



Dear Colleagues,

Paper [5/14]: Arts, Culture and the Government

An innovative, challenging and exciting arts and culture sector in a strong Britain benefits us all socially and economically.¹ The arts and culture sector improves people's lives, benefits our economy and attracts tourists from around the world. This is why, despite the difficult economic situation we inherited from Labour, this Government remains steadfast in its support of the arts.² Since 2010 we have taken practical action to support the arts: we have increased lottery funding to the arts by £100 million a year; developed the catalyst fund to encourage organisations to build endowments for the first time; introduced lifetime giving and the cultural gift scheme; maintained free access to museums in the toughest economic climate for almost a century; launched a national music education plan; developed a national cultural education plan; introduced tax credits for film, television and animation; announced tax credits for video games; overseen the establishment of Creative England and the Creative Industries Council.³

There is more to be done to support arts and culture as we head into the next Parliament though. In particular, the Government needs to continue to: encourage mixed funding for the arts, including philanthropic giving and fundraising, alongside public funding; invest strategically in increasing access and provision in the regions; encourage young people to get involved in the arts; promote Britain's cultural reputation abroad; and help our creative industries thrive. We would welcome your views on how a Conservative majority government can continue to support arts and culture in these, and other, ways in the next Parliament.

Yours sincerely,

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And

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1. Funding for the arts

The arts in England are funded through a wide variety of sources, which include National Lottery funding, Government 'grant-in-aid' funding, local government funding, earned income, private donations and business sponsorship. To help keep our arts in their world-leading position, we need to encourage mixed funding from a variety of sources, including philanthropic giving and fundraising, alongside public funding, as relying on a single funding source can be risky.⁴

Arts Council England. Arts Council England (ACE) is the body responsible for distributing both National Lottery funding and direct government ('grant-in-aid') funding for arts and culture in England.⁵ From March 2012 to April 2015 ACE has committed to investing £1.4 billion of public money from government, and an estimated £1 billion from the National Lottery in arts and culture in England.⁶ In total, almost £3 billion of public money, in the form of grant in aid and National Lottery funding, is due to be spent over the lifetime of this Parliament. ACE has also recently published its total investment approach for arts and culture over the period of 2015 - 2018, although funding levels are only confirmed for 2015/16.⁷

- **National Lottery funding.** Since being established in 1993, the National Lottery has generated over £100 billion in ticket sales to February 2014, with over £31 billion raised for good causes.⁸ Over 430,000 projects had been given grants by February 2014, ranging from large projects like the London 2012 Olympic Games to smaller projects like playgrounds, community arts and literature projects.⁹

In regards to how the funds from the lottery are distributed, Camelot Group operates the National Lottery games and passes the income from the sale of tickets to the National Lottery Distribution Fund (NLDF). The Department for Culture, Media and Sport (DCMS) administers the Fund, passing the money to six English and UK-wide National Lottery distributing bodies. These six arm's length 'good causes' bodies, are the Heritage Lottery Fund, the British Film Institute, UK Sport and Sport England, Arts Council England and the Big Lottery Fund.¹⁰ These bodies decide how to distribute money for good causes according to criteria, called 'policy and financial directions', which the Government sets.¹¹

- **Direct-government funding.** DCMS does not fund the arts directly. Rather it administers the NLDF and provides 'grant-in-aid' funding for Arts Council England (ACE) and our national museums. This allows for individual funding decisions to be taken at 'arm's length' from the Government which means that there is no question of any political involvement in arts funding decisions.

This Government has had to take difficult decisions on spending, including on culture and the arts. As a result, the 2010 spending review announced that ACE's 'grant-in-aid' funding would reduce by 30 per cent. This has been followed by much smaller cuts in subsequent years. But at the last Spending

Round, DCMS only passed on a five per cent reduction to ACE and national museums. This was a far lower reduction than for many other sectors.¹²

