

# FUNDING ARTS AND CULTURE IN A TIME OF AUSTERITY

ADRIAN HARVEY



**Cover image info:**

*Peace Camp Deborah Warner in collaboration with Fiona Shaw. Soundscape by Mel Mercier. Sound design by John Del' Nero. Produced by Artichoke. Photo by Pete Carr.*

Arts Council England champions, develops and invests in artistic and cultural experiences that enrich people's lives. We support a range of activities across the arts, museums and libraries – from theatre to digital art, reading to dance, music to literature, and crafts to collections. Great art and culture inspires us, brings us together and teaches us about ourselves and the world around us. In short, it makes life better. Between 2015 and 2018, we plan to invest £1.1 billion of public money from government and an estimated £700 million from the National Lottery to help create these experiences for as many people as possible across the country.

For more information, please visit [www.artscouncil.org.uk](http://www.artscouncil.org.uk)

New Local Government Network (NLGN) is an independent think tank that seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is publishing this report as part of its programme of research and innovative policy projects, which we hope will be of use to policy makers and practitioners. The views expressed are however those of the authors and not necessarily those of NLGN.

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# FOREWORD

## SIR PETER BAZALGETTE

Chair, Arts Council England

**From Jennie Lee's Arts White Paper in 1965 to the new DCMS White Paper this year, the vital role of local authorities in investing in our arts and culture has been a constant.**

Underpinning the role of local government has been the partnership with national agencies - the Arts Council, who invest around £700 million each year and our National Museums with their annual £450 million. But still the most significant are the local authorities. Collectively they invest £1.1 billion in museums, theatres, libraries – more than the others combined.

They do this because they recognise the value of art and culture to their local quality of life, to attracting tourists and skilled workers, to boosting their creative economies, and to the reputation of their place.

But as this paper and my speech alongside it show, local authority budgets are under unprecedented pressure. In some areas significant cuts are being made to museums, libraries and the arts. We know that local authorities will be asked to find even more substantial savings in the years to come. It's the biggest challenge arts and culture faces at the moment.

The most innovative places are finding ways to support culture despite the difficult choices they face. This could be through innovative trusts or foundations, sharing administration costs, or helping cultural organisations through reduced rents or business rates. Another important new route is how culture can help local health and environmental priorities. The Arts Council will be working hard to make sure these great ideas are widely shared.

I would like to thank the New Local Government Network for their help in preparing this report. This clear statement of the landscape for local authority funding of arts and culture shows us the scale of the task at hand. The Arts Council's message to our local authority partners is simple. 'If you're in, we're in'. In partnership with businesses, universities and others we'll do our best to make it work and continue to invest in the manifest benefits of arts and culture.

## **SIMON PARKER**

Director, NLGN

**Arts and culture funding represents a conundrum for local authorities. At a time of austerity, it can feel extravagant to put money into museums, theatres and libraries which would otherwise be funding care homes and foster care places. And yet cities and towns without any culture would be sad places, lacking the cultural vibrancy which attracts skilled people and supports the development of high value businesses.**

At a time when local government's future is increasingly bound up with the strength of the local economy, cuts to the arts and culture start to look like a false economy. Our analysis suggests that many councils recognise this fact: arts and culture funding has not taken disproportionate cuts.

But we must be clear that any reduction in budget is tough for cultural organisations which operate close to the edge of financial sustainability. It is absolutely clear that libraries, galleries and the community arts and culture face huge challenges. For instance, one-in-five regional museums has either closed, or plans to close, a part or branch of their museum, and one-in-ten is considering introducing entry charges.

The challenge is what happens next. The data in this report looks backwards, but the cuts did not end in 2015. Councils face at least two more years of very steep budget decreases, followed by a continuing period of very constrained finances.

NLGN's research on the arts and culture shows that there is huge scope for entrepreneurial and community-based approaches to keeping the cultural show on the road. Indeed, it is telling that the Arts Council's national portfolio organisations have actually increased their income despite council cuts.

