based in London do a considerable amount of work outside the capital. There is an important distinction between where organisations are based and where their areas of benefit are, in terms of their audience reach, the impact of their educational offer, and their talent development activities. Looking purely at where funding is received misses this important dimension.
- In terms of access to and participation in the arts, Londoners are not benefitting disproportionately from the levels of investment that organisations based in the capital receive; though improving, rates of engagement in the arts are actually lower in London than the national average.
- London is not a homogenous entity; the picture of ACE and other cultural investment is very different in inner and outer London.
- The extent of the 'imbalance' in funding subsidy to the capital has been widely misreported. Significant proportions of National Lottery and other funding streams actually go outside the capital.

## 1. Perspective of London local government

- 1.1. Despite facing significant funding cuts from central government and increasing service demand linked to population growth and changing demographics, London local government remains a significant investor in, and supporter of, arts and culture. In 2013-14 local authorities in London spent £220.5 million on arts and culture<sup>8</sup>. This represents around 3 per cent of local authority spending in London in 2013-14<sup>9</sup> compared with 2.2 per cent in the rest of England.

**Local government expenditure per capita on arts and culture  
by region and authority type 2013-14**



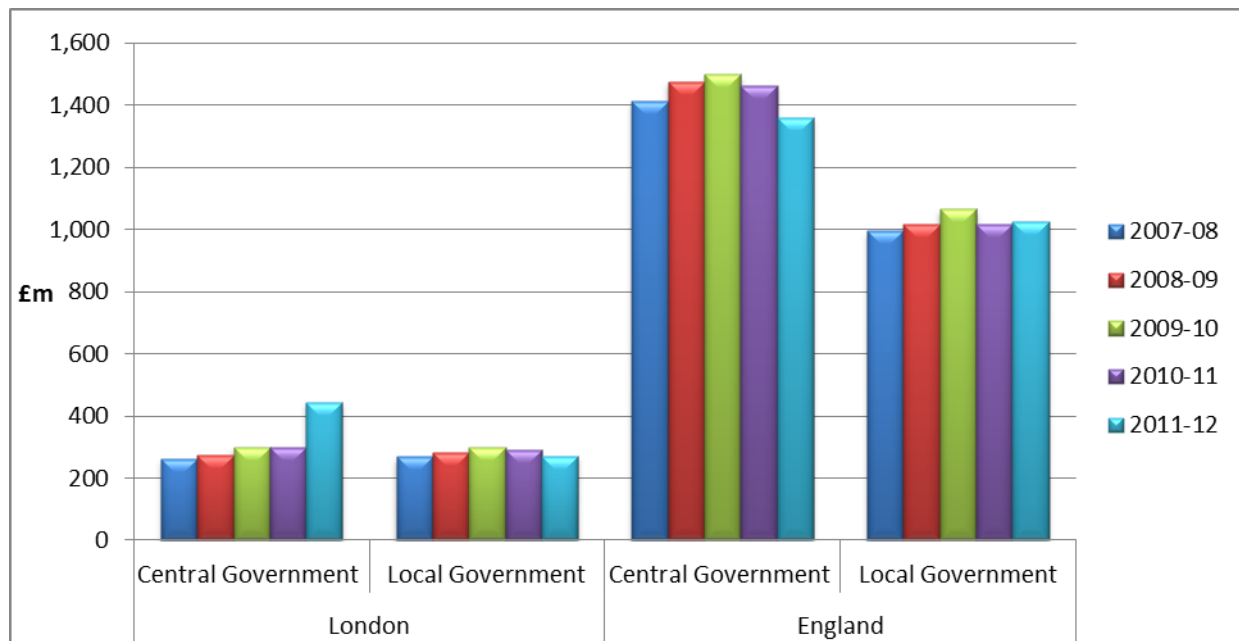
Source: Revenue Account Budget data 2013-14; DCLG

- 1.2. As a region and authority type, London also spends more per head than other areas, with London boroughs spending £26.07 per capita, compared with the England average of £21.84. Apart from a spike in central government spending in 2011-12 related to the Olympics, local government spends around the same as central government each year on cultural services in London – a pattern which is not replicated at the national level.

