



House of Commons
Culture, Media and Sport
Committee

**Funding of the arts and
heritage**

Third Report of Session 2010–11

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Third Report of Session 2010–11

*Volume I: Report, together with formal
minutes*

Volume II: Oral and written evidence

*Additional written evidence is contained in
Volume III, available on the Committee website
at www.parliament.uk/cmscom*

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The Culture, Media and Sport Committee

The Culture, Media and Sport Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Culture, Media and Sport and its associated public bodies.

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Ms Louise Bagshawe MP (*Conservative, Corby*)
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The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/parliament.uk/cmscom. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Emily Commander (Clerk), Andrew Griffiths (Second Clerk), Elizabeth Bradshaw (Inquiry Manager), Ian Hook (Senior Committee Assistant), Keely Bishop/Alison Pratt (Committee Assistants), Steven Price, (Committee Support Assistant) and Laura Humble (Media Officer).

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Contents

Report	<i>Page</i>
Summary	3
1 Introduction	7
Our inquiry	7
2 Funding of the arts	10
Arts Council England	12
History and functions	12
Funding the arts	12
National Portfolio funding programme	16
Arts Council funding decisions	18
The Public gallery in West Bromwich	22
The Arts Council Collection	23
Local authority funding	25
Arts in a cold climate	28
Regional variations	29
Fixed costs	31
What arts organisations can do themselves	32
Restructuring of arm's length bodies	34
The UK Film Council	34
The Museums, Libraries and Archives Council	37
The Public Lending Right	40
3 Heritage funding	43
How heritage is funded	43
The importance of heritage	43
The economic value of heritage	44
Spending cuts and safeguarding heritage	45
The impact of spending cuts on heritage	47
Regional Development Agencies	48
Heritage expertise and local conservation officers	49
Heritage volunteering	51
4 Philanthropy and private investment in the arts and heritage	54
The Government agenda	54
Can philanthropy work for arts and heritage in the UK?	54
Endowments	58
Arts & Business	59
Incentives and rewards	60
Conclusions and recommendations	63

Formal Minutes	71
Witnesses	72
List of printed written evidence	73
List of additional written evidence	74
List of Reports from the Committee during the current Parliament	79

Summary

Arts and heritage in Britain are among our greatest assets. They bring great cultural and economic benefits and everybody should have access to them.

Since the Second World War, most arts and heritage organisations have operated on a mixed funding model, whereby their income is made up partly of public subsidy and partly of private investment and earned revenue. This model has worked for them, and we support mixed funding.

In the last 20 years the arts have enjoyed a period of high levels of public investment, which has created a vibrant and successful arts scene in the UK. This financially comfortable period led to the Arts Council's spending on its own administration to rise to much too high a level. Government funding for Arts Council England increased by just over 150% to £453 million in the 12 years to 2010, while funding for English Heritage, for example, has actually fallen in real terms.

The Arts Council has undergone considerable change in recent years and has already cut its administration budget by over 50%. A further 50% cut will be hard to achieve, particularly given the extra responsibilities that the Arts Council is taking on. However, we believe that it can be managed.

Recent cuts in public spending will have a major impact on arts and heritage organisations, and some may well be forced to close. We note that some of the impact of the cuts could be mitigated by better financial management in arts and heritage organisations. We welcome the Arts Council's commitment to helping arts organisations do this.

We welcome the launch of the Arts Council's National Portfolio funding programme, and comment that it has the potential to offer more strategic and finessed funding arrangements with arts bodies. However, we are concerned at how great an administrative task it is to assess all the applications for the National Portfolio, and to draw up funding agreements in the two months that the Arts Council has set itself. Given that so many arts organisations will not make it into the National Portfolio, the short time frame will inevitably leave the Arts Council open to criticisms that its selection process lacked rigour.

We note, however, the role of the Government in encouraging the Arts Council to stick with its target decision date of March 2011 for the new funding programme, notwithstanding the burden it has also faced in implementing cuts across the sector in tandem.

Applying for grants is a necessary evil for the arts sector and it is important that due process is followed. We are concerned the Arts Council may not be supporting arts organisations in this process as well as it should, and it must be a priority to do so.

We acknowledge the vital role played by the Arts Council in supporting a myriad of groups across the whole sector. Without this support many would certainly cut back or close. There have been mistakes, however, and we note that the case of The Public gallery in West Bromwich is perhaps the worst example of gross waste of public money by the Arts

Council. Although this occurred under the previous management, the inability of the current Chief Executive to provide answers to our questions or demonstrate any serious attempts to learn lessons from the failure of the project, does not inspire confidence in the Arts Council or its leadership.

The Arts Council Collection is an important and valuable public asset and we commend staff on their efforts to ensure that people in every part of the country have access to some of the works within it. However, we believe more could be done to publicise it and that the Collection should aim to have at least 50% of its works out on loan at any one time. We also believe that the policy of never selling any of its artworks should be reviewed. We suggest that there is scope for amalgamating some publicly owned art collections in order to reduce administration costs.

We examine the Government's review of arm's length bodies, and its surprising decision to abolish the UK Film Council, Museums, Libraries and Archives Council and the Public Lending Right. We are critical of the Government's lack of dialogue with these bodies during its review and the surprising way in which it informed them of their abolition. We are also concerned that the decision was taken without any clear idea of which bodies would take on their respective functions.

With respect to the UK Film Council, it is a sad reflection of the Government's poor handling that it has led to the withdrawal of one of our most distinguished filmmakers, Tim Bevan, from any further involvement. We agree, however, that of the alternatives, the British Film Institute is best-placed to take over.

Regarding the Museums, Libraries and Archives Council, whose work was also commendable, we are concerned that the Arts Council – itself under pressure – will not be as effective a replacement and urge the Government to review this again in 2012. As for the decision to abolish the Public Lending Right body, we have found nobody who supports it. The Authors' Licensing and Collecting Society, not the British Library, is the appropriate organisation to administer its work and we recommend the Government acts to achieve this, by legislating if necessary.

Across the board, we acknowledge the concerns of arts organisations about the reduction in arts spending by local authorities, in combination with spending cuts from the Arts Council and we note that the impact of this "double-whammy" could be disastrous for some arts bodies.

Although spending cuts will affect a wide range of arts organisations it is those in non-metropolitan areas and small groups, particularly, which are most at risk. We are disturbed at reports of the number of local authorities already coming forward with substantial cuts. The speed, too, with which measures are being implemented makes it very difficult for smaller projects to look at other options, and it is of great concern that so many of these could be lost.

We note the importance of safeguarding the UK's heritage, as once lost it is gone forever. We comment that the heritage sector relies on expertise and skilled professionals and note, with concern, the continuing decline in local authority conservation officers and the impact this will have on the local planning decisions that affect heritage. Other sources of

advice, such as the network of local architecture and design centres sponsored by the Commission for Architecture and the Built Environment (CABE), also face a precarious future because of cuts and we urge the Government to act to halt this loss of expertise across the sector.

We commend the Government's recognition of the importance of heritage tourism in Visit Britain's budget, but note that the heritage sector has already suffered disproportionately from funding reductions over the years. The abolition of the Regional Development Agencies will result in the loss of another important funding stream. We urge the Government to take account of the burden our heritage sector has already shouldered when making future funding settlements.

Arts and heritage organisations should be encouraged to become more commercially aware and explore other funding streams, although we note that this will be harder for some smaller bodies and those outside London and the metropolitan areas.

While we think that, for reasons of culture and size, it is unlikely that the UK will ever have a culture of philanthropy and private investment in the arts that resembles that of America, we note that there is more potential for arts and heritage bodies to gain extra funding from philanthropy and private investment, and that there are things they could be doing to increase their private income. We also suggest that there are things the Government and Arts Council can do to incentivise private giving to arts and heritage, including a local honours system. We are critical of the Arts Council's decision to withdraw funding from Arts & Business, which facilitates links with industry and commerce. It is a significant omission, too, from the Government's 'philanthropy strategy' that it has suggested no reforms to the tax or gift-aid system to encourage contributions and we urge it to do so.

6 Funding of the arts and heritage

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1 Introduction

Our inquiry

1. On 14 September 2010 the Committee decided to launch an inquiry into funding of the arts and heritage. In doing so we were very much aware of the challenges facing arts and heritage organisations, including the impact of the recession and reductions in overall spending by central and local government. We were also aware that the results of the Government's Comprehensive Spending Review (CSR), due to be announced in October 2010, would be more than likely to detail further public spending cuts, including to arts and heritage.

2. We agreed terms of reference and invited evidence on the following issues:

- What impact recent, and future, spending cuts from central and local Government will have on the arts and heritage at a national and local level;
- What arts organisations can do to work more closely together in order to reduce duplication of effort and to make economies of scale;
- What level of public subsidy for the arts and heritage is necessary and sustainable;
- Whether the current system, and structure, of funding distribution is the right one;
- What impact recent changes to the distribution of National Lottery funds will have on arts and heritage organisations;
- Whether the policy guidelines for National Lottery funding need to be reviewed;
- The impact of recent changes to the Department for Culture, Media and Sport's (DCMS) arm's length bodies - in particular the abolition of the UK Film Council and the Museums, Libraries and Archives Council;
- Whether businesses and philanthropists can play a long-term role in funding arts at a national and local level;
- Whether there need to be more Government incentives to encourage private donations.

3. We held seven oral evidence sessions, and received a total of 238 written submissions. In November 2010 we visited arts organisations in Manchester and Dulwich Picture Gallery in London. In January 2011 we visited the Arts Council Collection in South London, and Pinewood Studios in Buckinghamshire.

4. Our inquiry spanned a number of significant announcements regarding changes to arts funding, which are listed in the table below:

26 July 2010	Secretary of State announced review of DCMS' arm's length bodies; including abolition of UK Film Council and Museums Libraries and Archives Council;
14 September 2010	inquiry into funding of the arts and heritage launched;
12 October 2010	first oral evidence session held; witnesses included Alan Davey, Chief Executive of the Arts Council;
20 October 2010	Government announced results of CSR, including 25% reduction in DCMS budget; DCMS announced 29.6% reduction in grant-in-aid to the Arts Council;
26 October 2010	Arts Council announced across-the-board cut of 6.9% to all its Regularly Funded Organisations;
4 November 2010	Arts Council announced launch of the National Portfolio funding programme;
24 January 2011	closing date for applications to the Arts Council's National Portfolio;
25 January 2011	final oral evidence session held with Alan Davey and Dame Liz Forgan, Chair of the Arts Council.

Arts and heritage

5. The arts and heritage landscape in the UK is rich and varied. This was reflected in the number and diversity of arts and heritage organisations which submitted written evidence to our inquiry. Almost all the submissions we received in relation to our inquiry stressed the importance of the arts and heritage in the cultural life of the country, and many stressed their importance in attracting tourism, stimulating regeneration, and the role they can play in education or health. For instance Arts Council England, in its submission, stated that, in its view, “support of the arts is crucial to our prosperity as a nation and the wellbeing of its citizens [...]”,¹ and the Heritage Alliance told us that “heritage-led tourism alone generates a return four times as great as the whole DCMS budget and many, many times greater than central government expenditure on heritage”.²

6. We were also mindful of how popular, successful and internationally admired the arts and heritage in the UK are. Jeremy Hunt, the Secretary of State for Culture, Olympics, Media and Sport summed up how he viewed the arts in his first keynote speech in May 2010:

Britain has one of the most vibrant, extraordinary cultural sectors in the world. We win more Oscars than any country except America. We have more world-class museums and galleries than anywhere else in the world. We have a theatre scene that – in London alone – grosses more than half a billion pounds in box office receipts

1 Ev 154

2 Ev 149

last year. We have – in the British Library – the largest and most comprehensive research collection in the world, hosting more than 150 million items from every era of written history, and our creative industries, that employ around 2 million people.³

7. The cultural and economic benefits of the arts and heritage are many, but how they should be funded has been an ongoing source of debate. The arts and heritage sectors are not inherently subsidised industries – a number of individual artists, organisations, and heritage owners do not receive any public money; however many do receive some public subsidy. It is the level and administration of this public subsidy that is often in debate, and, at a time of recession and public spending cuts, never more so than now.

2 Funding of the arts

8. There are currently a number of sources of funding for arts organisations in the UK. These include:

- DCMS direct grant
- Arts Council England
- National Lottery funding opportunities
- European Union funding schemes
- Local authority support for the arts
- Trusts, foundations and private giving
- Box office or admission charges
- Merchandising or sponsorship
- The UK Film Council (which is to be abolished – see paragraphs 112 - 126)
- Collaborations with artistic rivals
- Foreign governments and businesses

9. The responsible Government Department, the Department for Culture, Media and Sport (DCMS), mainly distributes funds through Arts Council England (the Arts Council) using what is known as the ‘arm’s length’ principle. This is the principle whereby Government issues grant-in-aid to a particular sector, but does so through another body, so that the Government does not make direct funding decisions itself.

10. Arts Council Chair, Dame Liz Forgan, summarised her support for the arm’s length principle during a speech in 2009:

Arm’s length [is a] principle by which Government, national and local, contributes to the support of artists and the arts through a mechanism that is separate from day to day party politics. It is a principle which was first articulated by Keynes in 1946 and which has served us all, politicians and artists, very well since. It keeps the arts free of political interference in the content and nature of creative expression. It protects politicians from being held accountable for the occasionally outrageous, offensive or otherwise troublesome work of artists. It is looked at jealously by artists in some countries that do not have these arrangements [and] is seen as an emblem of good practice all over the world.⁴

⁴ Dame Liz Forgan, Chair of Arts Council England, speech at the Theatrical Management Association’s Ambitions for the New Age conference, 12 November 2009

11. DCMS also directly sponsors 21 institutions including the Tate, National Portrait Gallery and the Wallace Collection. DCMS has summarised the mixture of sources available to arts organisations on its website:

The Arts in England are funded through a wide variety of sources, which include earned income, Government subsidy, private donations and business sponsorship. Funding the Arts in this way can be beneficial to artists and arts organisations, as relying on a single funding source can be risky. A variety of funding sources also gives greater artistic freedom and financial flexibility.⁵

12. An emerging model of arts funding for organisations is for one-third of income to come from state subsidy, one-third from box office and the remainder from commercial revenue sources.⁶ This contrasts with the United States, where arts funding is reportedly 90% private, and continental Europe, where public funding is considerably higher than in Britain or the US.⁷

13. As shown in the table below, from 1999 to 2006 the UK Government invested heavily in the arts with an increase in total grant-in-aid funding to the Arts Council of £248,836,000:

DCMS grant-in-aid to Arts Council England

1998/99	£179,337,000
1999/00	£212,248,000
2000/01	£238,179,000
2001/02	£252,455,000
2002/03	£290,405,000
2003/04	£325,955,000
2004/05	£369,859,000
2005/06	£409,178,000
2006/07	£427,862,000
2007/08	£423,601,000
2008/09	£437,631,000
2009/10	£452,964,000

Source: DCMS

5 www.dcms.gov.uk

6 Ev 156

7 Ev 148

Arts Council England

History and functions

14. Public spending on the arts in Britain was first formalised in 1940 when the Government funded Committee for Encouragement of Music and the Arts (CEMA) was set up to promote British Culture. In 1946, under the Chairmanship of John Maynard Keynes, CEMA was renamed the Arts Council for Great Britain and granted a Royal Charter.

15. In 1994 the Arts Council for Great Britain divided into the Arts Councils for England, Scotland and Wales. In the same year the National Lottery was launched, and the Arts Council England became one of the distribution bodies for lottery funds.

16. Today the Arts Council is still a Government-funded body dedicated to promoting the visual, performing and literary arts. The Arts Council has a National Council that is made up of 16 members, including the Chair and nine regional representatives, who are all appointed by the Secretary of State for Culture, Olympics, Media and Sport. The nine regional representatives on the National Council also head regional arts councils which have responsibility for regional strategies and investment plans.