Local authorities are moving from a position where they handed out grants to one where they support the cultural sector to find premises, access funding and tap into the energy of local residents.

Austerity means times are tough, but it can also draw out new levels of creativity. As devolution gathers pace, organisations like the Arts Council need to consider how they can support councils to unlock that creativity, and councils need to consider how to unlock the potential of the arts and culture to make places into vibrant and resilient magnets for people and jobs.

# 1 INTRODUCTION

**Local government has long been one of the country's strongest supporters of arts and culture. From public libraries to municipal galleries, from music education and arts festivals to public art, councils have been active in our cultural life, long before Whitehall had a department for culture. Even now, collectively, local government is one of the primary funders of arts and cultural activities, with its contribution even higher than that of Arts Council England.**

However, that support is in jeopardy. Direct funding from local government to the arts, museums and libraries has been under enormous pressure in recent years as austerity bites, and organisations and services face severe sustainability challenges as a result. In this paper, we set out recent trends in local government's funding for arts and culture and the prospects for the near future. Using Arts Council England figures we also assess the impact that these cuts are having on the viability of the sector, before setting out some ideas for new ways in which local government can continue to support arts and culture even in straitened times such as these.

## 2 LOCAL GOVERNMENT SPENDING: WHAT'S HAPPENED, WHAT'S IN STORE

Local government has borne the brunt of public spending cuts since the 2008 financial crash, and especially since the 2010 Spending Review. According to the Institute for Fiscal Studies, there was a 20 per cent reduction in spending by local authorities in England between 2009/10 and 2014/15. Taking into account population growth, spending per person has reduced by 23 per cent.

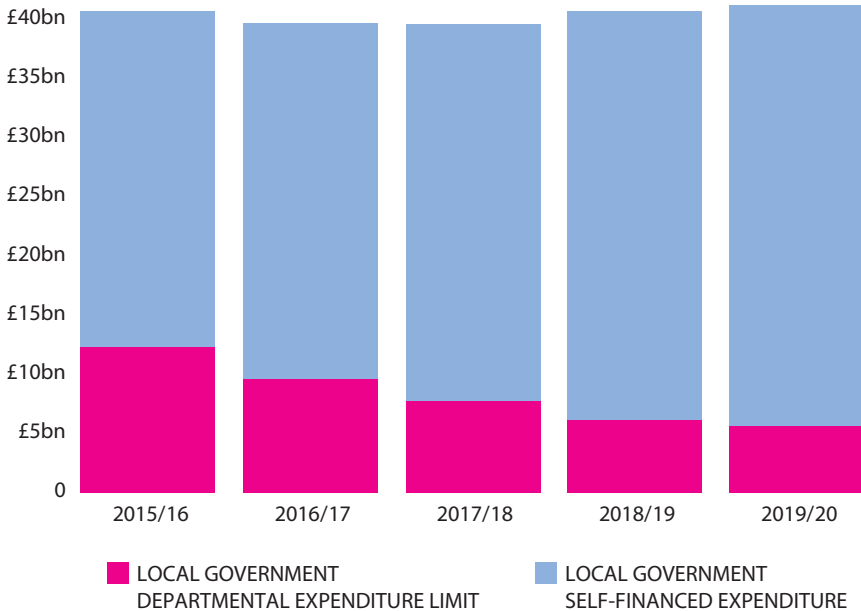
These cuts are driven by reductions in central government funding to local authorities. The National Audit Office reports that government grant has fallen substantially since 2010-11. The 2010 Spending Review set out a 26 per cent reduction by 2014-15 in the local government departmental expenditure limit. An extra 1 per cent reduction in 2014-15 was announced in the 2013 Budget. The 2013 spending round included a further 10 per cent reduction for 2015-16 and further planned cuts will bring the total reduction to 37 per cent by 2015-16, excluding the Better Care Fund and public health grant. Councils have tried to protect spending on key services such as social care and this has meant that other services, such as housing and culture have seen larger reductions.