<sup>8</sup> Defined as arts development and support; museums and galleries; theatres and public entertainment; and library services

<sup>9</sup> Excluding expenditure on education

**Central and local government spend on cultural services  
- London and England 2007-08 to 2011-12**



**Source:** PESA data, 2007/08 to 2011/12

- 1.3. This level of investment in arts and culture by London local government is an acknowledgment of the important role that arts and culture play in creating vibrant and cohesive communities, improving people's quality of life, and contributing to social and economic agendas. The investment from London local government goes beyond cultural and grant funding to include a range of other activities such as provision of free and subsidised space for arts and culture activities, provision of business support to cultural organisations and creative businesses, support with partnership brokerage, and support through planning and licensing policy.
- 1.4. London's boroughs see Arts Council England as a key investment partner, and recognise and support the role that it plays in sustaining and developing the capital and the country's arts and culture offer. London Councils therefore opposes any significant shift of ACE funding away from London, given its importance to the quality of life of Londoners.

## **2. An interconnected cultural ecology**

- 2.1. The cultural sector in England consists of a series of interdependent and interconnected networks and organisations, which should all be supported to grow in tandem. Sharing audiences, artists and expertise, cultural organisations across England help one another to develop their creative offer, their talent and their reach. London sits within this ecology, working with the regions, and benefitting from relationships with them just as they benefit from relationships with the capital. London Councils recognises the need for investment in the regions to support this ecology, but believes this should not be at the expense of investment in London, as taking this investment away would ultimately damage the ecology as a whole.

- 2.2. The interconnected nature of the country's cultural sector is evident in examples of collaborations between organisations in London and the regions, from Plus Tate - an exchange programme involving 19 galleries across the UK - to the Big Dance, which started in London and is now delivered through 21 dance hubs across the country.

### **3. Benefits that spread beyond London**

- 3.1. A significant proportion of the funding that ACE gives to National Portfolio Organisations (NPOs) in London benefits audiences and organisations beyond London. Almost half of the NPO funding that goes to London-based organisations<sup>10</sup> goes to four organisations with a national and international remit, namely English National Opera, Royal National Theatre, the Royal Opera House, and the Southbank Centre.
- 3.2. Many of the other NPOs that receive Arts Council England funding in London also do a considerable amount of their work outside the capital, bringing benefits to audiences and organisations across the regions. This includes organisations with a specific touring focus such as Actors Touring Company, English Touring Opera and English Touring Theatre, as well as organisations such as Artichoke Trust, Arvon Foundation and Vocaleyes that work extensively or even exclusively outside the capital. For example, over the past three years, Artichoke Trust have delivered projects across the UK, with activities in England in East Sussex, Cornwall, Northumberland, Durham, Norfolk and Milton Keynes. The Arvon Foundation is based in London, but runs residential writing courses for schools, groups and individuals in Devon, Inverness-shire, Shropshire and Yorkshire. Vocaleyes provides audio description services for blind and partially sighted people across the UK. This year, it is providing these services for productions in Birmingham, Leeds, Woking, Southampton, Salford, Darlington, Harrogate, Newcastle, Nottingham, Edinburgh, Woking, Belfast, Hull, Dublin, Cardiff, Sunderland, Milton Keynes, Bradford, as well as London.
- 3.3. Many other organisations from Apples and Snakes to the Unicorn Theatre also bring benefits to audiences and organisations across the regions through touring, digital programmes and artist development work. For example, this year, Apples and Snakes are putting on events in Manchester, Southampton, Birmingham, Newcastle, Exeter, Stockton, Margate, Plymouth, Barnstaple and Devon, as well as London. They are also running masterclasses, workshops and other artist development events in Newcastle and Birmingham. Unicorn Theatre productions this year will be touring to Hedge End, Folkestone, Halifax, Hartlepool, Derby, Manchester, Sale, Burnley, Bath, Cardiff, Nottingham, Edinburgh, Stirling, Norfolk, Norwich, Ipswich, Didcot, Farnham, Canterbury and Oxford.
- 3.4. It is therefore important to understand the distinction between where organisations are based – which determines the regional categorisation of their funding allocation – and their areas of benefit – in terms of audience reach, educational offer and talent development - through their touring and other work. The picture of funding subsidy is therefore considerably more complex and nuanced than it might seem.