17. The Arts Council has two funding streams: grant-in-aid, and proceeds from the National Lottery. The bulk of the grant-in-aid is currently invested in a portfolio of around 880 Regularly Funded Organisations (RFOs), which have received £1.03 billion between 2008 and 2011.⁸ RFOs include large national organisations, such as the Royal Shakespeare Company and English National Opera; high profile regional organisations such as Nottingham Contemporary or Sage Gateshead; and smaller organisations, such as the British Federation of Brass Bands. The Arts Council announced on 4 November 2010 that it was replacing its system of RFOs with a new National Portfolio funding programme (which is discussed in more detail at paragraphs 33 - 43 of this Report).⁹

Funding the arts

18. In May 2010, DCMS announced that it would contribute £61 million from its budget towards reducing the Government deficit. It said the savings would be made by:

- Reducing the Olympic Delivery Authority budget by £27 million;
- a 3% cut to all bodies within the DCMS sector;
- cutting the department's own core budget by 3%;
- an additional reduction in the Arts Council's budget of £5 million, which, combined with the 3% reduction, means that £19 million of the total savings to DCMS budgets will come from the Arts Council.¹⁰

8 Ev 154

9 "Biggest change to arts funding in a generation", Arts Council England press release, 04 November 2010

10 "Our contribution towards reducing the Government deficit", DCMS press release, 24 May 2010

19. Dame Liz Forgan responded to the DCMS funding announcement:

We all knew this year would be tough. We do not understand why we have received a higher percentage cut than other DCMS funded bodies.

Making cuts within the financial year is very difficult. We will now need to carefully assess what this figure of £19m means. The Arts Council has already trimmed down its own budgets by £4m in 2010/11 so this takes our total reduction to £23m.¹¹

20. On 18 June 2010, the Arts Council responded to the reduction in its budget by announcing an across-the-board 0.5% funding cut for each of its RFOs. Its press notice stated:

We've been working hard to find ways to implement this cut (in central government funding) while protecting art, and the organisations that enable it to happen, to the fullest extent possible. The cut to regularly funded organisations' 2010/11 income from Arts Council will, therefore, be limited to 0.5%.

This relatively minimal reduction has been made possible only by the exceptional use of £9 million of the Arts Council's historic reserves, access to which was previously blocked by government. Had this not been the case, we would have been forced to pass on a 3% (£10.8 million) cut to our funded organisations.¹²

21. Alan Davey told us that the Arts Council had opted for the initial 0.5% across-the-board cut for organisations in order to make a quick and fair decision.¹³ Louise de Winter, then Director of the National Campaign for Arts (NCA), agreed that speed and simplicity was welcomed by arts organisations who accepted the rationale behind the 0.5% cut. However, she argued that a different approach would be needed for more substantial cuts:

I think the 0.5% cut was more or less understood and accepted by the sector, but that's because it was 0.5%. I think if we're looking at bigger cuts, and Alan knows this, then there will need to be a degree of finessing whereby [...] larger organisations with broader shoulders ought to potentially bear a bigger share of the load.¹⁴

The cost of the Arts Council

22. Given the heavy investment in the arts since 1997, we asked Alan Davey, the Arts Council Chief Executive, whether he was surprised at the cuts to the Arts Council's budget. He told us:

This year I think is a particular golden year, if you like. It's the year when the funding is probably the highest it's been, just about, and it's where the arts organisations themselves are performing very highly. If you look up and down the country there are regional theatres, for example, that are doing amazing stuff. There's a whole lot

11 "Arts council responds to a £19 million reduction in funding from DCMS", Arts Council England press release, 24 May 2010

12 "Arts Council England implements cuts to 2010/2011 budget", Arts Council England press release, 18 June 2010

13 Q 58

14 Q 59

of new writing going on; interesting productions that people are going to see. So there's a real interest in the public there. Our orchestras are all over the country. For about £16 million we fund eight symphony orchestras in the country, including the regional ones, who have some amazing international conductors. The cost of the Berlin Philharmonic is €24 million. So for less than the cost of one German orchestra we get a whole orchestral ecology, which is acknowledged to be one of the best in the world.

So I think we're in a healthy position. We're not denying that cuts are going to happen, and I think the sector is preparing itself responsibly for whatever cuts come next week.¹⁵

23. We asked Alan Davey what the Arts Council could do to absorb some of the budget reduction, and if the Arts Council had made any attempts to reduce its own administration costs. He told us:

We've reduced it [the Arts Council administration cost] considerably by £6.9 million this year alone. We have undertaken a thorough organisational review. I've reduced my board by about half. We've reduced the numbers in head office and, indeed, our regional network to a similar extent. So we've reduced staff by 21% overall-by a fifth.¹⁶

24. As a result of the Government's CSR, the overall budget for DCMS was cut by 25% in October 2010. DCMS subsequently made a number of spending decisions including overall budget reductions to Sport England (33%); UK Sport (28%); English Heritage (32%) and Visit Britain (29%).¹⁷

25. DCMS also outlined a 29.6% reduction in its overall grant-in-aid for the Arts Council over four years from 2011/12 to 2014/15. The grant-in-aid for these years are shown below:

Year	Grant-in-aid
2009/10	£452m
2011/12	£388m
2012/13	£360m
2013/14	£352m
2014/15	£350m

Source: Arts Council England

26. In a press release issued on the same day as the CSR announcement, the Arts Council said "these cuts will inevitably have a significant impact on the cultural life of the country".¹⁸

15 Q 2

16 Q 5

17 HC Deb, 28 June, col 368W

18 "Arts Council responds to 29.6 percent spending cut", Arts Council England press release, 20 October 2010

27. On 26 October 2010, the Arts Council announced that in response to the 29.6% reduction in its grant-in-aid it was distributing an across-the-board 6.9% cut in funding for arts organisations in 2011/12. As with the previous 0.5% across-the-board cut, the Arts Council argued that this represented a “quick and fair decision” for arts organisations.¹⁹ The Arts Council also announced that it was to reduce its own administration costs by 50% - a cut that would be implemented midway through 2012/13.²⁰

28. The Arts Council’s administration costs have been reduced considerably since 2001/02, when it spent £58.3 million on administration, which amounted to 9.3% of its grant-in-aid.²¹ In 2010 the Arts Council had reduced this figure to £22.6 million, which represented 6.6% of its grant-in-aid. The further 50% cut to be made in 2012/13 will come on top of the reductions already made.

29. These figures led us to question whether the Arts Council had previously been spending an unnecessarily high amount on its own administration; and, if this was so, whether its administration budget was so inflated that it could withstand a 50% cut whilst still being able to perform its core functions.

30. In oral evidence, Dame Liz Forgan was adamant that the cut imposed by DCMS was not in any way a reflection of the way in which the Arts Council had previously been run:

You’ve got under our skin by suggesting that the settlement in the spending review was in some way related to the view that the Minister might have had that we were not a well run organisation. I must tell you that at no time did the Secretary of State ever say that to me. On the contrary when he said to me, “I want you to make the 50% cut” you’ve just referred to, he said, “I know this is very tough, I know that you have already, in this year before the spending review, done sterling work on the costs of the Arts Council. I know I’m asking you to do something very harsh, but I’m afraid that’s the terms of the settlement with Treasury and that’s that.” So no, I don’t think that the settlement—which I think in the circumstances is fair and decent, though it’s tough for the arts—should be seen as some kind of punishment for the Arts Council failing in its duty, because I don’t think that’s right.²²

31. The fact that the Arts Council was able to make such significant reductions in spending on its own administration while still functioning well as an organisation indicates it was previously spending far too much on itself. Its previous cuts will undoubtedly make it harder to achieve a further saving of 50%, particularly given the new responsibilities that the Arts Council is taking on.

32. While the overall budget cuts imposed on the Arts Council are severe, it must be remembered that they occur in the context of the Government’s Comprehensive Spending Review which aims to reduce public spending by £81 billion by 2015 and that other DCMS arm’s length bodies have had their budgets cut by up to 33%. We have to

19 “Across the board 6.9% cut in funding for arts organisations”, Arts Council England press release 26 October 2010

20 *ibid.*

21 *ibid.*

22 Q 480

accept, therefore, that the Arts Council should have to take at least a proportionate share of the pain.

National Portfolio funding programme

33. On 4 November 2011 the Arts Council announced what it described as the “biggest change to arts funding in a generation”,²³ in the form of the new National Portfolio funding programme. The National Portfolio, designed to replace the system of RFOs, is an open-application system, in which all arts organisations will have to apply for funding on a regular basis – including those organisations currently listed as RFOs.

34. The main changes that will be implemented through the National Portfolio are:

- Introduction of an open application process, meaning that any groups or individual artists can apply to be part of the National Portfolio;
- National Portfolio grants will mostly be for three years. However, the Arts Council says it is willing to be flexible and may agree two-year deals or anything up to six years;
- Organisations will have tailor-made agreements, rather than the rigid system whereby all RFOs have to meet the same criteria; and
- Some larger members of the National Portfolio will have a "strategic relationship" with the Arts Council, and will be expected to help smaller organisations.²⁴

35. The schedule for the roll-out of the National Portfolio programme, outlined in the Arts Council announcement on 4 November, is:

- 24 January 2011 – deadline for applications to the National Portfolio;
- End of March 2011 – the Arts Council announces funding decisions;
- April 2012 – National Portfolio programme becomes fully operational.

36. The Arts Council’s *National Portfolio Funding Programme: guidance for applicants* lists the criteria used by the Arts Council in assessing funding applications from arts organisations or individual artists. The assessment process is split into two stages. First, a judgement is made about the contribution the applicant would make to the overall aims and goals of the Arts Council; the financial sustainability of the organisation; and the governance and leadership of the organisation. Secondly, a judgement is made about how well that organisation would fit into the Arts Council’s notion of a balanced portfolio, based on range of art forms, diversity, size and location.²⁵

37. During our visit to Manchester in November 2010, we heard some concerns from arts organisations, including from John Summers, Chief Executive of the Hallé Concerts Society, about the administrative task the Arts Council had set itself in assessing so many

23 “Biggest change to arts funding in a generation”, Arts Council England press release, 04 November 2010

24 *ibid.*

25 Arts Council England, *National Portfolio Programme: guidance for applicants*, 25 November 2010

applications in the two month window between the end of January and the end of March 2011. We put this concern to Alan Davey, who told us he was confident the Arts Council could manage the task, even given the reduction in its administration budget:

It's going to be very complicated. We have the skills to do it; we have the people to do it; we know how we are going to do it. We can do it in two months and give people the decisions where, if they are currently Regularly Funded Organisations and there is some material change to their circumstances, they will have 12 months to adopt that change, and also we'll have 12 months with the organisations that we are funding to discuss with them what the funding agreement will be and what their relationship with us would be.²⁶

38. Dame Liz Forgan reiterated this confidence:

The Secretary of State asked us, "Please, head for that date." He was very anxious, quite understandably and rightly, that organisations should have as much notice as possible. We agreed to the target date, but we did ask ourselves very seriously, "Can we do this properly?" and we believe we can.²⁷

39. The Arts Council is due to announce which, and how many, arts organisations will be accepted into the National Portfolio at the end of March 2011. The Arts Council has received in the region of 1,340 applications, and Alan Davey told us that he expected only approximately 750 of those applications to be successful.²⁸

40. The Arts Council initially stated, in November 2010, that the National Portfolio would be smaller than the list of RFOs, with the potential loss of more than 100 organisations by 2015.²⁹ The potential consequences of the withdrawal of Arts Council grants from so many arts organisations were summarised by the Arts Council itself in its written submission to this inquiry:

[...] many arts organisations large and small will be lost. Even those that manage to survive what could be a perfect storm, may find it difficult to produce the work to the quality or on the same scale that they have done previously. Evidence from previous rounds of cuts suggests that less ambitious work loses audience interest and leads to a spiral of decline in artistic standards.³⁰

41. This emphasises how serious the consequences of the Arts Council's decisions are. Failure to be accepted into the National Portfolio programme could mean closure for some arts organisations and, as stressed by the Arts Council itself, the reduction in grants could impact on both the quality and quantity of work produced.

42. We welcome the fact that the new National Portfolio is an open application process, and that more flexible and tailor-made funding agreements will be drawn up with arts

26 Q 522

27 Q 541

28 Q 522

29 "Biggest change to arts funding in a generation", Arts Council England press release, 04 November 2010

30 Ev 155

organisations. However, because the National Portfolio funding programme is open to all arts organisations, it will inevitably attract more applications; and, if funding agreements are to be more flexible and tailor-made, this process will be a heavier administrative burden than previously.

43. We remain concerned at the speed with which the Arts Council is undertaking the massive programme to assess all of the applications to the National Portfolio, many of which come from organisations that were not on the previous list of Regularly Funded Organisations. While we recognise the desirability of giving organisations as much notice as possible, the decisions taken will leave approaching half of those applying disappointed. This is likely to result in some organisations having to close and there will inevitably be complaints that the process has been flawed and insufficiently rigorous.

Arts Council funding decisions

44. With the new National Portfolio programme comes a shift in the criteria used by the Arts Council to make funding decisions. For the National Portfolio, the Arts Council is assessing all applications against criteria that extend beyond the artistic work of the organisation and includes factors such as governance and financial sustainability.

45. There is a risk, in using the financial sustainability of an organisation as a criterion for funding, that arts organisations which are already struggling may find it even harder to make their case for funding. Similarly, smaller arts organisations may not have a defined governance structure as it is more likely that, in a small team, people will perform more than one role. We questioned whether there was an inherent contradiction in the criteria which might mean that the more financially successful arts organisations were more likely to gain subsidy. Dame Liz Forgan told us:

When we say we want them to be financially sustainable, [we understand that] many arts organisations will always need public subsidy. What we want are business plans that work, perhaps with a combination of public and private money, so that we start out knowing what they are going to do and how they are going to pay for it, and that we don't get faced halfway through the year with, "Oh dear, we have just gone a million or two over the budget." I think most of the arts sector, sometimes to the surprise of people who don't know it very well, is extremely well managed.³¹

46. We agree with the emphasis the Arts Council has placed on financial management and sustainability in its criteria for funding applications. It is vital that public money is spent wisely, and this means that arts organisations themselves have a responsibility to be as efficient and financially sustainable as they can. We urge the Arts Council to continue in its role of providing advocacy and advice in this area to help arts organisations plan properly and sustainably.

47. Much of the written evidence we received for this inquiry drew our attention to the many successful arts projects that have been funded by the Arts Council. These ranged

from the Horse and Bamboo touring theatre company in Lancashire,³² to the English National Opera in London.³³ However, we also heard from some successful arts organisations that do not receive Arts Council funding.

48. The Theatre Royal in Bath does not receive any regular public subsidy, and yet is regarded as one of the most successful regional theatres in England. It has three auditoria, including a children's theatre, and runs a large education and outreach programme. The Director of the Theatre Royal, Danny Moar, told us that he has some concerns about public subsidy and the Arts Council:

There is a, possibly fundamental, problem with subsidies. I think some organisations have two audiences. They have their audience that they are trying to develop a long-term relationship with, and then they have their funders, who may have a completely different agenda for the organisation, compared to their audiences. Then what can complicate things even further, you could have the Arts Council wanting one thing, the local authority funders wanting another, and you have an artistic director, administrative director trying to run a theatre with possibly three different audiences. It can confuse the brand, it can confuse where the organisation is going. I'm a total supporter of subsidy, but there are dangers attached to it, for sure.³⁴

49. Danny Moar went on to say that from his experience of dealing with the Arts Council he thought they had their priorities wrong:

What I was struck by was the remorseless and obsessive preoccupation with what they would call audience development, which basically means making people who aren't fundamentally interested in the theatre, come and see your show by any means possible. I think one of the real problems of the funding system in this country is that the system finds it very hard to accept that it's okay not to like the arts. It's okay not to like the theatre, it's okay not to like music. All these things are fine, and it's a testament to human diversity that some people like the theatre and some people don't. I think that's what the funding system has spent so much time doing, chasing after new audiences who, for perfectly legitimate reasons, are just not interested.³⁵

50. The Arts Council should encourage arts organisations to build on their core audiences, but should not put pressure on them to relentlessly pursue people who are not interested in the arts.