Central government funding of councils has shrunk dramatically over the past five years. But the retrenchment is far from over. The 2015 Spending Review set out the overall trajectory for local government funding to 2020. That Review suggested that local government should prepare for the key Revenue Support Grant (RSG) to more than halve, from £11.5 billion this year to £5.4 billion by the end of the decade. Projected rises in overall local spending will actually rise in cash terms and will be funded by council tax and business rates:

- From 2019 local authorities will be able to retain 100 per cent of their business rates income.
- Local authorities responsible for social care will be able to levy a new social care tax of up to 2 per cent on council tax.

- Local authorities will have the flexibility to spend capital receipts from asset sales on the revenue costs of reform projects, to secure the long term viability of services.

**FIGURE 1** LOCAL GOVERNMENT SPENDING 2015/16 TO 2019/20<sup>1</sup>



With much reduced central government funding for the foreseeable future, local authorities will increasingly be reliant on the proceeds of economic growth and their own resources. As such, there is a danger that better off areas will do better as their already strong and mature economies will generate more revenue. As central mechanisms to redistribute this are weakened and removed, areas that need more support may struggle.

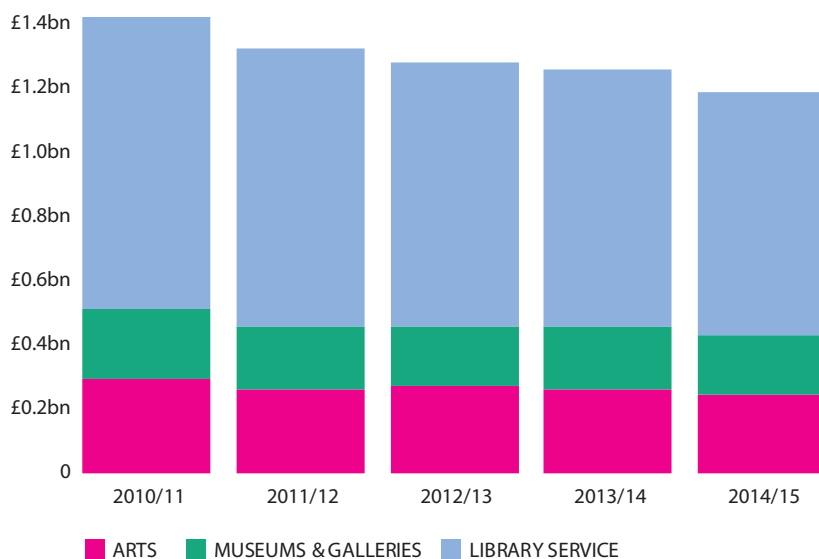
<sup>1</sup> HMT/DCLG analysis based on the OBR forecast for local authority self-financed expenditure. LG DEL refers to general funding paid by DCLG to local government.



## 3 LOCAL AUTHORITY FUNDING FOR ARTS AND CULTURE

With spending under such pressure across the board, it is no surprise that local authority expenditure on art and culture has been squeezed in recent years. Between 2010 and 2015, Department for Communities and Local Government (DCLG)<sup>2</sup> figures show that total spending by councils in England on arts and culture development and support, theatres and public entertainment, on museums and galleries, and on the library service has declined from £1.42 billion to £1.2 billion, a 16.6 per cent reduction. In fact, the biggest surprise is that the rate of reduction is lower than that for spending overall, which suggests that councils have tried to protect these services where they can.<sup>3</sup>

**FIGURE 2** DECLINE IN LOCAL GOVERNMENT SPEND ON ARTS AND CULTURE 2010-2015<sup>4</sup>



<sup>2</sup> While DCLG statistics are the best available source of national data on local authority spend on arts and culture, a council's investment in arts and culture may fall within spending outturns such as regeneration, children's services, public health and community development, which is not shown in the data.

