

The Policy and Funding Landscape for the Arts

Purpose of report

For decision and direction.

Summary

Laura Dyer, Executive Director at Arts Council England, will join the Board for a discussion on arts policy and funding. With a Spending Review expected in the Autumn, this item is an opportunity for Members to discuss how LGA and ACE can work together to make a compelling case for investment in the arts and support the sector to shape and benefit from wider public sector reform.

Recommendation

Members are invited to discuss the issues suggested in paragraph 16 with Laura Dyer.

Action

To be taken forward by officers as directed by Members.

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The Policy and Funding Landscape for the Arts

Introduction and Background

1. Arts Council England (ACE) is the national development agency for the arts (including theatre, dance, music and literature), museums and libraries. It is a Department for Culture, Media and Sport (DCMS) Non Departmental Public Body.
2. Between 2015 and 2018, ACE will invest £1.1 billion of public money from government and an estimated £700 million from the National Lottery in arts and culture to help create experiences for as many people as possible across the country. The Arts Council's Grant in aid has reduced by 36 per cent since 2010, but ACE has sought to minimise the impact on its funded organisations.
3. The LGA and ACE have a very positive partnership. Our Joint Practical Statement of Purpose sets out a shared approach about how we can help councils and local cultural partners to offer excellent, sustainable and accessible cultural opportunities through a "single cultural conversation".
4. ACE funds our very successful Culture Leadership Essentials Programme, Libraries Seminars and Libraries Peer Challenges. Over the last three years, we have supported over 150 culture and library portfolio holders to lead transformational change of their services.
5. Ahead of the 2013 Spending Review, the LGA and ACE joined forces to highlight how the arts drive economic growth, revitalise places and help to attract visitors and businesses to places. The campaign helped to achieve a better than expected funding settlement for the arts and there is now widespread recognition of the sector's economic value.
6. The context within which central and local government will make decisions about future investment in, and support for, the arts will be shaped by the broader trends of continued austerity, public service reform and devolution. This wider context, and the Conservative Party Manifesto, is covered in more detail in the report for item 3.

The Arts Policy and Funding Landscape

7. ACE is funded by Exchequer and lottery money. Please see **Annex A** for a funding summary. In July 2014, ACE announced details of the investment it will make over 2015-18. ACE has partially off-set a reduction in Exchequer funding by more than doubling the lottery funding it awards to National Portfolio Organisations. Cultural organisations welcomed the three-year funding announcement and the LGA has long encouraged a more flexible approach to lottery funding. It also chimes with our call for longer-term local government funding settlements which will enable greater certainty for arts organisations and help with financial planning.

8. Local government is ACE's most important partner. Outside of London, councils invest as much as ACE in cultural infrastructure. Councils co-fund around 60 per cent of ACE's 670 arts National Portfolio Organisations (NPOs), spend £806 million annually on libraries and take the decisions on how to meet the statutory duty set out in the 1964 Public Libraries and Museums Act, and invest over £450 million in museums, galleries, arts development, theatres and public entertainment. It is, therefore, no surprise that in a climate of continued austerity ACE has identified local government budget cuts as the biggest threat to this country's cultural offer.
9. While overall local authority funding for the arts and culture has fallen by 19% in the last three years, most councils still value culture. In many places, the funding crisis has prompted closer working between councils and the local culture sector, a shared focus on different delivery models such as trusts and co-location, a more entrepreneurial approach, greater community involvement and stronger partnerships with business, health and other sectors. Sir Peter Bazalgette, ACE Chairman, has consistently praised councils for maintaining their commitment to culture, most recently at the LGA's annual Culture, Tourism and Sport Conference in Durham.
10. However, local government faces a funding gap of £12.4 billion by 2020. The LGA's Future Funding Campaign is clear that further cuts will have a significant impact upon frontline services, including the arts. This will not only affect direct arts provision, but also its ability to drive economic growth and contribute towards other agendas, such as preventing and tackling costly health and social care pressures.
11. In this way, the future of arts provision is inextricably bound up with the LGA's campaign for wider public sector reform. ACE is supporting arts organisations to develop their capacity and sustainable delivery models to respond to the opportunities from the reform agenda. In particular, the three-year National Cultural Commissioning Programme, which runs until June 2016 and is being led by NCVO, is supporting arts and cultural organisations to engage in public sector commissioning.
12. In his inaugural speech as ACE Chief Executive last month, Darren Henley announced that the proportion of lottery funding invested outside London will increase from 70% to 75% by 2018. He emphasised the importance of working in partnership with local government, called on central government to continue supporting the arts and culture, and shared his plan to build a 25 year vision for developing creative talent across the country.
13. A number of new funding streams were also announced. In particular, ACE will invest £35.2 million in helping organisations produce high quality and spectacular events and works of art, particularly outside London. The Ambition for Excellence fund will develop talent and leadership in organisations as well as supporting individual creative projects. Mr. Henley's speech is available on ACE's website <http://www.artscouncil.org.uk/jobs-and-conferences/conferences/darren-henley-speaking-hull-may-2015/>.