A greater share for the arts. To help counteract the impact that these spending cuts will inevitably have on arts organisations, the Government has restored the national share of arts funding from the National Lottery to its original levels of 20% and reduced the Big Lottery Fund share which goes to voluntary and community projects to 40%.¹³ The previous Labour government had cut the share of Lottery funding going to the arts down to 16 per cent by the time they left office. Together with increased National Lottery income, returning to these original levels has resulted in extra money going to the arts every year since 2010.¹⁴ More specifically, this has resulted in over £100 million extra money going to the arts every year since the Coalition came to office and funding for the Arts Council will be higher in 2010-15 than it was in 2005-10.¹⁵

Local Government. Local authorities are the largest funders of arts and culture. In fact, local authorities spent almost £4 billion on cultural and related services – including sport – in 2013.¹⁶ However, like central government, local councils have had to make difficult spending decisions. ACE recognises the difficult decisions councils have to make and has pledged to work closely with local authorities and other relevant partners to make informed decisions about investment in arts and culture throughout the country.¹⁷

Other funding sources. Public funding for the arts is an important principle that the government supports, however it is also vital that arts and cultural organisations find additional sources of funding, including philanthropy and business investment, to help them become more resilient.¹⁸ This is especially important due to the difficult public spending decisions the Government has had to make because of the economic mess we inherited from the previous Labour government.

Government has introduced several measures to make it easier for these organisations to raise money through additional sources. These include:

- **Tax incentives aimed at boosting legacy giving to cultural bodies.** This includes a 10 per cent reduction in inheritance tax for people who donate 10 per cent of their legacy, and increasing the Gift Aid benefit limit from £500 to £2,500 from April 2011.¹⁹²⁰ Both measures were announced at Budget 2011 as part of a package of measures to encourage charitable giving and philanthropy. These built upon the Secretary of State for Culture, Media and Sport's ten point plan to boost philanthropy, announced in December 2010, which included an £80 million match-funding scheme.²¹

- **Providing funding for the Catalyst Fund.** The Catalyst Fund is a £100m private giving investment programme for arts and heritage organisations, which is made up of investment from ACE, the Heritage Lottery Fund and DCMS. It helps cultural organisations find other ways to produce income and get funding from private sources through: awards for organisations, matched £1 for £1 from private donations; capacity building and match-funding, to help organisations reach further with their fundraising; and helping organisations

develop their fundraising models to be more effective including through the establishment of endowments.²²

• **The Cultural Gifts Scheme.** The Cultural Gifts Scheme enables UK taxpayers to donate important works of art and other heritage objects to be held for the benefit of the public or the nation. In return, donors will receive a tax reduction based on a set percentage of the value of the object they are donating. It is the first ever tax incentive to encourage lifetime giving of works of art to public collections.²³ The scheme was legislated for in the Finance Act 2012. Budget 2014 subsequently increased the annual limit of tax reductions available under the scheme from £30m to £40m a year.²⁴

The Government has also published three independent research reports looking at a number of ways to encourage philanthropy.²⁵ The three reports looked at, respectively: removing barriers to legacy giving; ways to boost fundraising capacity outside of London;²⁶ and the scope for harnessing digital technology in cultural fundraising.²⁷

In contrast, the previous Labour government showed no interest in boosting philanthropy. Indeed, Labour ignored recommendations from a Treasury commissioned report, published in 2004, which recommended tax relief on arts philanthropy and left it to 'gather dust'.²⁸ In fact, Gordon Brown did not contact the report's author for three years until he spoke to him the day before the author was to appear before a Select Committee.²⁹

Regional variations. Inevitably a large proportion of arts funding goes to organisations based in London which not only helps to stage and support some of the world's best theatre, arts and culture but also increases the UK's recognition abroad, encouraging businesses to invest and people to visit. In addition, tours of the UK regions by London-based institutions mean that the benefits of funding these organisations is felt in all regions. Indeed, while some 42 per cent of ACE's money for touring went to London bodies, only 8 per cent of those activities were delivered in the capital.³⁰

Culture and arts in regions outside of London are thriving and recent figures from the ACE indicating that the proportion of Lottery funding going to institutions outside of London has risen from 60 per cent in the past decade to 70 per cent today.³¹

ACE is acutely aware of the need to invest strategically across the country. Beyond the over 600 National Portfolio Organisations it funds, ACE also funds a number of programmes which have a high impact across the regions. These programmes include:

- A 'Strategic touring programme' which encourages collaboration between organisations, so that more people across England experience and are inspired by the arts;
- the Capital investment programme which supports organisations all around the country to develop resilience by giving them the right buildings and equipment to deliver their work, and to become more sustainable and resilient businesses; and



- the 'creative people and places' fund which focuses investment in parts of the country where people's involvement in the arts is significantly below the national average, with the aim of increasing the participation.³²

ACE's recently published total investment approach for arts and culture over the period of 2015 -2018 also includes a priority to ensure a balance in investment across the country.^{33 34}

Complementing these measures, Budget 2014 announced that the government will introduce a Theatre Tax Relief from September 2014, following consultation. This relief will support the production of plays, musicals, opera, ballet and dance at a rate of 25% for touring productions and 20% for other theatre productions.³⁵ This will particularly benefit regional theatre and tours. The relief will come on top of any existing subsidies.³⁶

The Government recognises, however, that more can be done to make sure we get the geographical balance right so that arts and culture benefit all parts of the UK. We would welcome your views on how a Conservative majority government can help to close any regional discrepancies in support for the arts during the next Parliament.

2. Supporting our museums

Three of the world's top five most-visited museums are based in England, and nearly 40 million people visit our national museums and galleries each year. Our national museums and galleries are hugely popular visitor attractions which enrich people's lives and important centres for scholarship and research. Beyond our national museums, which are funded directly by DCMS, England has a network of specialist and regional museums, run by charities, local authorities and educational establishments.³⁷ Many of these receive public funding from the National Lottery or from ACE.

Despite the budgetary constraints of recent years, this Government has made sure to maintain funding to enable our national museums and galleries to offer free entry to visitors.^{38 39} In addition to its commitment to free entry, Spending Round 2013, as stated earlier, announced that reductions to national museum funding will be limited to 5 per cent.⁴⁰

The Government has also made it easier for national museums to produce more in self-generated income.⁴¹ More specifically, Spending Round 2013 announced a four-year pilot of new operational freedoms for national museums to give them greater autonomy to take independent decisions on issues such as pay and procurement, and to access finance to unlock new projects, commercial revenues and philanthropic donations.⁴²

3. Arts and cultural education for young people

No education can be complete without arts and culture. Involving young people in the arts increases their academic performance, encourages creativity, and supports talent early on. This is why DCMS and the Department for Education (DfE) commissioned a

review on cultural education in 2011. The review looked at how to best invest public money to make sure every child experiences a wide variety of high quality cultural experiences. The Government subsequently published 'Cultural education: a summary of programmes and opportunities' in July 2013 which sets out its commitment to give all young people access to high-quality cultural activities and provides an overview of the programmes and opportunities open to schools and teachers.⁴³ Further to this, the government has invested £171 million in a network of music education hubs across the country, which will ensure that every child aged 5-18 has the opportunity to sing and learn a musical instrument.⁴⁴

4. Cities of Culture

The UK City of Culture programme was developed by the Government to build upon the success of Liverpool as European Capital of Culture 2008 and the four-year UK-wide Cultural Olympiad programme which culminated with the London 2012 Festival. The UK City of Culture is a national cultural event spread over a year and focussed on a particular city.⁴⁵ According to DCMS, 'the overall aim of the UK City of Culture programme is to encourage the use of culture and creativity as a catalyst for change, to promote the development of new partnerships and to encourage ambition, innovation and inspiration in cultural and creative activity.'⁴⁶ The chosen city does not receive direct funding from central government.

Derry-Londonderry was the first UK City of Culture and held the title in 2013. It is estimated that Derry-Londonderry saw an extra 600,000 visitors to the city during its year as UK City of Culture, more than double previous years' visitor numbers.⁴⁷ The next UK City of Culture will be Hull in 2017. Hull's proposed programme for 2017 includes: 15 national and international commissions; 12 artists' residencies; 25 festivals; eight major community participation projects; a programme of conferences and major broadcasting events; plus an estimated 1,500 special events⁴⁸.