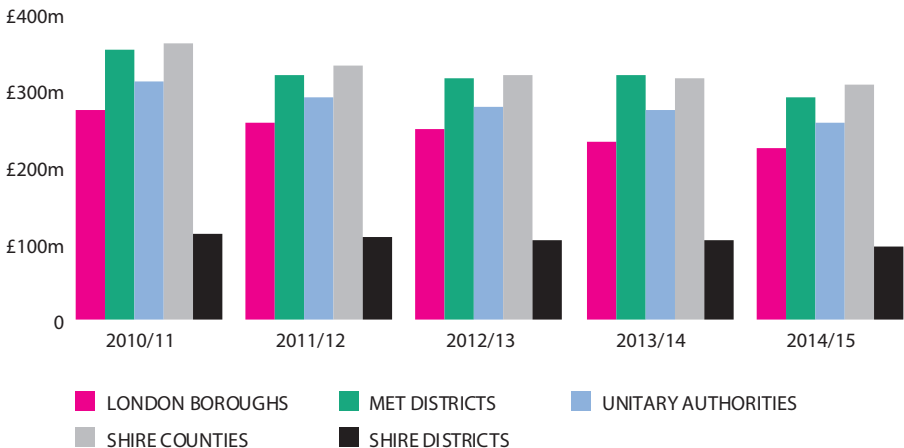
<sup>3</sup> This is reflected in NLGN research conducted in 2014 for [On with the Show: Supporting Local Arts and Culture](#) by Dr Claire Mansfield, which found that local authorities continue to value the arts and culture, especially for their contribution to local economic development.

<sup>4</sup> Local Authority Revenue Expenditure and Funding - <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>

But while English local government still spent £1.2 billion on arts and culture in 2014/15, the cuts are still significant and are likely to continue. They have fallen fairly evenly across each of those three areas: slightly heavier on libraries (the biggest item of expenditure) and slightly less so on museums and galleries (the smallest). Although museums and galleries may be smaller in terms of expenditure, the impact has been substantial. For example, one-in-five regional museums has either closed, or plans to close.<sup>5</sup> These cuts suggest that in general, local authorities are taking an ongoing efficiencies and ‘salami-slicing’ approach so far, although as detailed in section 5, some councils are beginning to explore more radical or transformative models.

The reduction in arts and culture spending is also fairly similar across different types of authority, with some variation: London boroughs saw the largest cuts, 19 per cent between 2010 and 2015. Shire counties, on the other hand, saw the smallest reduction, 15 per cent, starting and ending the period as the largest funder of culture. Shire districts, the only class of council without responsibility for providing libraries, made cuts of 17 per cent, in line with the England average.

**FIGURE 3** ARTS AND CULTURE SPENDING BY LOCAL AUTHORITY TYPE 2010-2015<sup>6</sup>



<sup>5</sup> <http://www.museumsassociation.org/download?id=1155642>

<sup>6</sup> Local Authority Revenue Expenditure and Funding - <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>

**FIGURE 4** REGIONAL BREAKDOWN OF FUNDING 2010-2015 <sup>7 8</sup>

A similar range of cuts is apparent sub-nationally. Authorities in the South West have seen marginally lower cuts (15.5 per cent), while in the East and West Midlands, councils have reduced spending by 19 per cent over five years. While spending in the three northern regions has declined by 17 per cent, they still spent over £0.3 billion on arts and culture in 2014/15.

Across England, councils remain major supporters of arts and culture, but that becomes harder and harder to maintain with every passing year. The projections for the funding they receive mean that, unless other sources of revenue are found, the funding available for activities beyond their statutory duties will largely disappear over the next five years unless they can be funded by new models of income generation, especially through the proceeds of growth. There will inevitably be severe implications for the institutions they support.

<sup>7</sup> For the purpose of this report regions have been aggregated as follows: North (North East, North West, Yorkshire and Humberside) Midlands (East Midlands, West Midlands), South East (East and South East), London and South West. ONS boundaries have been used.