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<sup>10</sup> 48.49% of the NPO funding to London-based organisations from 2012/13 to 2014/15 went to the big four national organisations in London.

#### **4. A more nuanced funding picture**

- 4.1. Reports of an 'imbalance' in funding subsidy to the capital have often failed to reflect this more nuanced picture. They have also tended to misrepresent the extent of funding that goes to the capital.
- 4.2. At £6.15 per attendance, Arts Council subsidy in London is the second lowest out of all the English regions, with only the South West receiving a lower subsidy rate. This compares to £11.40 per attendance in the Midlands, which has the highest rate of subsidy.
- 4.3. According to Arts Council England, over the last three years more than 70% of its lottery investment has funded projects outside of London, or projects that benefit the whole country. Proportionally, other Arts Council funds, such as Creative People and Places, and the Strategic Touring Fund, also support a significant amount of work outside of London. For example, only 5% of the funding from the first two rounds of Creative People and Places was allocated to projects in London.

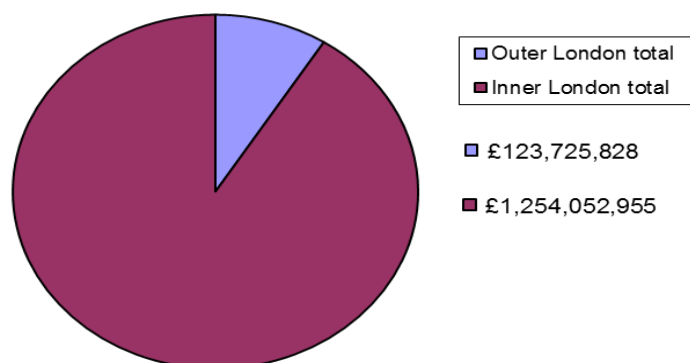
#### **5. London is not a homogenous region**

- 5.1. It is also important to recognise that reports claiming an imbalance of funding towards London, also fail to take into account that fact that London is not a homogenous entity and that there are significant differences in the funding that is received and the level of activity that takes place in different parts of the capital. Whilst some parts of London, such as the Central Activities Zone, have an excellent cultural offer, in other parts of London, particularly some parts of Outer London, the offer is less well developed. ACE's investment in arts and culture organisations and activities is vital to developing and improving access to cultural activities. This is particularly important for some groups who find it difficult to travel very far for cultural activities or are unwilling to do so, such as elderly people.
- 5.2. Since 1995, £1,377,778,783 of lottery funding has been granted for arts projects in London through capital investment programmes. Significantly more of this funding (91%) has gone to projects in inner London than to outer London (9%) as the graph shows<sup>11</sup>.