51. When we put these concerns to the Arts Council, Dame Liz Forgan responded:

I have a horrible feeling that there may be some justice in this, in the case of some individuals. I wouldn't be surprised; but in policy terms, I think we do perfectly well understand that there are people who don't like the arts and never want it. [...] We're not interested in hitting people over the head and making them go to see

32 Written evidence from Horse + Bamboo Theatre [not printed]

33 Written evidence from English National Opera [not printed]

34 Q220

35 Q253

Shakespeare. We're interested in not depriving people who would love it from having it.

One of the cuts in our own expenditure that we had to make was that our next plan for audience development was specifically going to be aimed not at people who never go to the arts, but at people who consume the arts a very little bit to see if we couldn't encourage them to do it a little bit more. I'm sure that's the sensible way to go.³⁶

52. We heard other, similar, concerns about the level of control that the Arts Council expects to have in the work of arts organisations. For example the OYAP Trust, Oxfordshire's youth arts charity, questioned the structure and the priorities of the Arts Council:

The trouble with centralisation is depersonalisation – there needs to be more funding at a local level, and more distribution at a local level, with more local say in how funding is spent – rather than large anonymous bureaucratic structures, where you are just a reference number on a piece of paper, and if you don't put the right words on the paper, you know that really good projects that are in response to a very local need, will just get thrown out. The Arts Council have shifted the emphasis on supporting and advocating for the work that the arts community want to do, in favour of dictating what we should be doing, how we should be doing it, and being policed by this ever changing and shifting body.³⁷

53. Some arts organisations also voiced frustration at the time and resources needed to apply for grants. When we visited Dulwich Picture Gallery (DPG) in South London, we heard that DPG had applied for Arts Council funding but had rarely been successful in securing it. DPG felt that the application process was complex, with no-one from the Arts Council to use as a sounding board during the application process and little feedback after the event. They also felt that the time which needed to be devoted to applying was out of all proportion to the funding being sought. **Many arts bodies have a small number of staff and limited resources and have to apply for funding from a number of sources. The process of applying for grants and subsidies is something of a necessary evil for the arts sector and it is important that due process is followed. We are concerned that the Arts Council is failing to support organisations sufficiently in this process when it should be one of its highest priorities to do so.**

The art supported by the Arts Council

54. The nature of the art that is funded by the Arts Council has also been called into question during the course of our inquiry. Academic and author, Dr Tiffany Jenkins, questioned the Arts Council's role in endorsing certain types of art through the award of grants, and expressed concern that Government pressure on the Arts Council had resulted in a focus away from artistic merit.³⁸ This concern was echoed by critic and commentator Norman Lebrecht, who suggested to us that the distance between Government and the

36 Q 542

37 Written evidence from OYAP Trust [not printed]

38 Q 341

Arts Council was disappearing and that Arts Council decisions had become “political decisions rather than arts-based decisions”.³⁹

55. David Lee, Editor of the visual arts magazine *The Jackdaw*, argued that the Arts Council only funded a narrow section of the visual arts, and this would mean that most visual artists would not be affected by spending cuts or restructuring of the Arts Council. He said:

I think they [the Arts Council] have, over the last 20 or 30 years, focused on one very small area of art that they have promoted to the exclusion of all the others. If you consider that contemporary art is a very broad spectrum of activity, on one side you might have the still lifes of William Packer, Eric Rimmington, James Gillick—artists you won’t have heard of—and on the other side you have the kinds of work that get nominated for the Turner Prize: piles of ash, piles of clothes, piles of sweets, piles of virtually anything.

In between there is a whole range of other work, abstract painting, and so on and so forth. Now, the Arts Council has exclusively funded and promoted through its galleries one area of this work and that’s the reason, when the Arts Council funds are cut by 30%, it will affect 1% of artists in this country because the other 99% are effectively disfranchised by them.⁴⁰

56. There are no consolidated statistics about the number of people working as artists, or creating art in their spare time, but it is likely that many visual artists are unsubsidised by the Arts Council. This could also be said of other areas of the arts that are largely produced by individuals, such as literature. Norman Lebrecht told us: “Is literature art? Of course it is. But should it be looked after by the Arts Council? No, of course not; it exists within a marketplace”.⁴¹

57. The Arts Council has a published list of goals and priorities that it expects all arts organisations applying for funding to contribute towards. These goals and priorities do include “artistic excellence” as well as social criteria such as “developing arts opportunities for people and places with the least engagement” and “improving the delivery of arts opportunities for children and young people”.⁴² Many of the arts organisations which sent written submissions to our inquiry argued that much art has an inherent dual-purpose, such as education or rehabilitation. Manchester arts venue, Cornerhouse, wrote:

Cultural organisations are at the heart of our ‘Big Society’, the arts encourage participation, raise aspirations and improve quality of life and opportunities for the young people and disadvantaged communities who need them the most. They are also the North West’s economic success story. They develop talent for the creative industries, which are fundamental to the future competitiveness of British business, and provide a massive boost to tourism and the visitor economy.⁴³

39 Q 343

40 Q 334

41 Q 344

42 Arts Council England, National Portfolio Programme: guidance for applicants, 25 November 2010

43 Written evidence from Cornerhouse [not printed]

58. **The role of the Arts Council is to distribute public funds to the arts using its knowledge and expertise. Debates about the artistic merit of individual arts projects, whether funded by the Arts Council or not, are often subjective and it is not the role of Parliament to comment on them. It is vital that the arm's length principle, whereby the Arts Council operates independently of Government, is upheld. However, it is equally important that decisions by the Arts Council should not be perceived to be influenced by its own political or artistic prejudices.**

59. **The social and economic benefits of the arts are not mutually exclusive from artistic merit. Many of the arts organisations from which we have heard provide valuable services while also producing good art. Organisations that use art as a means to engage with young, excluded or vulnerable groups may not be able to raise their own revenue, and therefore may be dependent on subsidy. We welcome the Arts Council's support of these arts projects, but this should not take priority over the need to promote the widest range of art forms based primarily on quality and future potential.**

The Public gallery in West Bromwich

60. One of the Arts Council's most controversial funding projects is that of The Public, a multi-media art gallery in West Bromwich, owned by the local authority Sandwell Borough Council. From its opening in 2007, The Public received £520,000 funding a year from the Arts Council. However, in 2009 the Arts Council withdrew regular funding, due to the fact that the main interactive gallery still had not opened. In a press release dated 28 January 2009, the Arts Council stated:

Although the building is open, the interactive art gallery at the centre of the vision for The Public is not. We have done everything we can but there comes a point where we have to make a difficult judgement - and regretfully, that moment is now.⁴⁴

The Arts Council did, however, offer The Public a one-off grant of £3 million for the period between 2008 and 2011, but no agreement for funding after that. The Public was rescued from administration by Sandwell Borough Council who, having already invested £20 million in the project, gave a further £500,000 revenue grant following the Arts Council's decision. This attracted criticism, as it was perceived by local people that the project funded by the Arts Council had been so badly run that it was unable to open; and the problem was only made worse when the Arts council withdrew its funding.

61. Although Alan Davey and Dame Liz Forgan were not at the Arts Council at the time, we asked Alan Davey what lessons the Arts Council had learned from the experience of The Public. He told us:

[...] I think it's our ability to be firm and to say no when people who are committed, passionate and enthusiastic are urging us to stay with it despite our concerns not being answered. So we had some concerns about a loss of focus as the project got bigger and bigger and we should have been firm, I think, earlier.⁴⁵

44 "Statement regarding The Public", Arts Council England press release, 28 January 2009

45 Q 36

62. We also asked Alan Davey whether the Arts Council had produced a report on The Public, or shared the lessons learnt from the failure of the project. He told us that nothing had been published, although that was “an interesting idea”.⁴⁶

63. We were disappointed at the inability of the Arts Council to address key questions regarding The Public gallery in West Bromwich. The Arts Council played a major role in a gross waste of public money during its involvement in the West Bromwich project. Mistakes have been made throughout and we were concerned at the inability of the Chief Executive to provide answers to our questions and the lack of any serious attempt to learn lessons or prevent a repetition. We consider this to be a failure of leadership at the Arts Council. It does not inspire confidence in the Arts Council. We recommend that the Arts Council undertake, and publish, an independent review of their role in the failure of the project.

The Arts Council Collection

64. The Arts Council Collection (ACC) is a publicly owned loan collection of post-war and contemporary British art. The Collection contains over 7,500 artworks and is the most widely circulated loan collection in the UK.⁴⁷ The ACC is funded by the Arts Council, which in 2008/09 spent £180,000 on ACC acquisitions⁴⁸ and is managed by the Southbank Centre and housed in South London on behalf of the Arts Council.

65. Any museum or gallery can apply to borrow an artwork from the ACC, and applications are only usually refused for reasons of security, climate control or other logistic factors.⁴⁹

66. The ACC states that at any one time 25-30% of its works are on show somewhere in the country and that this figure is high in comparison to most public collections, which typically have around 10% of their work on show at any one time.⁵⁰ Nonetheless, this means that up to 75% of the collection is not on show at any one time. We were also told that over 4,000 works had not been on loan for over 10 years. Alan Davey told us that he regarded the ACC as a very hard-working collection:

One of the things that we have been talking to the Arts Council Collection about is how we think it's a very hardworking collection already—around a third of its contents are out at any one time and we'd like to get that up to about 50% if we can. We've been discussing with them what the barriers are to that and I think you got the flavour of that in your visit. Not many people actually know that they can borrow from the Arts Council Collection. There are only six members of staff, so we need to talk to them about how we can improve that performance. But we also need to keep

46 Q 41

47 Written evidence from Arts Council Collection [not printed]

48 Written evidence from Arts Council Collection [not printed]

49 www.artscouncilcollection.org.uk

50 Written evidence from Arts Council Collection [not printed]

these wider questions under review as part of some wider work on collections policy in general.⁵¹

67. We visited the Collection in January 2011, and were impressed with the dedication of the ACC staff and the work they do. We were told of ACC programmes to increase the number of artworks loaned to hospitals and schools, as well as a collaboration with the National Trust and the ACC's programme of guest curators. We also saw some of the artworks being conserved, as well as some of the work being done to photograph and digitize the Collection in order to make it accessible online. Up until our visit to the ACC we had been unaware of a lot of the work done by the ACC, and that the Collection was available for public borrowing.

68. ACC's acquisition decisions are made by a committee made up of Arts Council and ACC staff, and its external advisors who are often visual artists.⁵² The ACC says the following about its acquisitions policy:

The Collection purchases innovative work by artists living in Britain, with a focus on the work of younger and emerging artists. While funding occasionally enables the purchase of work by more established artists, the Collection has received support in the past from the Henry Moore Foundation, The Art Fund and Outset Contemporary Art Fund for particularly ambitious acquisitions.⁵³

69. The ACC has attracted some criticism for its acquisition policies. Art critic and *The Jackdaw* editor, David Lee, questioned whether the Arts Council should be purchasing works by artists already represented in the ACC, and whether the ACC represents good value for money given there are already other publicly owned collections:

[...] in times of financial hardship it is imprudent that new acquisitions should be made of work by artists who are either already extensively represented in its own or in other Government collections [...]. Such duplications are obviously wasteful and indicate more generally that collections might rationalise their purchasing nationally, or at least regionally. How many national collections, each harbouring enormous quantities of unseen work do we need buying works – even the same ones – by the same few fashionable artists?⁵⁴

70. As at 31 March 2010, the ACC was valued by its curator at £96.9 million, compared with £91 million in March 2009.⁵⁵ The ACC has never sold any of its artworks. We asked the Arts Council whether it would consider selling any of the Collection in order to make the Collection self-sustaining. Dame Liz Forgan told us that the ACC is being reviewed but issued a word of caution:

We're talking to the Government Art Collection and the British Council. We need to look at these collections together. A private collector collects for a different purpose

51 Q 486

52 www.artscouncilcollection.org.uk

53 www.artscouncilcollection.org.uk

54 Ev 202

55 Arts Council England, *Annual Review 2010*, HC (2009-10) 272

from a public collection. It is not the same thing. This is the nation investing in its young artists and in its patrimony of art. The question is: is the public getting the value it should from that investment? [...] that could be done by increasing the use that is made of it and it could be by thinking carefully about whether you de-accession works from time to time.⁵⁶

71. The Arts Council Collection is an important and valuable public asset. We welcome the work it has done to make British works of art more accessible to British people, and specifically commend their programme of lending artworks to schools and hospitals, although this is insufficiently well known.

72. We recommend that the Arts Council Collection should review its policy of never selling any of its artworks. At a time when the Arts Council is under serious financial pressures, strategic de-accessioning could make the Collection more dynamic and financially sustainable, as well as help fund the operation costs of increasing its loans.

73. The Arts Council Collection is a very lean operation and we acknowledge that with such limited resources it is not an easy task to get more of the artwork out on loan. However, a public collection should be more visible to the public. The Arts Council Collection is not as well publicised as it should be, and this has resulted in a majority of its works remaining in storage. We believe that the Collection should aim to have at least 50% of its works out on loan at any one time. We also recommend that a review of public art collections is undertaken, with a view to amalgamating the Government and British Council Art Collections with that of the Arts Council, in order to achieve economies of scale, with a consequent renaming of the Collection to reflect its public ownership.

Local authority funding

74. The Local Government Association (LGA) describes the role that local authorities play in funding the arts:

Supporting the arts, culture and heritage is a billion pound concern for local authorities in England. In 2008-09 this investment supported a total of 1099 theatres, concert halls, arts centres and museums and galleries. Councils also play a major facilitation role, helping to maintain networks of people, groups and facilities, and in particular supporting community and voluntary groups.⁵⁷

75. In a speech on 17 May 2010, the Chancellor of the Exchequer announced that the “coalition has agreed that £6 billion of savings to non-front line public services should be made this financial year”.⁵⁸ On 24 May 2010 it was announced that £1.165 billion of these savings would be made in local government by reducing grants to local authorities. In addition, the Government announced the removal of the ring-fences around over £1.7 billion of grants to local authorities in 2010/11, “to give them greater flexibility to re-shape

56 Q 493

57 Ev 191

58 “Speech by the Chancellor of the Exchequer, the Rt Hon George Osborne MP, on the OBR and spending announcements”, HM Treasury press release 02/10, 17 May 2010

their budgets and find savings in the areas set out above, while maintaining the quality of services to their customers”.⁵⁹

76. Local authority subsidy of the arts is often used as a lever for ‘match funding’ – whereby private sponsors, or lottery funds are given to match those of the local authority. The cuts in local authority spending are causing considerable concern in the arts sector. Most of the arts organisations who sent written submissions to our inquiry told us that they would suffer a ‘double-whammy’ of funding cuts due to the reduction in Arts Council grants, as well as reductions in local authority spending. For example, Birmingham Museums and Art Galleries (BMAG) wrote that it was:

[...] facing significant reductions in its local authority core funding and is consequently reducing the range of public services it delivers in areas such as education, family and community cohesion programmes. Delivery of previously free public services such as temporary exhibitions and provision of education programmes are now reliant on charging in order to be retained, this will present a barrier for many families on low incomes as well as culturally diverse audiences, something that is particularly important in a city such as Birmingham.⁶⁰

77. The National Campaign for the Arts (NCA) suggest that some areas of arts and culture would be hit harder than others by reduction in local authority spending:

Museums and galleries, for example, are less reliant on subsidy from the Arts Council, and more so on financial support received from their local authorities. Local authorities have flexibility over discretionary budgets and so the impact on arts and cultural expenditure will vary from council to council, but their budgets are even more vulnerable as all local authorities will be cut by 25%.⁶¹

78. The National Association of Local Government Arts Officers voiced considerable concern about how cuts would be administered:

Local government funding for arts and heritage underpins the sector in England, but these services are not statutory (excluding some record office obligations and minimum provision of libraries). Consequently, cultural and leisure budgets are under major threat as councils ask what is the minimum they are required to do. Furthermore, these budgets have already been under pressure for some time – there is little room to manoeuvre.⁶²

79. In oral evidence, Ed Vaizey, the Minister for Culture, Communications and the Creative Industries, agreed that removing ring-fences around local authority spending would inevitably create disparities from one council to another:

We can’t dictate to local authorities what spending decisions they make within the envelope of spending they are given but I hope that the signal from us that we want

59 “Government announces £6.2bn of savings in 2010/11”, HM Treasury press release 04/10, 24 May 2010

60 Written evidence from Birmingham Museums and Art Gallery [not printed]

61 Ev 128

62 Written evidence from the National Association of Local Government Arts Officers [not printed]

to support arts organisations across the country in terms of their funding will be taken on board. There will be certain local authorities that support their culture and others that perhaps don't support it as strongly as others.⁶³

80. We asked some representatives from local government how cultural services could be protected, given the removal of ring-fencing for local authority spending. Simon Eden, the Chief Executive of Winchester City Council, told what was important was understanding the impact of the spending:

It is inevitable with localism that some may take a decision, "We'd rather spend on this than that" culture or whatever you choose to call it. I think the issue is making sure that we properly understand the ramifications and the consequences of cultural spend. It's not just about pumping £200,000 into subsidy for your local theatre. It's about supporting a theatre with an education programme, making sure it reaches the schools, in our case, for example, in the rural communities or making sure in other cases, it reaches more deprived communities with an education programme and saying, "Is that having an impact". If it's having an impact and it's having effect, fine. If it's not, then maybe you have your funding wrong. You shouldn't be funding that. You should be funding that over there.