<sup>8</sup> Local Authority Revenue Expenditure and Funding - <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>

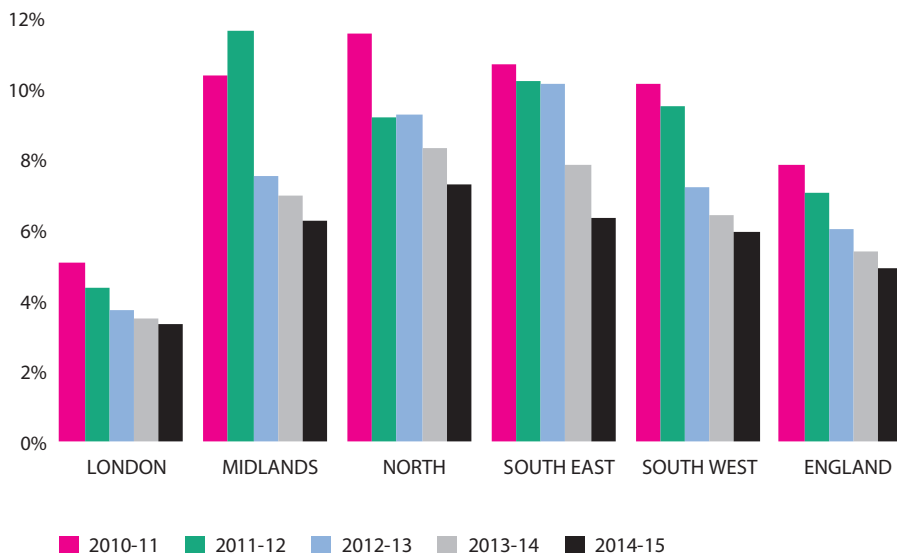
## 4 IMPACT ON ARTS AND CULTURE ORGANISATIONS

**Important as they are, local authorities are not the only sources of support for arts and culture. Institutions are accomplished fund-raisers with a diverse income from commercial and philanthropic activity. Arts and cultural organisations can also call upon the support of the Arts Council England (ACE), whose support includes regular funding to a portfolio of major institutions, the cultural backbone of the country. A new round of funding, 2015 to 2018, will invest just under £1 billion in 663 ‘national portfolio organisations’ (NPOs).**

Reviewing the total funding of a constant sample of 565 NPOs over the first five years of the decade shows the impact so far of local authority cuts on those institutions. In total, the level of funding from local authorities had fallen by 27 per cent, from £89 million in 2010 to £65 million by 2015. Over the same period, the total resourcing of NPOs has *increased* by 17 per cent, from £1.14 billion to £1.33 billion, with the proportion of funding derived from local government falling from 8 per cent to 5 per cent. Of course, smaller galleries and museums are less likely to have been able to raise additional donations and commercial revenues than the major institutions covered by these data: it is these smaller organisations that are at the sharp end of the cuts.

This fall in share has been broadly proportionate across the country, despite significant differences in the degree to which local government supports these institutions. For example, in London 5 per cent of NPO funding came from local authorities in 2010 (down to 3 per cent in 2015), compared with 12 per cent in the three northern regions (down to 7 per cent). While in London and in England overall, the rate of decline has been relatively smooth, there have been some ‘cliff-edges’ in other areas, especially in the two Midlands regions in 2012.