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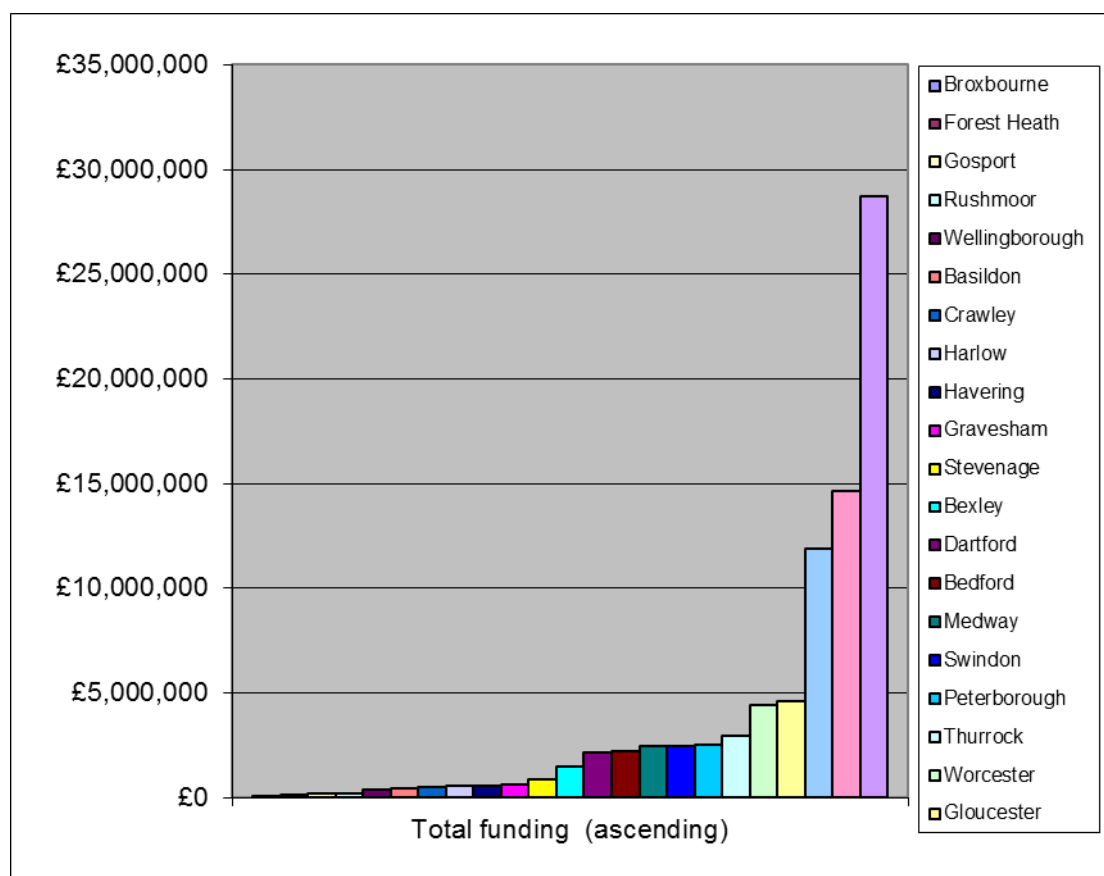
<sup>11</sup> DCMS, Lottery Grants Search, <http://www.lottery.culture.gov.uk/Search.aspx>

### Inner and outer London lottery funding for arts projects since 1995 (capital investment)



- 5.3. Some areas of London actually receive far less in the way of funding than equivalent areas outside the capital. For example, a comparison of the London Borough of Havering to its nearest statistical neighbours<sup>12</sup> for Lottery Arts funding illustrates that, although part of London, the borough receives less funding than equivalent areas in other parts of the country.

### Total Lottery Funding since 1995 for Havering and its statistically nearest neighbours



<sup>12</sup> This is based on the ONS comparator, identifying other geographic populations most similar to Havering across 42 different variables collected at the 2001 census including deprivation, ethnicity and age.

## 6. Participation

- 6.1. Despite the concentration of cultural organisations and the richness of the cultural offer in London, on aggregate, Londoners are not benefitting disproportionately from this offer compared with the rest of the country. Data from the annual Taking Part survey<sup>13</sup> shows that Londoners' engagement with the arts - although improving - consistently falls below the average for England.