So it does come back to a local choice and we shouldn't be, I think, expecting—which is my argument against statutory culture, if you like—that, therefore, everybody will get it and will spend money on culture.⁶⁴

81. We also heard from Councillor Gary Millar from Liverpool City Council, who said that Liverpool had received "£800 million of additional economic spend because of arts and culture in 2008 and 27.5 million visitors came to the city because of arts and culture".⁶⁵ He argued that this elevated cultural activities above being luxuries, and made them necessities for the economic health of the city.⁶⁶

82. Simon Eden added that in his local authority in Winchester, "in the south, and prosperous",⁶⁷ cultural spending still had a social element:

We put [...] a significant amount of money into cultural projects and we don't do it just because culture and arts are good things, for art's sake. Of course there's an argument for that. But the way the members I work for and the members I work within that partnership, see it is that by investing in cultural activity they're providing something for young people to do.

For example, there's a very good dance project that the county and the district have invested in, which is in one of the more deprived areas. [...] Putting money into that

63 Q 364

64 Q 106

65 Q 102

66 Q 102

67 Q 102

project has those involved in street dance and there was a notable reduction in antisocial behaviour as a result of that. So we don't see arts culture as a luxury.⁶⁸

83. At a time when the Arts Council is forced to make reductions in the grants that it awards arts projects, if local authorities also choose to make cuts to spending on the arts, this could prove to be devastating for some arts organisations. We are encouraged by what we have heard from some local authorities who value the role arts and culture play in their local areas and who understand the social and economic benefits that the arts can provide. However, we are disturbed by the number of local authorities coming forward proposing very substantial cuts, which inevitably will mean the end for a number of local arts institutions and arts events.

Arts in a cold climate

84. Much of the impact of the spending cuts by central and local government remains to be seen. However, we received many submissions from the arts sector predicting the consequences of some of these spending decisions and outlining some of the measures arts organisations have already implemented to try and mitigate the impact of a potential reduction in funding.

85. It is unsurprising that most of the arts organisations which we heard from over the course of this inquiry were very concerned at the impact that the spending cuts would have on them. Many of them state that they are already having to reduce their services, productions and projects. For example, the Royal Shakespeare Company wrote:

Whilst we don't yet know the final figure for cuts to arts funding, it's clear that cuts on the scale proposed (25-40%) will have real and significant impact for the arts and for the audiences who enjoy them. Most likely for us it will mean fewer productions, less touring, and a curtailment of the free events and educational activities which help us reach new audiences.⁶⁹

86. The Foundation for Community Dance, which represents small dance projects throughout England, told us:

Small community-based dance organisations, which the Foundation for Community Dance represents, will find it difficult to sustain year-round activity and will be thrown back on small and intermittent project grants – a regression to the funding environment of the 1990s. Much is being made of the potential cuts to national arm's length bodies, yet our concern is that reduction in funding by local authorities will have a deeper impact on community and participatory arts activities. Funding for organisations that offer community dance activities as part of their programme is very often a partnership between the Arts Council and local authorities, and we would regret any return to the game of ping-pong between funders symptomatic of previous decades.⁷⁰

68 Q 102

69 Written evidence from the Royal Shakespeare Company [not printed]

70 Written evidence from the Foundation for Community Dance [not printed]

87. In the Committee's annual evidence session with the Secretary of State in September 2010, Jeremy Hunt acknowledged the vulnerability of arts organisations but maintained his stance that he was targeting cuts in order to protect frontline services:

[...] front-line arts organisations are vulnerable in the situation we're in because if they have a sudden cut in their grant, that means they reduce their artistic output, that means they are able to secure less in ticket sales, less in philanthropic donations, and there is a risk of a cycle of decline. That is why we have to be very careful if we are in a situation, as we are, where overall the money going to such organisations is likely to be reduced. We want to do it in an intelligent way that helps people get through a very difficult patch, and taking difficult decisions about our own admin costs is part of the way that that is possible.⁷¹

88. However, as mentioned in paragraph 40 of this Report, the Arts Council has already stated that, due to the reduction in its grant-in-aid, it will fund a smaller number of arts organisations from 2012, so it is quite likely that some arts organisations will be forced to close as a result.⁷²

89. It is inevitable that the combination of spending cuts from central and local government will have a major impact on the arts sector. The Arts Council is unable to fund the same number of projects as it has previously and this will no doubt result in the loss of some arts organisations, particularly if they have not made alternative funding arrangements.

Regional variations

90. We examined whether all arts organisations would be similarly affected by the changes in funding, or whether there would be variances depending on size, location or types of art.

91. Many arts bodies told us that smaller organisations would be disproportionately affected by a reduction in their funding. For example, the Oxfordshire based youth arts charity, OYAP Trust, wrote in its submission to this inquiry:

Smaller charities are struggling without local government support, as they find it harder to attract funding from trusts and foundations as demand for their support is intensifying to ridiculous levels. So it is the local, grassroots organisations that are going to die, and the national charities and large scale charities with buildings and staffing resources that will survive.⁷³

92. Smaller organisations are often already stretched, both in terms of the resources at their disposal and their ability to create revenue or attract private funding. The StopGAP touring dance company, based in Surrey told us that:

Most small arts organisations already practice "economies of scale" because it's the only way to survive already – there are no more savings in that area for us. There is

71 Q 21

72 "Biggest change to arts funding in a generation" , Arts Council England press release, 04 November 2010

73 Written evidence from the OYAP Trust [not printed]

only a limited number of costs we can reduce as we still need cash to pay wages. Core costs are very difficult to find funding for, and these are the costs that need to be covered by government subsidy.

Our options of reducing our costs are very limited as we are already operating on a shoe string. We can't reduce office staff as this level of operating is our absolute minimum to manage the workload to keep the dancers in full time employment. If we were to reduce the numbers of dancers in the company, we would invalidate the £50,000 investment we have made in creating our new repertoire that is due to be performed for the next 2 – 3 years.⁷⁴

93. The New Vic Theatre in industrial North Staffordshire attracted 175,000 visitors last year—including 50,000 from education and outreach sessions—and its funding is 60% self-earned, 31% Arts Council England and 9% from local authorities. It is concerned that, on top of existing Arts Council cuts, its ability to sustain earned income is also under threat from the impact of public sector job losses. While welcoming the shift to National Portfolio funding, it remains concerned that arts funding will still have a heavy metropolitan bias and philanthropy will struggle to make up the shortfall in the regions:

In addition to this funding, it is also comparatively easier to raise money from the private sector in London, where the majority of head offices are found, than outside where regional offices are less in control and have smaller budgets. In addition, a larger proportion of wealthy individuals are London- or South East-based.⁷⁵

94. This is not to say that the spending cuts have not also worried large organisations. Nicholas Serota, Director of the Tate, launched an attack on the Government's spending cuts in an article in the *Guardian* in October 2010, stating that museums could be forced to close up to two days a week as a result of what he called "savage" spending cuts and went on to say that "you don't prune a tree by cutting its roots".⁷⁶

95. Louise de Winter, then Director of the NCA, expressed concern that if regional arts bodies were cut it would limit the opportunities for art that originated in London to reach people elsewhere:

It isn't just about museums but it is about theatres and performing houses and receiving houses. If, for example, theatres get cut outside of London, that means a big national ballet company that tours will find it harder to take its work to people outside of London; so what we end up with is a potential concentration of artistic activity in the capital and maybe one or two other metropolitan areas that are fortunate enough to sustain those systems but, for the large majority of the people, potentially their ability to consume and to see is much more constrained. So there is an impact on touring as well.⁷⁷

74 Written evidence from StopGAP [not printed]

75 Written evidence from the New Vic Theatre [not printed]

76 "A Blitzkreig on the arts", *The Guardian*, 04 October 2010

77 Q 66

96. In rural areas, where there is less of an arts and culture infrastructure, local communities are inevitably more dependent on the few arts projects in their area. Arts organisations in areas with a sparse population have less financial leverage when it comes to raising their own revenue streams.

97. This, coupled with the likelihood that rural councils have smaller budgets for cultural spending, can make arts provision in rural areas quite vulnerable. As Derbyshire County Council wrote:

There needs to be a careful assessment of the effects of the cuts on different parts of the country, both geographically and economically. Rural areas already suffer from a lack of cultural services, and both national and local government intervention is essential in maintaining such services. The free market does not naturally serve rural areas, as venues are often too small to be economically viable. Rural touring of performing arts, for instance, is an essential service in these areas, provides good value for money (compared with subsidy of theatres in city centres), helps with social cohesion, overcomes isolation for both young and old, and provides a focus for local communities.⁷⁸

98. This is also true of their ability to raise private investment or philanthropic giving, which we discuss in more detail in paragraphs 199 – 214 of this Report.

99. Outside London and the metropolitan areas, arts organisations find it a lot harder to make their own money. It is vital that, even in less densely populated parts of the country, people still have access to cultural activities. It is all the more important in this climate that the Arts Council take these factors into account when selecting its National Portfolio and we urge it to continue to do so in the future.

Fixed costs

100. During the course of our inquiry we were also mindful of the fact that arts organisations have different fixed costs and overheads depending on the nature of their art, their location and their size. For example as Mark Pemberton, Director of the Association of British Orchestras, explained, orchestras have a high fixed cost due to the number of professional musicians they need to employ:

Obviously, an orchestra is an extremely different organisation to a theatre, the bricks and mortar and the ability to sweat that asset that you have. The primary cost for an orchestra are the musicians themselves. Sadly, unlike football, there are not transfer fees for musicians and they are not financial assets. It costs a lot of money to have that number of people. Of course, when Mahler wrote a symphony, that number of musicians are required to be on the concert platform. Unlike theatre, orchestras cannot choose to do three or four-handers to slim their costs.⁷⁹

78 Written evidence from Derbyshire County Council [not printed]

79 Q 220

101. Many arts organisations, especially theatres, museums and galleries, occupy old and sometimes listed buildings, which can have high running and maintenance costs. The Theatres Trust wrote:

Theatres across the UK are still in need of a wide-reaching and coherent programme of capital investment to enable them to upgrade the basic fabric of their buildings to make them more accessible and financially viable, to improve their environmental efficiency, to increase audiences and help revitalise our tourism industry, and to act as a catalyst for urban regeneration.⁸⁰

102. Although the spending cuts will affect a wide range of arts organisations, the larger bodies have more resources to cushion the blow. It is the smaller arts projects which may only have a couple of members of staff that are at most at risk. The speed at which the cuts have been implemented has made it very difficult for these smaller arts projects to look at other options, and it is of great concern that so many of these organisations could be lost.

What arts organisations can do themselves

103. Part of the terms of reference of our inquiry was the question of what arts organisations could do themselves in terms of different ways of working and exploiting different revenue streams. We were particularly interested in whether there was scope for arts organisations to work more closely with each other and any potential for sharing resources.

104. We had a large number of responses from a wide range of organisations, with mixed views on the question of whether arts bodies could co-operate more. The RSC wrote that larger organisations “have a responsibility to share skills, expertise and resources with others in the sector”.⁸¹ The RSC cited its own programme of co-producing projects with small theatre groups as well as sharing studio space as a successful example of this. The RSC also said that it worked with local schools and drama clubs and heritage organisations associated with William Shakespeare.⁸²

105. During this inquiry we visited the Manchester arts venue Cornerhouse, which is also part of the Plus Tate network. Plus Tate is a programme run by the Tate galleries, which aims to share some of Tate’s knowledge, skills and resources with smaller arts bodies throughout the UK. There are 18 arts organisations in the Plus Tate programme including the Baltic in Gateshead, the Hepworth in Wakefield, and the Mostyn gallery in Llandudno. Cornerhouse told us that the scheme had been successful as far as they were concerned and welcomed the opportunity to work alongside representatives from the Tate.

106. Smaller arts bodies claim to be pooling resources with each other already. For example, the Horse and Bamboo Theatre in Rossendale, Lancashire uses a pool of self-employed artists contracted for specific pieces of work, who are shared by other theatre

80 Ev 168

81 Written evidence from the Royal Shakespeare Company [not printed]

82 Written evidence from the Royal Shakespeare Company [not printed]

groups.⁸³ Arts & Business, the body that helps arts organisations raise private investment from businesses, argued that more acquisitions and mergers needed to reduce duplication of work, such as back-office administration, and make economies of scale for arts bodies.⁸⁴

107. The Arts Council argued that it did promote collaboration between its RFOs, but arts bodies did not tend to have large back-room operations:

Our experience is that organisations are generally very lean in this area, frequently having only a book keeper and a more senior member of staff who is partly responsible for finance in addition to other things.

There is always an up-front cost involved with shared services, since reorganisation and merger are complex legal operations. This means consultants and lawyers are required. Often the savings are marginal, and so the shared work only makes a saving over time.⁸⁵

108. The Association of British Orchestras (ABO) argued that mergers and sharing resources could be a false economy:

Although it seems tempting to assume that there is potential for significant savings from mergers and sharing back office functions, there is a body of evidence that shows this not to be case. Evaluation of Arts Council England's Thrive programme revealed that for a successful merger to take place, significant *additional* one-off investment is required, for which there is no obvious source of funds. And merger does not necessarily generate a saving in subsidy or running costs; it merely enables the merged organisation to do more with the same level of subsidy.⁸⁶

109. The Arts Council currently funds seven chamber orchestras and eight symphony orchestras, four of which are based in London.⁸⁷ As well as the Arts Council funded orchestras, the BBC funds the BBC Symphony, the BBC Philharmonic, the BBC Scottish Symphony, the BBC Symphony Chorus based at the Barbican in London, the BBC Concert and the BBC National Orchestra of Wales, as well as the BBC Singers. **We are not convinced of the need for so many subsidised orchestras, whether by the Arts Council or the BBC. We recommend that the Arts Council and the BBC work together to identify areas of duplication and options for joint-working.**

110. **More generally, the different responses we received to the question of whether arts organisations could work more closely with each other highlight the diversity of organisations and working practices that exist in this sector. Wherever savings and efficiencies can be made by sharing resources and skills, this should be done. However, we are mindful that there is not one solution that fits all. Many smaller organisations do not have the resources to spend time strategically restructuring or liaising with other bodies. Therefore we recommend that the Arts Council makes it a criterion for large**

83 Written evidence from the Horse + Bamboo Theatre [not printed]

84 Ev 147

85 Ev 156

86 Ev 165

87 Q 243

organisations applying for the National Portfolio to instigate programmes to share their knowledge and skills with smaller arts bodies in the manner of successful programmes such as Tate Plus.

Restructuring of arm's length bodies

111. On 26 July 2010, Jeremy Hunt, the Secretary of State for Culture, Olympics, Media and Sport, announced a review of DCMS' arm's length bodies.⁸⁸ The statement also announced the abolition of the UK Film Council (UKFC) and the Museums, Libraries and Archives Council (MLA).