**FIGURE 5** PROPORTION OF NATIONAL PORTFOLIO ORGANISATION FUNDING FROM LOCAL AUTHORITIES, 2010-2015 <sup>9 10</sup>

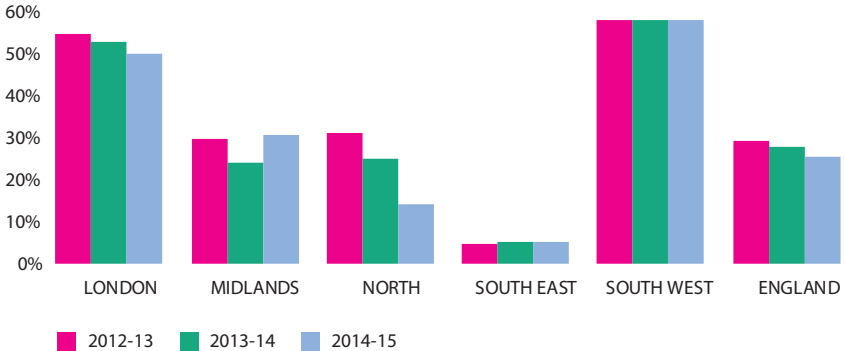


ACE also provides regular funding for Major Partner Museums (MPMs), a responsibility inherited from the Museums, Libraries and Archives Council (MLA). This funding has totalled around £20 million per year over the three-year period, 2012-2015. Unlike NPOs, the regional breakdown of fluctuations in the proportion of MPM funding from councils is much more mixed: in London, a steady decline (but half of MPM funding in the capital still comes from local government), in the South East and South West the proportion of local authority funding has stayed stable over the period, but at very different levels.

<sup>9</sup> For the purpose of this report regions have been aggregated as follows: North (North East, North West, Yorkshire and Humberside) Midlands (East Midlands, West Midlands), South East (East and South East), London and South West. ONS boundaries have been used.

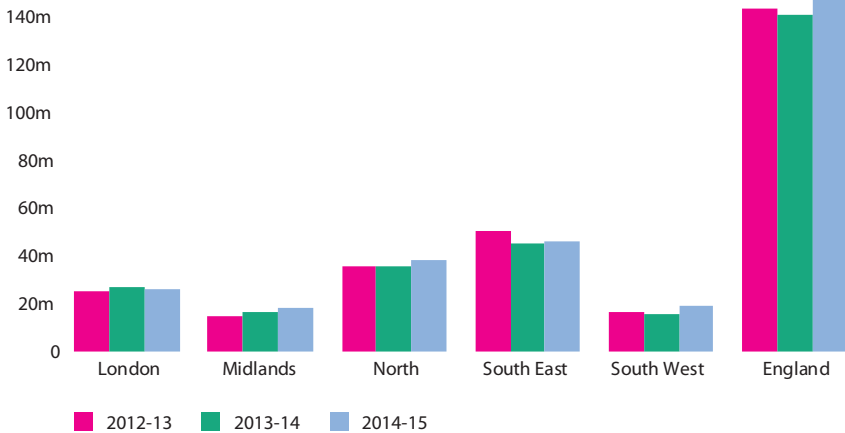
<sup>10</sup> Arts Council England National Portfolio Annual Submission data

**FIGURE 6** PROPORTION OF MAJOR PARTNER MUSEUM FUNDING FROM LOCAL AUTHORITIES, 2012-2015<sup>11 12</sup>



But while nationally the proportion of MPM funding coming from local government has fallen modestly (from 26.3 per cent in 2012/13 to 25.5 per cent in 2014/15), as with NPOs, their total income has risen in general and in every area except the South East. This suggests that MPMs have been reasonably successful in both maintaining their local government grant and in diversifying their funding base.

**FIGURE 7** TOTAL INCOME OF MAJOR PARTNER MUSEUMS, 2012-2015<sup>13</sup>



<sup>11</sup> Due to an anomaly with the 2012/13 data the Midlands figure includes certified data from the subsequent annual return

<sup>12</sup> Arts Council England Major Partner Museum Submission data

<sup>13</sup> Arts Council England Major Partner Museum Submission data

Trends over the past 3-5 years – and the likely context of local government funding to the end of the decade – suggest that the relationship between councils and arts and cultural institutions is changing. It is clear that new ways of working will need to be found if councils are to remain in the business of supporting arts and culture within their localities.