### Proportion who have engaged with the arts once or more in the last year - area-level breakdown (adults)

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Jan-Dec 2012
England	76.3	75.9	76.8	75.7	75.7	76.2	78.2	78.5
London	75.1	72.0	74.9	71.3	72.5	73.4	75.9	75.7

Source: Taking Part 2012/13 Quarter 3: Statistical Release

### Active or passive arts engagement: Number of arts activities participated in or attended in last 12 months (grouped)

	No activities (%)	1 activity (%)	2 activities (%)	3+ activities (%)
England	21.8	20.6	15.4	42.1
London	24.1	18.6	13	44.3

Source: Taking Part 2011/12

### Overall active participation: Whether participated in at least 1 of the listed arts in last year (excl. reading, buying activities, dance for fitness)

	Has not participated in at least 1 activity (%)	Has participated in at least 1 of the activities (%)
England	51.9	48.1
London	52.5	47.5

Source: Taking Part 2011/12

- 6.2. The data shows that proximity to provision does not necessarily translate into better access. Demographic characteristics such as age, ethnicity, disability, socio-economic status and employment status continue to play an important role in determining participation and attendance. Some parts of London, such as Newham and Hounslow, have particularly low levels of participation and this is recognised by ACE through their Creative People and Places programme. Increasing participation, particularly among more disadvantaged communities, is a long term process that needs a sustainable funding base. A significant shift in ACE funding away from London could erode the benefits of this work.

<sup>13</sup> Commissioned by the Department for Culture Media and Sport, Arts Council England, English Heritage and Sport England,

## **7. London's national and international cultural offer**

- 7.1. The data also supports the idea that 'London's' cultural offer is actually for everyone, not just for Londoners. London's museums, galleries and theatres, including those funded by Arts Council England and by other sources, attract and benefit both national and international audiences. Data from the Audience Agency, for example, indicates that for each Londoner visiting a gallery, there is one visitor from the rest of the UK and two from overseas.
- 7.2. The amount of cultural investment that London receives is critical in maintaining and developing this offer and ensuring that London remains an internationally renowned capital of culture, capable of attracting visitors and the best artistic talent from abroad, both of which benefit the rest of the country. Figures from the Office for National Statistics indicate that London is attracting record numbers of overseas visitors who are also spending a record amount<sup>14</sup>. The summer of 2013 saw a record 4.9 million visitors in London, spending £3.37 billion - five per cent more than in the same period the previous year.
- 7.3. The richness and diversity of London's cultural offer, is key in attracting these visitors. History and heritage are the strongest factor in the decision of overseas visitors to come to London, rated as important or very important by 87% of overseas visitors, whilst museums and galleries are the second strongest factor, cited as important or very important by 82% of overseas visitors<sup>15</sup>. Many of those who come to London also visit other parts of the country, and work is underway to extend this through the London Plus programme, a strategic partnership between London & Partners and Visit Britain, aimed at encouraging more visitors and longer stays across the country. Reducing London's cultural offer would therefore have a negative impact on other parts of the country as well.
- 7.4. London's cultural offer is important not only in attracting overseas tourists, but also in attracting businesses, persuading them that the capital is a good place to locate to, do business in, and invest in. London is consistently ranked by businesses as being the best city in Europe in terms of the availability of qualified staff, which is the second most highly ranked factor in terms of companies deciding where to locate<sup>16</sup>. There is a wealth of evidence to suggest that skilled workers are attracted by the arts and culture offer in a locality, and such that areas with higher cultural density are more attractive to firms. Diminishing London's cultural offer would therefore also impact on its position as a 'World City' in the eyes of businesses, undermining its capacity to compete with the likes of Paris, Madrid and Amsterdam. Losing business to other European capitals would damage the economy of the country as a whole.

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<sup>14</sup> ONS, Overseas Travel And Tourism, Provisional Results Q3 2013 based on the International Passenger Survey

<sup>15</sup> LDA, London Visitor Survey, Annual Report 2008

<sup>16</sup> Cushman and Wakefield, European Cities Monitor