The UK Film Council

112. The British film industry is subsidised in two ways: through tax relief, and from Lottery funds. The UKFC currently distributes Lottery grants to fund script development, film production, short films, film export and distribution, cinemas, film education, culture and archives, festivals and audience support schemes. The UKFC itself receives grant-in-aid from the Government, which in 2009/10 amounted to £37 million, a £7 million increase from its 2008/09 grant.⁸⁹ The total Lottery income for 2009/10 received by the UKFC was £34.2 million. Apart from the film projects and production funds that are sponsored by the UKFC, a number of other bodies receive UKFC grants including the British Film Institute (BFI) and the National and Regional Screen Agencies.

113. UKFC statistics, published on 20 January 2011, state that British films made over £1 billion at the box office for the second year in a row in 2010, up 2% from 2009.⁹⁰ Investment in new UK film production reached £1.155 billion across 119 films in 2010, a new record for the British film industry.⁹¹ When we visited Pinewood Studios in Buckinghamshire in January 2011, we were very impressed by the quality and the scale of the productions made there and the expertise of the staff.

114. In his statement on 26 July 2010 Jeremy Hunt said that “abolishing the UK Film Council and establishing a direct and less bureaucratic relationship with the British Film Institute [...] would support front-line services while ensuring greater value for money. Government and Lottery support for film will continue”.⁹²

115. In response to this announcement the UKFC Chair, Tim Bevan, who is one of our most distinguished film producers, made the following statement:

Abolishing the most successful film support organisation the UK has ever had is a bad decision, imposed without any consultation or evaluation. People will rightly look back on today's announcement and say it was a big mistake, driven by short-

88 HC Deb 26 July 2010 cols 59-61WS

89 UK Film Council Group and Lottery Annual Report and Financial Statements for the year ended 31 March 2010, HC (2009-10) 276, p11

90 UK Film Council, Statistical Yearbook 2010, 20 January 2011

91 *ibid.*

92 “DCMS improves efficiency and cuts costs with review of arms length bodies”, DCMS press release 081/10, 26 July 2010

term thinking and political expediency. British film, which is one of the UK's more successful growth industries, deserves better.

Our immediate priority now is to press the Government to confirm that the funding levels and core functions that are needed to underpin British film are locked-in, especially at a time when filmmakers and film companies need more support than ever as they make the challenging transition into the digital age. To that end, we will work with the DCMS over the summer to identify how they can guarantee both continuity and safe harbour for British film.⁹³

116. The abolition of the UKFC attracted considerable criticism from representatives of the UK film industry and from abroad. In press reports, director and producer, Mike Leigh likened it to “abolishing the NHS”,⁹⁴ while actor Liam Neeson described the decision as “deplorable” and Clint Eastwood agreed.⁹⁵ The Government suggested that the UKFC had spent public money in orchestrating its campaign and the Committee heard evidence that the UKFC had employed a “third party comms strategy”. Mr Bevan argued that this was a necessary response to a significant increase in the number of press inquiries.

117. Jeremy Hunt defended his decision to abolish the UKFC in an article in the *Observer* in August 2010, declaring that “stopping money being spent on a film quango is not the same as stopping money being spent on film”.⁹⁶ In our annual evidence session with the Secretary of State in September 2010, we asked him about his reasons for abolishing the UKFC. He told us:

The Film Council spent 24% of the grant that it received on its own admin and we asked ourselves if there was a better way to support the UK film industry than having a large number of executives paid more than £100,000 and an office in LA.⁹⁷

118. When Tim Bevan gave evidence to us in October 2010, he disputed that the UKFC was spending a quarter of its budget on administration, and said that the figure was actually 10%.⁹⁸ He also asserted that the British film industry was good value:

[...] it is very good value for money. It is a business that generates £1 billion-worth of inward investment a year, which is a healthy return to the Exchequer.

The thing about the film industry is, in production terms, it's divided into two distinct arenas. One is inward investment, which is bringing big studio pictures into the country [...] Then the other half of the production business is domestic British production. In that, we punch a little bit above our weight, I think, in terms of a world film producer in that we have delivered, as it were, to the world film industry

93 “Abolition of UK Film Council”, UK Film Council press release, 26 July 2010

94 “Mike Leigh: scrapping UK Film Council is like ‘abolishing the NHS’”, *Daily Telegraph*, 27 July 2010

95 “Liam Neeson condemns UK Film Council abolition”, *The Guardian*, 28 July 2010

96 “Jeremy Hunt, ‘I’ve cut the UK Film Council so that money goes to the industry’”, *Observer*, 8 August 2010

97 Q 25

98 Q148

probably more writers, directors, actors and producers than other countries of a similar size.⁹⁹

119. According to the UKFC Annual Report published in March 2010, the UKFC spent £8.3 million on its operational costs, which represented approximately 22% of its grant-in-aid settlement of £37 million.¹⁰⁰ However, these operational costs also include the administration of the UKFC's Lottery income of £34.2 million. As a percentage of the combined grant-in-aid and Lottery income, the operational costs make up 11.6%. This represents a decrease on the percentage spent on operational costs in 2008/09, which was 28.6% of the grant-in-aid and 13.8% of the combined income.¹⁰¹

120. Tim Bevan claimed that the decision to abolish the UKFC was a complete surprise and said that he was “broad-sided by [Culture Minister] Ed Vaizey at midnight on Friday to be told that the announcement was going to take place on the Monday that the Film Council was going to be closed down”.¹⁰²

121. We asked Ed Vaizey whether this was a fair assessment of the conversation. He said:

I think it's fair for Tim Bevan to say that he wasn't expecting us to announce that we were abolishing the UK Film Council. I think that there had been a level of dialogue; it was obviously a very live issue, the relationship between the two bodies. But I think for Tim it did come as a bolt from the blue that we were going to abolish the UK Film Council.¹⁰³

122. The DCMS announcement abolishing the UKFC also mentioned creating a “less bureaucratic relationship” between the Government and the BFI.¹⁰⁴ This implied that the BFI could be involved in taking over some of the roles performed by the UKFC.

123. On 29 November, Ed Vaizey announced that the BFI will become the “flagship body for film policy in the UK”; and the BFI would be nominated as the distributor of film Lottery money via secondary legislation. The statement also announced that lottery funding for UK film will increase from £27 million to more than £40 million by 2014.¹⁰⁵

124. The BFI's grant-in-aid was reduced by 15% as part of the CSR settlement,¹⁰⁶ and when we had heard from Amanda Nevill, Director of the BFI in October 2010, she said the BFI would have to “change quite fundamentally from the board down [...] to bring in new people and new skills into the additional organisation to do that”.¹⁰⁷

99 Q 114

100 UK Film Council Group and Lottery Annual Report and Financial Statements for the year ended 31 March 2010, HC (2009-10) 276, p11

101 UK Film Council Group and Lottery Annual Report and Financial Statements for the year ended 31 March 2010, HC (2009-10) 276, p11

102 Q129

103 Q 392

104 HC Deb 26 July 2010 cols 59-61WS

105 HC Deb 29 November 2010 col 59WS

106 HC Deb 21 October 2010 col 60WS

107 Q 170

125. **The British film industry is good value for money; not just in terms of the revenue it brings into the country, but also in its promotion of the UK as a cultural centre and a tourist destination. However, it is important for bodies that distribute public funds to keep their own administration costs down and we have some sympathy with the Government view that the UK Film Council has spent too much on administration and wages.**

126. **The abolition of the UK Film Council was handled very badly by the Government. We would not expect a decision with such significant implications for the film industry to be sprung on the UK Film Council with little discussion or consultation. It is extremely regrettable that a film-maker of the stature of Tim Bevan has, as a result, decided to take no further part in Government-sponsored initiatives. It also appears that little or no thought had been given as to who would take on its functions. The UK Film Council was originally created because the Arts Council was felt to be doing a poor job in supporting British film. We would therefore have been very concerned if the initial suggestions that this task would revert to the Arts Council had proved to be correct. We agree that the British Film Institute is the best placed organisation to take over the role of distributing film funding, although given the reduction in its grant-in-aid this will not be an easy task. However, we are encouraged by the latest statistics on the health of the British film industry, and are confident that it will continue to thrive.**

The Museums, Libraries and Archives Council

127. In the same DCMS statement on 26 July 2010 that announced the abolition of the UKFC, it was also announced that the Museums, Libraries and Archives Council (MLA) would be abolished.¹⁰⁸ The MLA performs a number of roles. It identifies its own key functions as:

- Managing Renaissance in the Regions - the £50m a year programme which delivers funding to regional museums ensuring government can effectively influence the direction and delivery of non-national museum services across the country;
- Accrediting and developing museums to national standards;
- Designating vital collections in non-national institutions;
- export licensing and providing an expert service to the arm's length Reviewing Committee (which recommends export bars on objects of national significance);
- AIL (Acceptance of iconic objects in lieu of inheritance tax) and its arm-length panel;
- Government Indemnity and national security – essential in enabling touring exhibitions;
- funding the Portable Antiquities Scheme and many smaller, but far reaching and highly valued products such as Culture 24 and Collections Trust;

- the Strategic Commissioning Programme - helping to build the important relationship between museums and schools (funded through DCMS and Department for Education);
- National initiatives such as Reference Online, People's Network.
- The Future Libraries Programme;
- Working in close partnership with The National Archives to ensure that archive services are integrated into wider public service agendas with the ambition of making them more accessible to the public.¹⁰⁹

128. Our predecessor Committee commended the work of the MLA in its 2007 Report *Caring for our collections*, in particular its Renaissance in the Regions programme. The Report also recommended that the MLA deserved a “period of stability to enable it to provide vital support and strategic leadership to the museums, galleries and archives communities”.¹¹⁰

129. The reaction from the museums sector to the announcement of the abolition of the MLA has generally been one of surprise and concern. In its written submission to our inquiry, the National Museums Directors' Conference (NMDC) highlighted four main concerns about the abolition, namely:

- the future of MLA functions, particularly the Renaissance in the Regions funding;
- the transference of the MLA's UK-wide functions to the national Governments;
- the loss of strategic leadership and policy advice from the MLA, particularly given the reduction in central DCMS staff, and the worry that national museums will be expected to take on this role;
- the risk of core funding being cut under the pretence of administrative changes.¹¹¹

130. On 9 December 2010, DCMS announced that the Arts Council would be taking over a number of functions relating to museums and libraries, principally:

- The Renaissance in the Regions programme for regional museums, including completing the re-design of its content and operation;
- Regional museums improvement and development agenda, including the Accreditation standard and the Designation Scheme and projects relating to the 2012 Cultural Olympiad;
- Libraries improvement and development agenda;
- Cultural property functions including, for example, export licensing, Government Indemnity, acceptance in lieu and security advice.¹¹²

109 Ev 158

110 Culture, Media and Sport Committee, sixth Report of Session 2006-07, *Caring for our collections*, HC 176-I, para 222

111 Ev 178

131. The Arts Council has been allocated a budget of around £46 million a year by DCMS to deliver these additional functions.¹¹³ The separate budget for the Renaissance in the Regions programme has been cut by 15% to £43.4 million, in line with the overall cut to the museums sector made in the CSR.

132. We received some words of caution, in written submissions from the museums sector, about any potential transfer of MLA functions to the Arts Council. The National Museum Directors' Conference (NMDC) wrote:

NMDC is concerned over the future of MLA functions – particularly Renaissance funding, but also other functions such as Government Indemnity and Acceptance in Lieu. If these are to be absorbed into the Arts Council, will museum issues be adequately understood/represented? We need to emphasise that museums aren't just about the arts.¹¹⁴

133. Mark Taylor, director of the Museums Association, also expressed scepticism about this development and said that “Arts Council England has precious little money with which to run the museum functions it will take on from the MLA, so the key question is – what is it that MLA does now that will have to be dropped?”¹¹⁵

134. Roy Clare, the Chair of the MLA told us:

I think there is a question over whether the Arts Council, with its new funding regime, has the capacity to absorb the additional work involved and also whether, in its current form, the Arts Council is sufficiently reformed to adapt to the new ways of working with lower overhead costs.¹¹⁶

135. In January 2011, we asked the Arts Council if it thought it had the necessary resources and expertise to take on the extra functions. Dame Liz Forgan responded:

[...] there is a wonderful vision of a whole approach to culture that takes in libraries, museums and the arts. It's very hard, I think, to realise that vision at a time when the whole country, including us, is undergoing recession and there isn't any money to do it with. I think that's very difficult, and we have to be careful. We have to manage expectations about what we really can do.¹¹⁷

136. In a press release on 4 February 2011, the Arts Council outlined how it will handle the transfer of responsibilities from the MLA. It made a commitment to retain key MLA staff, and announced that the Chair of the MLA, Sir Andrew Motion, was being appointed to the Arts Council's National Council.¹¹⁸

112 “Arts Council England takes on museums and libraries functions”, Arts Council England press release, 09 December 2010

113 *ibid.*

114 Ev 179

115 “Museums' future under Arts Council England”, *Museums Journal*, January 2011, p15

116 Q 277

117 Q 571

118 “Arts Council and Museums, Libraries and Archives Council announce 2011/12 funding plans”, Arts Council England press release 04 February 2011

137. We commend the work of the Museums Libraries and Archives Council, as our predecessor Committee did in 2007, and do not see any persuasive reason for the Government's decision to abolish it.

138. We are concerned that the Arts Council does not have the expertise or the resources to carry on, adequately, the functions of the Museums, Libraries and Archives Council. We welcome the Arts Council's commitment to retain key MLA staff. However, given the reductions the Arts Council is having to make in its own operating costs, it is unrealistic to expect that the Arts Council can carry out the role as effectively as the MLA. We recommend that the Government review the Arts Council's museum and library functions and consults libraries and museums in 2012.

The Public Lending Right

139. The Public Lending Right (PLR) was established by the Public Lending Right Act 1979 which gave British authors a legal right to receive payment for the free lending of their books by public libraries. Under the Act, funding is provided by central Government and payments are made to eligible authors in accordance with how often their books are lent out from a selected sample of UK public libraries. To qualify for payment, authors must apply to the Registrar of PLR who is appointed by the Government to maintain a register of eligible authors and books, and to supervise the administration of PLR. Registered authors are paid once a year for the loans of their books during the previous year which runs from 1 July to 30 June.¹¹⁹

140. On 14 October 2010, as part of its review of arm's length bodies, the Government announced that the PLR body would be abolished, and its functions transferred to another public body.¹²⁰ On 21 October, as part of the Comprehensive Spending Review (CSR), the Government announced the funding settlement for the PLR up until 2014/15 stating that DCMS funding for PLR, which currently stands at £7.45 million will be reduced by 15% over the four year period from £7.22 million in 2011/12 to £6.96 million in 2014/15.¹²¹

In the same statement, DCMS also announced that it had decided not to extend PLR to audio and e-books.¹²²

141. As at March 2011, DCMS has not announced to which public body the current PLR functions will be transferred. In December 2010, we asked Jim Parker, the Registrar of the PLR, what discussion his organisation had had with DCMS in the run-up to the announcement of its abolition. He told us:

[...] there wasn't a lot of discussion. [...] We knew that arm's length bodies were under review, and being the smallest of the arm's length bodies that are funded by

119 PLR press notice, 08 November 2010

120 "Improving efficiency and transparency", DCMS press release 096/10, 14 October 2010

121 HC Deb 21 October 2010 col 60WS

122 Ibid.

the department, we knew that we would be looked at. But other than knowing the review was going on, we were not asked anything about our own fate.¹²³

142. Jim Parker went on to say that during the phone call he received from DCMS informing him of the abolition of the PLR body, it was mentioned to him that the body it had in mind to transfer its functions to was the Arts Council.¹²⁴ Subsequently, he was told this would not in fact happen:

The Arts Council is having a number of other functions transferred to it, and it eventually transpired that for whatever reason that wasn't going to work. Therefore, Ministers and officials looked around for another body within the department that would be best suited to take on our functions. Other than being kept up to date from time to time, saying, "Well, we haven't decided yet" or, "We're making an approach", I have not been consulted on the choice of body.¹²⁵

143. Jim Parker said that his preferred choice would be to form a public-private partnership with the Authors' Licensing and Collecting Society (ALCS), the not-for-profit private organisation that is owned and governed by the authors whose fees it collects. He said that he had submitted this proposal to DCMS, but had heard nothing further from the Department about it.¹²⁶

144. Speaking on behalf of writers, the author Stella Duffy also argued that PLR functions would be best placed with an organisation that already knew the sector:

[...]it makes much more sense to have two bodies that know each other and are already working well together, particularly when the Arts Council has already been asked to make massive cuts and is very confused about where those cuts are going to be made. [...]These two bodies seem to me much more adept to work together than any other large organisation that might want to take over PLR, including those that are more about the product than about the writer.¹²⁷

145. Barbara Hayes, the Deputy Chief Executive of ALCS, told us that her organisations would welcome this, and had this to say about the future of PLR:

I think perhaps that is what has caused where we are now—it [the PLR] is as lean as it can get. It is a very effective and very well thought of organisation, and our preference of course is to keep PLR exactly where it is now. Unfortunately, that doesn't seem to be the way that the current situation is demanding.