# 5 RESPONDING TO THE CUTS: NEW WAYS OF WORKING

**The challenges are clear but there are opportunities too. New partnerships are possible and, indeed, very much with the grain of changes within local government.**

Development agencies like the Arts Council have a vital role to play in helping to share good practice and build capacity in both the cultural sector and in local government. Local government itself can take the opportunities presented by the devolution agenda to work with others beyond the cultural sector to invest strategically – and at scale – in institutions and activities that further their wider economic and social development objectives. Amongst the gloom, two reasons for optimism stand out: firstly, local government has not abandoned the field in the face of unprecedented cuts; and secondly, cultural institutions have proved fully capable of developing new funding streams.

Yet, the foreseeable future is one of continued constraint and, despite the success of both councils and institutions to absorb and mitigate the cuts, it is difficult to see how that can be achieved over the next period without the development of new delivery models, new funding streams and new partnerships.

## NEW DELIVERY MODELS

In [On with the Show: Supporting Local Arts and Culture](#) we identified how councils were developing new institutional models to secure ongoing support for arts and culture. Typical of these innovations is **Dorset County Council**, which transferred its Arts Unit to a public service mutual, together with four years' ring-fenced investment. The Arts Development Company administers grants, works to develop cultural agendas within the county around health and wellbeing, the visitor economy and the environment and, as such, is well positioned to attract commissions that the county's many small arts and cultural organisations would struggle to achieve individually.



Configured as a social enterprise it is also working with the County Council as it disposes of a significant portion of its estates portfolio by acquiring properties and redeveloping them for either cultural use or commercial benefit.

## NEW INCOME STREAMS

Many local authorities are helping local cultural institutions to develop their commercial activities; others are integrating arts and culture more explicitly into their plans for economic growth. Still more are opening up their wider services to cultural institutions. **Liverpool City Council** is working with partners like the Liverpool Arts Regeneration Consortium (LARC) to develop new income streams. The council has given capital funding to NPOs to offset reductions in the arts grants budget, is seeking changes to fiscal powers via devolution to enable them to impose a hotel bed tax and is investigating creating a new revenue stream for culture through a voluntary levy on tourism-reliant businesses in the city centre. In 2015, arts and culture were included for the first time in **Kent County Council's** commissioning process, including a £4 million community mental health and wellbeing service. This was the first time arts and culture institutions had been integrated alongside more mainstream, traditional providers. As a result of this project, the council, working with the Royal Opera House Bridge and Artsworld, have also produced a toolkit for the UK cultural sector as providers, and for the people who might commission them.

## NEW PARTNERSHIPS

New institutional arrangements and new opportunities require new kinds of partnerships. For example, **Birmingham's Culture Central** which has a founding membership of 14 of the city's cultural and heritage organisations, and is an open membership body representing and working on behalf of all of the city's arts and cultural organisations, practitioners, agencies and organisations engaged in the sector. The partnership's ambition is to raise the profile of the city's world class culture and to build upon the considerable successes already achieved through cultural bodies working collaboratively.

# CONCLUSIONS: DIVERSIFYING INCOME AND MAKING THE MOST OF DEVOLUTION

Local government in England has been, and remains, a very significant funder of the arts and culture, with over £1 billion still being invested in arts and cultural activity. Yet the impact of the significant cuts over the last five years, in this as in many other areas, cannot be ignored. Some institutions have been able to diversify their funding base to compensate for the shortfall. For others, not least public libraries, the result has been a mixture of closures and new models of delivery.

New ways of working will become ever more important over the coming years, as the funding environment becomes increasingly difficult. The cuts are far from over, with the core grant to councils expected to halve over the current Spending Review period. Local government and cultural institutions alike will need to negotiate new relationships. Yet, if the cuts require change, then the devolution agenda allows for revolution, creating the scope for new institutional models, new relationships, and potential new income streams. This is challenging terrain and ever shrinking resources will make it harder to navigate. But there are already signs that councils and the cultural sector are beginning to feel out a way forward.