5. Promoting the UK abroad

Britain's great museums, galleries, culture and arts are recognised globally. Promoting them abroad not only helps to raise the profile of the UK, encouraging international tourism, but also boosts trade and increases investment into the UK, helping to generate jobs and growth. One way in which the government boosts these efforts is through the GREAT Britain campaign. The campaign is the biggest ever integrated Government international marketing campaign, driving inward investment and tourism to the UK.⁴⁹ Originally created to maximise the economic benefits of London's Olympic and Paralympic Games, it is showcasing the very best of the UK - from business to sport to culture - across the globe.⁵⁰ So far the Government has invested £30 million per annum in the international GREAT campaign. Autumn Statement 2013 announced that the Government remains committed to the GREAT campaign in the longer term and announced that funding in 2014-15 and 2015-16 would be increased by 50 percent to £45 million in each year.⁵¹

6. Increased participation.

While it is true that funding from central government has fallen for arts over the last few years, participation in the arts has actually gone up over the same period. This makes a mockery of Labour's claims that cuts to funding would destroy the arts and result in it becoming a 'preserve of a privileged elite'.⁵² Indeed the latest results from the Taking Part Survey⁵³, published in March 2014, shows that 78 per cent of adults attended or participated in the arts in the previous year.⁵⁴ Furthermore, the survey shows that between January and December 2013, over half of adults (54 per cent) had visited a museum or gallery in the last year. This was significantly higher than in any survey year between 2005/06 and 2011/12 and has been an upward trend since 2008/09 (43 per cent).⁵⁵

What next? Questions for discussion

1. What more could be done to increase philanthropic giving and in particular encourage smaller donations from individual donors and small businesses?
2. How can we encourage more young people to engage in the arts?
3. What actions could be taken to improve the links and co-operation between cultural and arts institutions and schools in their areas so that more children and young people are able to experience what they do?
4. What more can be done to utilise the latest technology to increase interest and participation in arts and cultural events?
5. What more can be done to promote Britain's arts and cultural industries abroad to increase awareness of the UK and encourage people to visit?

Endnotes

¹ *Culture Secretary Maria Miller Keynote Arts and Culture Speech*, 22 January 2014, [link](#)

² *Hansard*, 19 June 2013, Col. 948, [link](#)

³ *Hansard*, 19 June 2013, Col. 948, [link](#)

⁴ DCMS, *Supporting vibrant and sustainable arts and culture*, July 2013, [link](#)

⁵ DCMS, *Supporting vibrant and sustainable arts and culture*, July 2013, [link](#)

⁶ Arts Council England, *Funding*, [link](#)

⁷ Arts Council England, *The National portfolio and Major partner museum application process is now open for 2015 – 2018*, January 2014, [link](#)

⁸ DCMS, *Making sure the National Lottery operates effectively and that funding for good causes is distributed properly*, February 2013, [link](#)

⁹ DCMS, *Making sure the National Lottery operates effectively and that funding for good causes is distributed properly*, February 2013, [link](#)

¹⁰ There are 12 distribution bodies in total. DCMS sets the criteria for six of these. Welsh, Scottish, and Northern Irish Lottery distributing bodies' policy directions are issued by the Welsh government, the Scottish government, and the Northern Ireland Executive.

¹¹ DCMS, *Making sure the National Lottery operates effectively and that funding for good causes is distributed properly*, February 2013, [link](#)

¹² *Culture Secretary's speech to the LGA*, 14 March 2014, [link](#)

¹³ DCMS, *National Lottery to be reformed*, 20 October 2010, [link](#)