[...] we have certainly had joined-up writing together with regards to membership recruitment strategies. Things that we were talking about as a business joint venture included communications and tracing authors for whom we are holding funds. So it's that type of work that we could do together, and there are a great number of

123 Q 442

124 Q 442

125 Q 442

126 Q 448

127 Q 453

synergies going on here. We do not want to be duplicating effort, so there seemed to be a natural partnership that could develop.¹²⁸

146. It has also been reported that PLR functions will be transferred to the British Library, which is directly sponsored by DCMS.¹²⁹

147. We are surprised at the Government's decision to abolish the PLR body and disappointed that DCMS did not discuss the future of the PLR with its Registrar before announcing its abolition. It follows the same disturbing *modus operandi* as with the other bodies, including the UK Film Council. We have not found anyone who supports this decision. Any proposal that the Arts Council should take over the PLR was unrealistic and rightly abandoned. However, this has left the PLR in a state of protracted uncertainty, which could have been avoided had the department discussed proposals with the PLR sooner.

148. We do not believe that the British Library is an appropriate body to take on the work of administering the PLR. Far more appropriate is the ALCS, which already distributes royalty payments to authors. We understand that there may be a legal technicality preventing this, in which case we recommend that legislative measures are put in place to allow it to happen as soon as possible.

128 Q 454

129 www.societyofauthors.co.uk

3 Heritage funding

149. When we were drawing up the terms of reference for our inquiry, we decided to include both arts and heritage. There are many similarities between the two sectors, including dual funding from Government and National Lottery funds; the distribution of Government grant-in-aid by arm's length bodies; and recent cuts to these budgets.

How heritage is funded

English Heritage

150. English Heritage, established in 1984, is an arm's length body that performs multiple functions: statutory advisor to the Government; designator of heritage assets; technical research and advisory organisation; grant giver; property manager; and membership organisation.¹³⁰ It operates at a national level and at nine regional offices and a large number of individual visitor sites (such as Stonehenge).

151. The organisation's budgetary position has deteriorated in recent years. Grant settlements since 1997 have been below inflation resulting in a real terms reduction of £130 million. English Heritage also considers itself disadvantaged by comparison with DCMS support for sports and arts. In the last ten years Arts Council England's budget has increased by 90% and Sport England's by 182%, while English Heritage has been subjected to an 11% cut.¹³¹

The Heritage Lottery Fund and the National Heritage Memorial fund

152. In 1994, the National Heritage Memorial Fund (NHMF) and its Trustees were given the major task of distributing the heritage share of Lottery money for good causes, which it now operates through the Heritage Lottery Fund (HLF). Both the NHMF and the HLF have wide remits to contribute to safeguarding heritage in the form of collections and objects as well as buildings and landscapes, and operate over the UK as a whole. In the case of the NHMF this is often in the form of emergency acquisitions for the nation, such as the recent retention of the Staffordshire Hoard in the West Midlands, and is the only dedicated source of this kind. Both differ from, for example, English Heritage, not only in terms of wider geographical coverage but also by not being able to assist individual private owners.

The importance of heritage

153. The historic environment comprises assets of enormous cultural, social, economic and environmental value. These contribute to our quality of life and the qualities of the places where we live, work and spend our leisure time and are a vital cultural and educational resource. Heritage sites may be of international significance or of local interest,

130 Ev 141

131 Ev 141

but all are important to the communities in which they are located and once lost they are lost forever.

The economic value of heritage

154. As with the arts and other cultural activities, heritage also contributes to economic growth, regeneration, education and tourism. A report published by the HLF and Visit Britain in March 2010 revealed the value of heritage for the economy, as follows:

- Over 10 million holiday trips are made by overseas visitors to the UK each year with 4 in 10 leisure visitors citing heritage as the primary motivation for their trip to the UK – more than any other single factor;
- Heritage tourism is a £12.4 billion a year industry. This is the annual amount spent not just at heritage attractions themselves (for example the cost of entrance to a historic site or in a museum shop) but also the broader amount of spending that can be reasonably said is ‘motivated’ by the desire to visit heritage attractions (for example visiting a restaurant or staying at accommodation in heritage sites);
- Domestic tourism or the ‘staycation’ is the main component of this expenditure; of the annual £12.4 billion spent on heritage-based tourism, 60% comes from UK residents on day trips and UK holidays;
- £7.3 billion of heritage expenditure is based on visits to built heritage attractions and museums, with the overall £12.4 billion including visits to parks and the countryside as well;
- The direct GDP contribution of heritage tourism – the wages and profits earned by tourism businesses, such as hotels, restaurants and shops, as well as heritage attractions themselves – is estimated at £7.4 billion a year. Once economic multiplier impacts are added – such as the income earned by suppliers to tourism businesses – the total GDP contribution of heritage tourism is £20.6 billion a year;
- Tourism has the potential to be one of the fastest growing sectors of the economy over the next decade, and the appeal of heritage will be vital to that growth.¹³²

155. Although the Government has acknowledged the importance of heritage tourism to the UK economy¹³³ and Visit Britain’s £50 million marketing budget has been protected as part of the CSR settlement,¹³⁴ continuing concern has been expressed about the value government attaches to heritage. The Heritage Alliance, Historic Houses Association (HHA) and HLF have told us that they think the impact and economic potential of heritage tourism has been undervalued by Governments in the past.¹³⁵

132 Heritage Lottery Fund and Visit Britain, *Investing in success- heritage and the UK tourism economy*, March 2010

133 Prime Minister’s Speech at the Serpentine Gallery, 12th August 2010

134 HC Deb 21 October 2010 col 60WS

135 Ev 150, 170, 175

156. Edward Harley, President of the HHA, told us that historic houses alone contribute £1.6 billion to the tourism economy.¹³⁶ He also told us that in rural areas, the 500 members of the HAA who open their houses and gardens open to the public (which represents more than English Heritage and the National Trust combined) attract 14 million visitors a year and over 300,000 educational visitors.¹³⁷ £139 million per year is spent on conserving these historic houses and their contents, largely without public subsidy.¹³⁸ Much of this expenditure feeds back into the local economy, including much needed local employment.

157. We are pleased to note the Government's recognition of the importance of heritage tourism to the UK economy by protecting Visit Britain's £50 million marketing budget in the Comprehensive Spending Review.

Spending cuts and safeguarding heritage

158. In a letter to the NHMF dated 20 October, the Secretary of state outlined the impact of the CSR on the NHMF:

The budget for your organisation will be cut by 54.5% in real terms and will be £20m over four years. This settlement is to enable NHMF to continue its important role as the fund of last resort for acquisitions of heritage at risk of being lost to the nation. Within this settlement and in keeping with my priority to bear down on administration costs, I would like NHMF's administration costs to be reduced over the period. I would like you to make reductions at least in line with those being made for HLF as a result of my request that lottery administration be reduced to 5% of overall costs.¹³⁹

159. Carol Souter, Chief Executive of the HLF told us:

I think it's clear that the financial impact is significant from the work that we had done, in advance of the CSR, looking at what various percentage reductions might mean. I think we're expecting that maybe £650 million to £675 million overall will come out of the sector using our definition of heritage, which includes natural environment, museums, historic environment, and so on.¹⁴⁰

160. There is also concern in the heritage sector that the CSR requirements for the HLF and NHMF to reduce administration costs could have an impact in the HLF's funding decisions. The HHA wrote:

The HHA shares the concerns expressed by the Heritage Alliance about the requirement for Lottery distributors to reduce the proportion of funding for administrative purposes. This could have the negative result of discouraging

136 Q 324

137 Ev 174

138 Ev 175

139 Letter to Dame Jenny Abramsky, Chair NHMF, from Jeremy Hunt 20 October 2010

140 Q 300

distributors from making smaller grants which are proportionately more costly to administer.¹⁴¹

161. We put this concern to Carol Souter, who responded:

we allocate budgets to the various sizes of grants and we will make sure that we carry on putting significant amounts of money into the small grants. They are very successful and very important locally, and at a time when you might have expected applications to go down, because people were worried or stressed, or not confident about things, we have good strong levels of applications for the small grants.¹⁴²

162. We asked Loyd Grossman, Chair of the Heritage Alliance, what he thought the impact of these cuts would be for heritage organisations. He told us:

Heritage funding has been declining very significantly since 1997. Heritage is way behind other sectors which the DCMS has been funding, so this was a particularly savage cut for us to take. In terms of the effect on delivery of front-line services, I'm particularly worried about the many smaller organisations and institutions that are going to be affected, as there is a tendency to concentrate on the big trophy properties and the big national organisations. However, the heritage sector is extremely complex and involves hundreds, if not thousands, of local and regional organisations, all of whom depend for their fundamental well-being on the general health of the sector. These smaller organisations will be damaged disproportionately by the cuts because, of course, they do not have the fundraising ability of the larger organisations.¹⁴³

163. English Heritage compiles and publishes statistics on Heritage at Risk and listed buildings.¹⁴⁴ Heritage at Risk is published annually as a register containing all heritage sights in England deemed to be at risk by English Heritage.

164. The HLF told us that public spending cuts have implications throughout the sector but have particular consequences for Heritage at Risk.¹⁴⁵ English Heritage wrote:

In 1999, one in six buildings on the Heritage at Risk Register was fully economic to repair. In 2010 that figure has fallen to just one in eight. The “conservation deficit” – the difference between the cost of repair and the end value – of these 1,218 buildings is now estimated to be £465m, a 10% rise on the 2009 figure. Public funding and resources are critical to ensuring these, our most important national assets, are brought back into viable economic use and are not lost to future generations. Reductions in public funding alongside restrictions on credit, falling investment returns and the failure of development companies will make it much harder to find viable solutions for our heritage at risk.¹⁴⁶

141 Ev 175

142 Q 319

143 Q 301

144 www.english-heritage.org.uk

145 Ev 170

146 Ev 141

165. Simon Thurley, Chief Executive of English Heritage also told us that a lot of English Heritage's expenditure increasingly focussed on helping people undertake satisfactory maintenance rather than intervening later in a more expensive repair problem, and that this would be more difficult if budgets were cut.¹⁴⁷

166. Another issue for the heritage sector is the economic impact that VAT has on the maintenance and repair of historic buildings. Our predecessor Committee examined this subject previously in 2006, and concluded that "the issue of VAT-rating for repairs to listed buildings united the sector perhaps more than any other evidence";¹⁴⁸ and that the VAT regime "rewards neglect and works against conscientious maintenance of historic assets".¹⁴⁹

167. This issue remains a matter of great concern today. Simon Thurley told us:

We have raised the issue of VAT many times with the Government. In the context of the spending review, the conversation we've had with them has been about the listed places of worship VAT reclaim scheme, which is a sort of substitute scheme for the big decision that we would really like, which would reduce the burden of VAT on repairs to historic buildings.¹⁵⁰

168. We urge the Government to commission research into reducing the rate of VAT on historic building repairs as a means to better protect them and to act as an economic stimulus.

The impact of spending cuts on heritage

169. Most of the written submissions we received for our inquiry were made before the outcome of the CSR, although it was, by then, almost certain that DCMS would be administering cuts to the grant-in-aid for all arm's length bodies including English Heritage.

170. In some parts of the heritage sector it will take several years for the full effect of the cuts to be felt. Many of the submissions emphasised that public-private partnership funding was an essential component of the heritage sector and would be severely affected. Lottery awards of over £50,000 require partnership funding of at least 10% with awards over £1million requiring applicants to raise 25%. In many cases this comes from local authorities, which are themselves cutting budgets. Some larger urban regeneration schemes and public historic park projects require 70% match funding from within the public sector.¹⁵¹

171. The Institute for Archaeologists stated that, even prior to the recession, cost cutting measures had in some cases jeopardised the future of local authority historic environment services and there were now "very real fears" about their survival.¹⁵² The HLF referred to

147 Q 199

148 Culture, Media and Sport Committee, Third Report of Session 2005-06, *Protecting and Preserving Heritage*, HC 912-I, para 171

149 Culture, Media and Sport Committee, *Protecting and Preserving Heritage*, para 177

150 Q 200

151 Ev 171

152 Written evidence from the Institute for Archaeologists [not printed]

their concern that the legacy of the Lottery investment of the last 16 years “should not be jeopardised by cuts to those parts of the sector unable to adapt quickly for good reason, or through cuts that are made in too much haste”.¹⁵³

172. Both English Heritage and the National Trust are membership organisations. The National Trust has 3.8 million members and makes 31% of its overall income from membership subscriptions.¹⁵⁴ English Heritage has not traditionally had such a strong membership base as the National Trust, but Simon Thurley told us:

[...] we’re about a million members calculated on the same basis as the National Trust does that, which is obviously a quarter of what it has. We’ve had a very rapid increase in membership. Over the last eight years, it has increased by 62%, which is a very steep increase. We are very keen on it because obviously it is a way of getting secure income. Most people who sign up remain members for at least three years and that is guaranteed income for us. It is really the backbone of what we do. Three years ago, for the first time, we made more money through membership than we did through admissions at the gate, which was an important turning point in terms of the structuring of our business.¹⁵⁵

173. Unlike other DCMS funded bodies, English Heritage has received grant settlements below inflation since 1997, resulting in a real term reduction of £130 million. It has undertaken economies and efficiency savings over that period to protect and advance its core activities and is collaborating with the HLF to see where overlapping activities might be streamlined. It is nevertheless struggling to undertake all the key aspects of its wide remit. We note that English Heritage has had some success in attracting funding from non-public sources and as a membership organisation and manager of public heritage attractions. We recommend that English Heritage examines ways in which it might extend its commercial activities in similar ways to, and in collaboration with, the National Trust.

174. However, we are concerned that the heritage sector has already suffered disproportionately and is ill-placed to sustain further reductions in funding. We also note that, unlike much of the arts, once lost the heritage can never be replaced. We urge the Government to take strong account of this in future funding settlements.

Regional Development Agencies

175. On 22 June 2010, the Government announced the abolition of the nine Regional Development Agencies (RDAs) in England – eight regional agencies through the Public Bodies Bill and the London Development Agency through the Localism Bill.¹⁵⁶ The abolition of RDAs has been raised by the heritage sector as a matter of concern; not least because the new Local Economic Partnerships (LEPs) appear not to have heritage-led

153 Ev 172

154 Ev 133

155 Q 214

156 Localism Bill [Bill 161 (2010-11)]

regeneration as part of their remit; the geographical coverage of LEPs is not yet comprehensive; nor is funding from bids guaranteed.

176. Heritage-led regeneration supported by the RDAs in co-partnership with local authorities and the third sector has in recent years greatly benefited many projects. The Lancashire and Blackpool Tourist Board drew our attention to the significant leverage effect of recent RDA heritage-related funding:

[North West Regional Development Agency] investment of £350,000 from 2005-2009 in relatively small heritage attractions (historic houses, mills, and buildings) resulted in more than £1.38m from other sources being invested (primarily private money), creating more than 8 full time jobs and attracting more than 100,000 extra visitors in that period to attractions including increasing the spending of existing visitors. Obviously, subsequently there have been further visitor increases as a result of those investments.¹⁵⁷

177. The National Trust praised the North East RDA in its role in support of the acquisition of Seaton Delaval Hall in Northumberland where the local community had raised £1 million towards the purchase.¹⁵⁸

178. Loyd Grossman, Chair of the Heritage Alliance told us that the demise of the RDAs “will spark considerable concerns because they were among the major investors in heritage-led regeneration projects”¹⁵⁹ and cited an example of the detrimental impact where funding had been withdrawn in Bolton.¹⁶⁰ He concluded that the withdrawal of RDA funding was being keenly felt everywhere especially as the Government had not decided what it wanted the LEPs to do. The HHA reiterated this concern because “it is unclear who is going to pick up the pieces”.¹⁶¹

179. Abolition of Regional Development Agencies will result in the loss of an important funding stream for heritage, and of a catalyst for important regeneration projects. We understand the concerns of the heritage sector at this potential reduction in capacity.