14. As well as distributing funding and supporting councils, ACE also advocates for the value of culture, most recently through its “Culture Matters” Campaign. This builds upon Sir Peter Bazalgette’s “holistic case” for public investment in culture. The campaign describes the benefits of arts and culture; how it contributes to a flourishing society, to education and to the economy - and how these benefits are interdependent. Of course these are messages which chime very well with local government.

Next Steps

15. With a Spending Review expected in the Autumn, this item is an opportunity for Members to discuss how LGA and ACE can work together to make a compelling case for investment in the arts and support the sector to shape and benefit from wider public sector reform. ACE is very keen to begin the dialogue with local government about how they can be good partners for councils playing a stronger and much more diverse local leadership role.
16. Members are invited to explore the following key questions with Laura Dyer:
 - 16.1 **The contribution of the arts to wider community outcomes:** How can we move on the arts and growth narrative to develop an even stronger case for the role of the arts preventing and tackling other costly pressures, such as health and social care? DCMS and ACE have published several evidence-based studies on the contribution of the arts to other agendas, but is the arts offer sufficiently understood by national and local decision-makers in other policy areas?
 - 16.2 **Devolution and Public Service Reform.** What are the opportunities for the arts from the reform agenda, and how might these shape future partnerships between ACE and local government? For example:
 - 16.2.1 Councils’ enhanced ability to influence the totality of public spending in its area could enable deeper joint working with ACE around shared place based agendas, especially driving local growth. In particular, how ACE can invest alongside councils, especially if they secure new revenue raising powers.
 - 16.2.2 Maximising the opportunities for local arts offers to help bolster the diversity of England’s offer to visitors and the contribution of culture to a shared positive England narrative.
 - 16.2.3 An even bigger role for the arts in wider public service reform. For example, the prevention agenda, greater scope for looking at new delivery models such as mutuals and being commissioned to achieve health or social care outcomes.
 - 16.3 **Leadership and Partnership.** Given the wider policy context, how can LGA and ACE best support local political and professional leaders to drive excellence and

participation in the arts through imaginative sector-led solutions and lead creative partnerships within and beyond the arts and culture world?

Annex A

Summary of ACE investment plans 2015-18:

1. A National Portfolio of 670 arts organisations (NPOs) and 21 Major Partner Museums (MPMs). 46 arts organisations joined the portfolio and 58 left. Five new museums are added to the portfolio ensuring a wider geographic spread.
2. The investment in NPOs for 2015/16 will be £339.5million, compared to £341.4m in 2014/15. The MPM budget has increased to £22.6 million in 2015/16 from £21.5 million; an increase of £1.1 million.
3. An increase to the Grants for the Arts budget to £70m in 2015/16, from £63m in 2014/15.
4. These increases will lead to a reduction in Strategic funds for the arts overall- a budget of £104m per annum from £153m in 2014/15.
5. This investment in NPOs and MPMs assumes standstill funding from Government in years 15/16 and 17/18.
6. The lottery-funded Grants for the arts budget will increase to £70 million per year from 2015-18, from £63 million a year in 2012-15.

Further information

7. The majority of organisations in the new portfolio (75%) have received standstill funding. Uplifts have been given in only exceptional cases – less than 10% of the entire portfolio. 37 organisations have seen funding reduced.
8. Overall the NPOs budget is now reduced by 0.56% a year in 2015/16, despite a reduction of 36% in grant in aid from government since 2010. The portfolio is only slightly reduced in size from 696 to 670; partly because of the better than expected CSR settlement in 2015/16 from the Chancellor and partly by building on ACE's existing use of lottery money to fund an additional number of organisations.
9. Sustaining the National Portfolio in this way means that the Arts Council's Strategic funds will reduce to £104 million per annum in 2015/16, from £153 million in 2014/15. ACE's focus for Strategic funds will therefore be building capacity outside London.
10. For the next three years there will be very limited funds for capital investment and savings have been made across other schemes such as the large scale Catalyst programme which supports endowments for large organisations.