- ¹⁴ *Hansard*, 19 June 2013, Col. 948, [link](#)
- ¹⁵ *Hansard*, 19 June 2013, Col. 948, [link](#)
- ¹⁶ *Culture Secretary's speech to the LGA*, 14 March 2014, [link](#)
- ¹⁷ *The Guardian*, *Arts Council chief: 'what happens next?'*, 24 July 2013, [link](#)
- ¹⁸ DCMS, *Supporting vibrant and sustainable arts and culture*, July 2013, [link](#)
- ¹⁹ DCMS, *Chancellor announces tax breaks for philanthropists*, 23 March 2011, [link](#)
- ²⁰ *Budget 2011*, [link](#)
- ²¹ DCMS, *Chancellor announces tax breaks for philanthropists*, 23 March 2011, [link](#)
- ²² DCMS, *Supporting vibrant and sustainable arts and culture*, July 2013, [link](#)
- ²³ Arts Council England, *Cultural Gifts Scheme*, [link](#)
- ²⁴ *The Telegraph*, *Budget 2014: Theatre gets Tax Boost*, 19 March 2014, [link](#)
- ²⁵ DCMS, *Supporting mixed funding for arts and culture including philanthropy and fundraising*, July 2013, [link](#)
- ²⁶ Outside London and the metropolitan areas, arts organisations find it a lot harder to make their own money.
- ²⁷ DCMS, *Supporting mixed funding for arts and culture including philanthropy and fundraising*, July 2013, [link](#)
- ²⁸ *The Guardian*, 8 April 2007, [link](#)
- ²⁹ *The Guardian*, 8 April 2007, [link](#)
- ³⁰ *The FT*, 24 February 2014, [link](#)
- ³¹ *The FT*, 24 February 2014, [link](#)
- ³² Arts Council England, *Response to Rebalancing our Cultural Capital Report: Arts Council investment outside London*, October 2013, [link](#)
- ³³ Arts Council England, *The National portfolio and Major partner museum application process is now open for 2015 – 2018*, January 2014, [link](#)
- ³⁴ Arts Council England, *Response to Rebalancing our Cultural Capital Report: Arts Council investment outside London*, October 2013, [link](#)
- ³⁵ *Budget 2014*, [link](#)
- ³⁶ *The Telegraph*, *Budget 2014: Theatre gets Tax Boost*, 19 March 2014, [link](#)
- ³⁷ DCMS, *Maintaining world-leading national museums and galleries, and supporting the museum sector*, February 2013, [link](#)
- ³⁸ Free entry was reintroduced in 2001 at national museums in England, Scotland and Wales which had previously charged for admission. Visitor numbers have subsequently shot up at those museums and many more people appear to be taking the opportunity to visit.
- ³⁹ *DCMS website*, [link](#)
- ⁴⁰ HM Treasury, *Spending Round 2013*, [link](#), p.48
- ⁴¹ HM Treasury, *Spending Round 2013*, [link](#), p.48
- ⁴² HM Treasury, *Spending Round 2013*, [link](#), p.48
- ⁴³ DoE and DCMS policy paper, *Cultural Education*, 5 August 2013, [link](#)
- ⁴⁴ Arts Council England, *Response to Rebalancing our Cultural Capital Report: Arts Council investment outside London*, October 2013, [link](#)
- ⁴⁵ DCMS, *UK City of Culture 2017: Guidance for bidding cities*, [link](#)
- ⁴⁶ DCMS, *UK City of Culture 2017: Guidance for bidding cities*, [link](#)
- ⁴⁷ DCMS, *Hull crowned UK City of Culture 2017*, 20 November 2013, [link](#)
- ⁴⁸ Hull City Council, *Hull is named UK City of Culture 2017!*, [link](#)
- ⁴⁹ DCMS, *GREAT campaign funding boosted to £30m*, 5 December 2012, [link](#)
- ⁵⁰ DCMS, *GREAT campaign funding boosted to £30m*, 5 December 2012, [link](#)
- ⁵¹ DCMS, *Making it easier for the media and creative industries to grow, while protecting the interests of citizens*, 27 February 2013, [link](#)
- ⁵² *Harriet Harman speech*, 12 February 2013, [link](#)
- ⁵³ Taking Part is a major, continuous survey of cultural and sport participation in England, commissioned by the Department for Culture, Media and Sport (DCMS) in partnership with Arts Council England, Sport England and English Heritage. Every year it collects information from a nationally representative sample of children and adults about their attendance at a wide variety of arts events, museums, galleries, libraries and heritage sites, and about their participation in creative activities and sport.
- ⁵⁴ DCMS, *Taking Part Survey 2013/14 Statistical Release – Quarter 3*, March 2014, [link](#)
- ⁵⁵ DCMS, *Taking Part Survey 2013/14 Statistical Release – Quarter 3*, March 2014, [link](#)