180. We hope that the new Local Economic Partnerships will take account of the benefit they can bring through active intervention in the historic environment by promoting heritage-led regeneration.

Heritage expertise and local conservation officers

181. The issue of local authority heritage skills and training was examined by our predecessor Committee, both in its 2006 inquiry *Protecting and preserving heritage* and its 2008 inquiry on the *Draft Heritage Protection Bill 2007-08*. In its 2008 Report it noted that there was already a shortage in conservation officers in local authorities and recommended

157 Written evidence from the Heritage Tourism Executive for the North West [not printed]

158 Ev 134

159 Q 330

160 Q 330

161 Q 331

that “the Government set out a strategy for maintaining sufficient numbers of conservation officers with the necessary skills”.¹⁶²

182. Given the cuts in local authority budgets and the removal of ring-fencing for local authority spending,¹⁶³ it would seem that once again local authority conservation officers are under threat. We asked Simon Thurley whether English Heritage was concerned about conservation officers. He told us:

[...] this is a matter of extreme concern. A very important point I’d like to make to the Committee is that while English Heritage obviously plays an important role in channelling some parts of the Government’s expenditure towards heritage, the Government’s investment in heritage is much wider than the current £130 million that is the English Heritage grant-in-aid. An absolutely vital part of that, as you rightly point out, is the money that is spent on heritage by local government, particularly through the employment of conservation officers, who are the front-line troops in protecting heritage. [...] What we know from our figures—from our surveys—is that since 2007 there’s been a 14% decrease in the number of conservation officers. What is undoubtedly happening, and is going to happen more, is that conservation officers are not being replaced when they leave and the type of specialist resource that has previously existed in planning departments is no longer there.¹⁶⁴

183. He told us what he thought the impact of declining numbers of conservation officers would be. He said:

Well, it means that the danger is that when planning decisions are made that affect conservation, the local councillors who sit on the planning committees do not have the appropriate advice that will enable them to make sound decisions.¹⁶⁵

184. We also asked Loyd Grossman what the effect of the loss of expertise associated with conservation officers would mean for the heritage sector. He told us:

I think there is a danger that a skills base and a knowledge base, which has been built up very carefully over many decades, is going to be eroded very quickly. Rebuilding that skills and knowledge base will be extraordinarily difficult. I think I’m right in saying that I recently saw that Nottinghamshire County Council are proposing a 75% cut to their conservation budget. The long-term effects of cuts to conservation budgets, at local authority level, will be very severe indeed.¹⁶⁶

185. Other bodies which are a source of planning, conservation and heritage-led regeneration expertise to local authorities are also currently under threat of closure. These include members of the network of local architecture and design centres, supported over

162 Culture, Media and Sport Committee Eleventh Report of Session 2007-08, *Draft Heritage Protection Bill*, HC 821 2007-08, para 27

163 “Government announces £6.2 billion of savings”, HM Treasury press release 04/10, 24 May 2010

164 Q 205

165 Q 205

166 Q 317

the last decade by the Commission for Architecture and the Built Environment (CABE) and which offer expertise, and design review services, at rates far lower than commercial consultancies.

186. DCMS has cut its grant to CABE entirely. In his evidence to us on 1st December, 2010, Minister Ed Vaizey said the decision was “one of the most difficult we had to make in the Department”. He praised the body’s work in promoting design review and said it would be “regrettable if the learning and expertise that CABE has built up over an extended period were to be lost”.¹⁶⁷

187. Since the minister gave evidence, CABE has been merged with the Design Council and DCLG has offered £2.75m funding for two years only. No commitments have, however, been given about supporting the work of the local centres, which have seen local authority funding cut and grants from soon-to-be-abolished RDAs and regeneration agencies disappear.

188. We are concerned that the Government does not realise that effective management of the historic environment at local level cannot be adequately undertaken without sufficient numbers of local authority conservation officers. The lack of conservation officers was a matter of particular concern to our predecessors in both 2006 and 2008 and we are concerned that the position may deteriorate further in the light of local government spending cuts. This will inhibit protection of the built heritage and hamper proper consideration of development proposals in the planning system when the economy recovers. We urge the Government to remind councils of the need to retain their specialist heritage professionals, an important statutory function.

189. DCMS’ decision to end its grant to the Commission for Architecture and the Built Environment (CABE) entirely was harsh, especially given the minister’s appreciation of its work and that of the local architecture and design centres CABE has fostered. We welcome CABE’s continuation within the Design Council. The severe cuts, however, have given the local centres, in particular, barely any time to re-organise for the future and the danger is that their valuable contribution will be lost. We urge DCMS, the Department for Communities and Local Government and the Design Council to consider as a priority how they can prevent this happening.

Heritage volunteering

190. The heritage sector has made wide use of volunteering and we asked Loyd Grossman how important he thought it was to the sector, and whether volunteers could fill the professional skills gap. He told us:

Volunteering is hugely important to the heritage sector and I think we estimate there are about 500,000 regular volunteers. But there are a couple of issues around volunteering. One of the chief ones is the fact that volunteering is a complement to professional staff; it is not a substitute for professional staff. I think it’s important to bear that in mind. Bearing that in mind, [...] if we expect volunteers to do more—and I think they should because I think our heritage volunteers find the experience

tremendously enriching—we have to provide them with the right level of mentoring; we have to provide them with the right level of access; we have to provide a supportive culture for them, not just look at them as cannon fodder that can be thrown into the breach because we have to cut down on the number of professional staff.¹⁶⁸

191. The National Trust is an organisation that has utilised volunteers probably more than any other. The National Trust operates numerous volunteering programmes including youth involvement, working holidays, regular local group volunteering as well as volunteer posts such as education assistants, car park attendants or cafe workers.¹⁶⁹ The National Trust also operates the Employer Supported Volunteering scheme, whereby private and public sector workers volunteer their time in working hours.

192. We asked the Chair of the National Trust, Dame Fiona Reynolds, whether the National Trust's volunteering programmes could provide an example to the rest of the heritage sector. She responded:

We have an enormous contribution through gifts of time from our 61,000 volunteers. Again, the Government could make it easier for people to give time—for example by volunteering during work time. There's a very small amount of support for that at the moment and it could easily be expanded. But I think there's a risk that the Government sees the voluntary sector as simply able to pick up all the issues that may fall out—we don't yet know—of the Spending Review. And I think there has to be a word of caution about that because all of us in the voluntary sector are very clear about our obligations and our responsibilities, and we cannot simply take over things that were Government funded without some very, very careful thought.¹⁷⁰

193. Although volunteers give their time for free, the HLF suggested to us that the spending cuts issued by central and local government would have an impact:

Cuts will hamper local regeneration and economic development. Finally, if the organisational infrastructure for managing and running activities stagnates, then opportunities for the thousands of people who are enthusiastically involved in heritage projects will be lost. Heritage volunteering, properly managed and resourced, is hugely popular, with very strong, proven benefits for the volunteer's own well-being, as well as for the wider communities in which projects are based.¹⁷¹

194. Volunteers cannot plug the skills gap left by a reduction in the number of heritage professionals. Volunteers play an incredibly valuable role in the heritage sector, but Government must not be tempted to think that the success of the volunteer sector can excuse reducing the number of skilled professionals.

195. It is important that the network of volunteers is not damaged by the spending cuts. The Government is promoting the idea of a “Big Society”, and nowhere more can this

168 Q 318

169 www.nationaltrust.org.uk

170 Q 204

171 Ev 172

be seen in action, than in heritage volunteering. We recommend that the Government does more to promote heritage volunteering through schemes such as volunteering at work.

4 Philanthropy and private investment in the arts and heritage

The Government agenda

196. Philanthropists play a valuable role in the life of the arts in the UK. We cherish and value their contribution and wish to thank them for it.

197. The coalition Government made it clear quite soon after coming to power in May 2010 that it was pursuing an agenda of encouraging private investment and philanthropy in the arts. This was marked by the launch of an initiative called 'The Big Arts Give' in May 2010, in conjunction with the organisation Arts & Business which facilitates funding partnerships between arts organisations and businesses.

198. In December 2010, the Secretary of State launched the Government's philanthropy strategy in a keynote speech at the European Association for Philanthropy and Giving conference in London and outlined the Government's commitment to promoting philanthropy in the UK:

Philanthropy is not about replacing state funding with private support. Instead it is about a highly ambitious aim for this country to combine the best of US-style philanthropic support with the best of European-style public support.

Nor is it about importing a US model wholesale into the UK. Over-dependence on endowments has been as dangerous to cultural organisations there as over-dependence on state support is here.

But surely we must ask ourselves what we can learn from a country in which cultural giving per capita is £37 a month compared to just £6 in the UK?

The best model for financing the arts – one that secures not just financial independence but artistic independence too – is one in which cultural organisations can count on a plurality and diversity of funding sources.¹⁷²

Can philanthropy work for arts and heritage in the UK?

199. Most of the arts and heritage organisations who submitted written evidence to our inquiry expressed caution about the Government's drive to promote philanthropy. Many said that private investment is considerably harder for organisations outside London, and also for smaller organisations who cannot offer high profile advertising or blockbuster productions. The West Yorkshire Playhouse in Leeds wrote:

¹⁷² Jeremy Hunt, keynote speech on philanthropy made to the European Association for Philanthropy and Giving conference, 08 December 2010

The total Arts Council Yorkshire funding for Regularly Funded Organisations in Theatre is £7.32m; a 25% cut would be £1.8m; the total private investment in Theatre in Yorkshire is £1.3m; so private investment would have to go up by 138% to make up the short fall.

Quite simply, it isn't going to happen. An ambitious but reasonable expectation is that private investment may be able to grow by around 10% annually. A cut in the order of 25% in the Arts Council budget will shrink the sector, probably damaging its ability to raise funds from the private sector. Philanthropy can only in this context be seen as additional to, not a replacement for, state funding.¹⁷³

200. Because of the mixed model of funding for arts organisations, the time and resources that are spent researching and applying for private sponsorship is likely to be disproportionate for smaller organisations who may only employ a handful of people. Danny Moar described the process of trying to secure different funding streams and grants as a "tortuous" process and part of the reason the Theatre Royal does not apply for subsidy.¹⁷⁴

201. The Theatres Trust shared the concern of many that private funding is a precarious option for arts organisations:

The experience of many arts organisations in New York has been that private investment can evaporate in times of economic uncertainty, leaving them in severe difficulties. The impact of the recession last year saw many sponsors drift away from the arts.¹⁷⁵

202. There has also been concern voiced in the sector about the impact that corporate sponsorship might have on the style and quality of the art being produced. Mind The Gap, an arts project based in Bradford told us:

As a small company producing non-mainstream work, we do not have a track record of support from philanthropists and / or business. We are not really "sexy" enough for many individuals / organisations. We fear that only the commercial / popular work will get supported.¹⁷⁶

203. Some of the concerns expressed by arts organisations were echoed by the philanthropists who gave evidence to us. Dame Vivien Duffield, Chair of the Clore Duffield Foundation which has reportedly donated over £100 million to the arts,¹⁷⁷ told us of a number of reasons why she thought the UK was unlikely to achieve an American-style philanthropic culture:

You must remember America is 50 states, or whatever it is, and within each state there are cities. Within each city there is an orchestra, an opera, a hospital, a

173 Written evidence from the West Yorkshire Playhouse [not printed]

174 "Regions to be cheerful: some theatres are thriving in the recession", *The Times*, 07 April 2010

175 Ev 167

176 Written evidence from Mind the Gap [not printed]

177 "The art of giving", *The Guardian*, 22 October 2010, p 12

university, all of which are supported by the leading people from that town. Of course you can't do that in England because once you leave London you have very few what you might call philanthropists. It's much more difficult for the regional museums to raise money, whereas in America, the Boston museums raise a lot of money, the Chicago museums do, the Seattle museums do; the wealth is much better spread than it is in England. It's partly the size, obviously.¹⁷⁸

204. Evidence from Colin Tweedy, the Chief Executive of Arts & Business, backed up the view that arts philanthropy is predominantly London-based:

One of the challenges is that, of course, taking philanthropy rather than corporate sponsorship, 82% of individual giving at the moment goes to London and 50% of all corporate sponsorship goes to London, and only 32% of arts organisations are friend schemes and only 8% of arts organisations have legacy programmes.¹⁷⁹

205. However, in a recent *Guardian* interview with Lord Stevenson of Coddensham (former Chair of the Bank of Scotland and Chair of Aldeburgh Music Festival), he argued that arts organisations outside London should be trying harder to court private investment:

Of course it's more difficult in Hull than Knightsbridge. But in the most far-off places there are always wealthy or high-income folk. Not enough arts organisations use their noodle, still less their shoe-leather to secure funds. It is within everyone's capabilities to build up a list of well-off families locally, work out how they could form a syndicate to fund a production or exhibition, and hustle. My wife and I would no more give money to an organisation incapable of fundraising than jump over the moon.¹⁸⁰

206. We were also interested in the cultural differences between American arts philanthropy and that in the UK. Dame Vivien Duffield told us:

It is part of the culture in America that you support these things, which it is not here. I've been saying this for years. In America it is part of society that you go to the opera fundraiser. I was in New York last week and there were three fundraisers every night, with the same people admittedly but within sectors, and that is the highlight of their life, the year. They go to the museum ball, and the smartest invitation in New York is the costume ball— the Metropolitan Museum Of Art's 2010 Costume Institute Ball. We don't have anything like that here, thank goodness. But it is a different ethic and they raise millions at these events.¹⁸¹

207. Rosalind Riley, in her written submission to our inquiry, stressed that philanthropists are within their rights to fund projects arbitrarily, and can stop and start funding at any point. She thought the Government had fundamentally misunderstood philanthropists:

178 Q 422

179 Q 3

180 "The art of giving", *The Guardian*, 22 October 2010

181 Q 422

My impression is that the government believes philanthropists to constitute a “sector” which can be influenced to follow (or to indulge) government policy towards the arts. I would like to point out that philanthropists are individuals and cannot be approached, led, directed or persuaded as a group. I mix from time to time with very large scale donors, trusts and individuals, and they are wealthy, independent people who have their own agenda and have no obligation to anyone to follow any kind of policy, nor to maintain consistency (though many do the latter). They can change their minds without reference to anyone. They can stop giving if they choose. I do not mean to imply that all philanthropists are whimsical and unreliable, but the fact is that neither are they a solid, directed, coherent body like the Arts Council.¹⁸²

208. A lot of the debate surrounding philanthropy and the arts concerns quite large scale philanthropic trusts and sponsorships, such as that run by Dame Vivien Duffield. However, a lot of arts and heritage fundraising is aimed at raising smaller amounts. Loyd Grossman, of the Heritage Alliance, told us that he thought the key to creating a successful philanthropic culture is to encourage many small donations, rather than large scale private investment:

[...] what concerns me is that we’re not doing enough to encourage philanthropy at a much more modest level. I think there always will be, thankfully, people to give £5 million and £10 million to big projects. But what are we doing to encourage people on average earnings to become active philanthropists, at a regular but modest level? Let’s think about how we can make the philanthropy process more transparent, and how we can enable more people to experience the satisfaction of supporting things. I feel we don’t concentrate enough on modest philanthropy and I would like to see something done there.¹⁸³

209. The encouragement of small-scale donations is something we also discussed with the National Trust. The National Trust, as a membership organisation, relies on many small donations and fees from its members and visitors. We also heard about specific acquisitions they have made through raising many small donations from local people:

Businesses and philanthropy can play a very important part in supporting heritage and the arts at all levels. Our recent acquisition of Seaton Delaval in Northumberland is a good example. The fundraising campaign led by the National Trust saw over £1m raised through the donations of people in the local community, a clear demonstration of their commitment and support for the property and its acquisition. Local businesses were also generous in their support, as was the Regional Development Agency.¹⁸⁴

182 Written evidence from Rosalind Riley [not printed]

183 Q 311

184 Ev 134

Endowments

210. Endowments are funds bequeathed to charitable institutions and organisations whereby the conditions of the donation require that the asset be held or invested to generate a long term income.¹⁸⁵

211. Dame Vivien Duffield described herself as “fanatic about endowments”¹⁸⁶ and told us:

I happen to be chair of several tiny little endowments. The organisations themselves, especially now, don't like endowments because they say that I'm removing money from their day-to-day expenses or needs, but we have to have a longer term view. This crisis is going to pass, we hope, and the only future for arts institutions—and it's for universities, it's for everything, I'm including all charitable institutions—is endowments.¹⁸⁷

212. She went on to argue that any far-sighted endowment policy must be based on legacies and proposed that anyone bequeathing money to charity should receive more tax breaks:

I love the idea that if somebody were to leave 20% of their money to charity they would, say, get a rebate of 20% on the other 80% death duties, or some sort of system like that. I'm talking to you as somebody whose father left their entire fortune to charity and we paid 98% tax on it. They changed the rule afterwards but not retrospectively.¹⁸⁸

213. The possibility that endowments might offer a long-term funding stream for organisations holds appeal to many of the arts organisations who submitted evidence to our inquiry. The Royal Opera House argued that Government support for endowments would be crucial to “enhance the independence of arts organisations”.¹⁸⁹ The Theatres Trust told us that it was looking to “to establish an endowment to build its Theatre Protection Fund which would enable us to provide assistance to secure the future of theatre buildings”.¹⁹⁰

214. In December 2010 the Arts Council published a report entitled *Endowments in the arts* which concluded that endowments are an underused tool in the English arts sector.¹⁹¹ However, this was accompanied by a word of caution from the Arts Council, that endowments “are not, and can never be the whole answer” to arts funding.¹⁹² The report argued that the long-term sustainability of arts bodies lay in increasing both fundraising

185 Arts Council England, *Endowments in the arts*, December 2010, p 10

186 Q 425

187 *ibid.*

188 *ibid.*

189 ARTS 197

190 Ev 167

191 Arts Council England, *Endowments in the arts*, December 2010, p 10

192 Ev 167

capabilities and financial management of the arts, and proposed a match-funding scheme whereby public subsidy could seed-fund endowments.¹⁹³

Arts & Business

215. Arts & Business is an organisation that facilitates funding links between businesses and British arts organisations. It is largely a private organisation although it does receive a grant from the Arts Council. It offers information, support, fundraising advice as well as conducting research into the arts economy.

216. In its report *Arts funding in a cooler climate* published in July 2010, Arts & Business described the current landscape of private investment and made some impressive claims about the success of this model of funding:

Private sector investment in arts and culture peaked at £687 million in 2007/08 having grown from just over £400 million in 2003/04. Under the impact of the recession this figure fell back to £655 million in 2008/09. [...] the Arts Council claims that “for every £1 the Arts Council puts in, £2 is pulled in from elsewhere”. Meanwhile Arts & Business, which in 2008/09 received a public sector grant of £5.1 million to help pull in more private funding, claims that “...for every £1 received by Arts & Business, they (A&B members) may be leveraging in excess of £4 from donors.”¹⁹⁴

217. The Arts & Business report also argued that the way the Arts Council funds the arts needs to change, and that a move away from a grant-giving model is needed. The funding model that Arts & Business proposed would require targets for innovation and private sector investment to be set.¹⁹⁵

218. Arts & Business itself is funded by the Arts Council, and received £4 million in 2008/09, the same amount in 2009/10 and following the Arts Council’s spending cuts, £3.8 million in 2010/11.¹⁹⁶ Following the Comprehensive Spending Review, the Arts Council announced that it was granting Arts & Business £1.92 million for one year only for 2011/12, representing a cut of 50%, and no funding at all beyond 2012.¹⁹⁷

219. We asked Colin Tweedy, before the CSR announcement, what he thought the impact on Arts & Business would be if it stopped receiving any public subsidy. He said:

We would cease in our present form. We would not be able to advise the cultural community. At the moment, we train hundreds and hundreds of arts organisations through one-off meetings to training programmes around the country, and we would not have our annual awards, we would not be able to fulfil the Alec Reed

193 Arts Council England, *Endowments in the arts*, December 2010, p 10

194 Arts & Business, *Arts funding in a cooler climate*, July 2010

195 *ibid*

196 www.artscouncilengland.org.uk

197 “Arts Council announces funding decisions for arts in England”, Arts Council England press release, 26 October 2010

Foundation's vision for The Big Arts Give, basically where £300,000 will turn into £3 million, we believe, at Christmas for the arts across the country.¹⁹⁸

220. Given the Government's emphasis on private investment in the arts, we asked the Arts Council whether this decision was at odds with that agenda. Dame Liz Forgan told us:

[...] when we came to look at the new funding settlement, the question of value for money was at the very forefront of everything we did. We invested £4 million a year in Arts & Business, which essentially covered their core costs, and the question for us was: can we spend that money better in this philanthropic endeavour, or private giving, as I like to call it, endeavour?

First, the fact is that now there are a number of organisations with expertise in this area. Secondly, we think it really important that we lodge that specific expertise with more arts organisations within their own organisations. Some of the big ones are brilliant at it, but not all. What we intend to do is move to a model where the Arts Council internally takes a more direct, strategic role, and that we commission work from a number of providers, including Arts & Business—they are very welcome to bid for us—that we think that we would get better value for money from our investment in giving generation that way.¹⁹⁹

221. Dame Liz Forgan went on to say that there is a “competitive market” in the type of expertise offered by Arts & Business, and that the Arts Council should test that market.²⁰⁰ Alan Davey also suggested that the Arts Council could well end up commissioning Arts & Business, on a contractual basis, for work in the future.²⁰¹

222. Arts & Business largely represented good value for money, leveraging £4 in investment for the arts for every £1 it received. We are surprised and disappointed at the Arts Council's decision to withdraw all funding from Arts & Business after 2012 and are concerned that the Arts Council lacks the experience and enthusiasm successfully to take on this role.

Incentives and rewards

223. Currently, philanthropists can formalise their giving by operating through a charitable trust which exempts them from certain taxes. Donations to arts and heritage organisations that are also charitable trusts can utilise gift-aid which allows charities to claim an extra 35 pence on every pound donated by UK tax-payers. Donations to charities in the form of cash, shares, property or land can also receive tax-breaks on stamp duty, capital gains tax and inheritance tax although there are a number of caveats and the system is complex. There is also an Acceptance in Lieu (AiL) scheme, currently operated by the MLA on behalf of DCMS. AiL allows UK tax-payers to offer items of cultural and historical importance to the State in full or part payment of their inheritance tax, capital transfer tax or estate duty.

198 Q 74

199 Q 552

200 Q 558

201 Q 562

224. Much of the evidence we received from arts and heritage organisations called for a simplification of gift-aid and a more coherent tax relief system for private investment in the arts. However, when Jeremy Hunt launched the Government's philanthropy strategy in December 2010, it did not contain any details of reforms to the tax or gift-aid systems.²⁰²

225. We were also interested in finding out what recognition and rewards there were for private givers, and indeed if they expected, or wanted, to be rewarded. The honours system has been used by Governments to recognise philanthropists such as Dame Vivien Duffield; as has the Prince of Wales Medal for philanthropy which is sponsored by Arts & Business. However, Rosalind Riley wrote in her submission to our inquiry:

There exists a medal, awarded by Arts & Business and sponsored by the Prince of Wales, honouring significant giving to the Arts. Although I work in the relevant areas and indeed know one of the recipients very well, I was unaware of this award until I started researching the subject. I note that the award of the medals was not covered noticeably by the national press, and has no profile among the arts practitioners with whom I mix socially and professionally.²⁰³

226. We asked both Dame Vivien Duffield and Rosalind Riley why they gave their personal wealth to the arts. Perhaps unsurprisingly, both said they were not philanthropists for reward or recognition, but for the sense of satisfaction and the conviction that their money was doing some good.²⁰⁴

227. On 8 December 2010 the Secretary of State announced the launch of an £80 million match-funding scheme that DCMS would run in conjunction with the Arts Council.²⁰⁵ This scheme is an attempt by the Government to further incentivise private giving to the arts, by offering a fund that could be used to match private donations, thus doubling their worth.

228. It is not, and should not be, the role of philanthropists to plug the gap left by receding public subsidy of the arts and heritage. We have heard a consensual response from arts organisations and philanthropists that new private investment should be encouraged but should be additional to, not a substitute for, public funding. It is also unlikely that British philanthropy will ever resemble that in America, for reasons of size and culture.

229. There are limited private investment opportunities for organisations outside London and the metropolitan areas, and it is difficult for smaller organisations to spend time and resources promoting themselves to potential givers. However, there is a still lot of work that can be done to increase levels of private giving to the arts and heritage. The arts can learn from the work done by the National Trust in raising a large number of small donations to fund specific projects.

202 "Culture Secretary announces plans to boost philanthropy", DCMS press release 113/10, 08 December 2010

203 Written evidence from Rosalind Riley [not printed]

204 Q 418, 433

205 "Culture Secretary announces plans to boost philanthropy", DCMS press release 113/10, 08 December 2010

230. It is a significant omission from the Government's "philanthropy strategy" that it suggests no reforms to the tax or gift-aid systems to encourage contributions and we urge it to do so.

231. Although most philanthropists do not donate their wealth primarily for publicity or recognition, there is still a need for greater incentives and acknowledgement of their charitable activities. We therefore welcome the launch of the Government and Arts Council's match-funding initiative.

232. We welcome the use of the Prince of Wales Medal to recognise arts givers, but we note that many of the recipients are major gift givers who have already received honours. We recommend that both the Prince of Wales Medal and the honours system be used more widely in acknowledging philanthropists at all levels, and that the Arts Council be pro-active in nominating more arts givers for honours. We also recommend that local authorities instigate a form of local honours system for philanthropists who invest in the arts and heritage of that area.

233. Despite the current hostility of the economic climate for arts and heritage organisations, their long-term funding and independence must remain a priority. It is the mark of a civilised society that its citizens all have access to arts, culture and heritage. A mixture of public and private funding works in these sectors, although more can still be done to raise more private money and to make public funds go further.

Conclusions and recommendations

The costs of the Arts Council

1. The fact that the Arts Council was able to make such significant reductions in spending on its own administration while still functioning well as an organisation indicates it was previously spending far too much on itself. Its previous cuts will undoubtedly make it harder to achieve a further saving of 50%, particularly given the new responsibilities that the Arts Council is taking on. (Paragraph 31)
2. While the overall budget cuts imposed on the Arts Council are severe, it must be remembered that they occur in the context of the Government's Comprehensive Spending Review which aims to reduce public spending by £81 billion by 2015 and that other DCMS arm's length bodies have had their budgets cut by up to 33%. We have to accept, therefore, that the Arts Council should have to take at least a proportionate share of the pain. (Paragraph 32)

National Portfolio funding programme

3. We welcome the fact that the new National Portfolio is an open application process, and that more flexible and tailor-made funding agreements will be drawn up with arts organisations. However, because the National Portfolio funding programme is open to all arts organisations, it will inevitably attract more applications; and, if funding agreements are to be more flexible and tailor-made, this process will be a heavier administrative burden than previously. (Paragraph 42)
4. We remain concerned at the speed with which the Arts Council is undertaking the massive programme to assess all of the applications to the National Portfolio, many of which come from organisations that were not on the previous list of Regularly Funded Organisations. While we recognise the desirability of giving organisations as much notice as possible, the decisions taken will leave approaching half of those applying disappointed. This is likely to result in some organisations having to close and there will inevitably be complaints that the process has been flawed and insufficiently rigorous. (Paragraph 43)

Arts Council funding decisions

5. We agree with the emphasis the Arts Council has placed on financial management and sustainability in its criteria for funding applications. It is vital that public money is spent wisely, and this means that arts organisations themselves have a responsibility to be as efficient and financially sustainable as they can. We urge the Arts Council to continue in its role of providing advocacy and advice in this area to help arts organisations plan properly and sustainably. (Paragraph 46)
6. The Arts Council should encourage arts organisations to build on their core audiences, but should not put pressure on them to relentlessly pursue people who are not interested in the arts. (Paragraph 50)

7. Many arts bodies have a small number of staff and limited resources and have to apply for funding from a number of sources. The process of applying for grants and subsidies is something of a necessary evil for the arts sector and it is important that due process is followed. We are concerned that the Arts Council is failing to support organisations sufficiently in this process when it should be one of its highest priorities to do so. (Paragraph 53)

The art supported by the Arts Council

8. The role of the Arts Council is to distribute public funds to the arts using its knowledge and expertise. Debates about the artistic merit of individual arts projects, whether funded by the Arts Council or not, are often subjective and it is not the role of Parliament to comment on them. It is vital that the arm's length principle, whereby the Arts Council operates independently of Government, is upheld. However, it is equally important that decisions by the Arts Council should not be perceived to be influenced by its own political or artistic prejudices. (Paragraph 58)
9. The social and economic benefits of the arts are not mutually exclusive from artistic merit. Many of the arts organisations from which we have heard provide valuable services while also producing good art. Organisations that use art as a means to engage with young, excluded or vulnerable groups may not be able to raise their own revenue, and therefore may be dependent on subsidy. We welcome the Arts Council's support of these arts projects, but this should not take priority over the need to promote the widest range of art forms based primarily on quality and future potential. (Paragraph 59)

The Public Gallery in West Bromwich

10. We were disappointed at the inability of the Arts Council to address key questions regarding The Public gallery in West Bromwich. The Arts Council played a major role in a gross waste of public money during its involvement in the West Bromwich project. Mistakes have been made throughout and we were concerned at the inability of the Chief Executive to provide answers to our questions and the lack of any serious attempt to learn lessons or prevent a repetition. We consider this to be a failure of leadership at the Arts Council. It does not inspire confidence in the Arts Council. We recommend that the Arts Council undertake, and publish, an independent review of their role in the failure of the project. (Paragraph 63)

The Arts Council Collection

11. The Arts Council Collection is an important and valuable public asset. We welcome the work it has done to make British works of art more accessible to British people, and specifically commend their programme of lending artworks to schools and hospitals, although this is insufficiently well known. (Paragraph 71)
12. We recommend that the Arts Council Collection should review its policy of never selling any of its artworks. At a time when the Arts Council is under serious financial pressures, strategic de-accessioning could make the Collection more dynamic and

financially sustainable, as well as help fund the operation costs of increasing its loans. (Paragraph 72)

13. The Arts Council Collection is a very lean operation and we acknowledge that with such limited resources it is not an easy task to get more of the artwork out on loan. However, a public collection should be more visible to the public. The Arts Council Collection is not as well publicised as it should be, and this has resulted in a majority of its works remaining in storage. We believe that the Collection should aim to have at least 50% of its works out on loan at any one time. We also recommend that a review of public art collections is undertaken, with a view to amalgamating the Government and British Council Art Collections with that of the Arts Council, in order to achieve economies of scale, with a consequent renaming of the Collection to reflect its public ownership. (Paragraph 73)

Local Authority funding

14. At a time when the Arts Council is forced to make reductions in the grants that it awards arts projects, if local authorities also choose to make cuts to spending on the arts, this could prove to be devastating for some arts organisations. We are encouraged by what we have heard from some local authorities who value the role arts and culture play in their local areas and who understand the social and economic benefits that the arts can provide. However, we are disturbed by the number of local authorities coming forward proposing very substantial cuts, which inevitably will mean the end for a number of local arts institutions and arts events. (Paragraph 83)

Arts in a cold climate

15. It is inevitable that the combination of spending cuts from central and local government will have a major impact on the arts sector. The Arts Council is unable to fund the same number of projects as it has previously and this will no doubt result in the loss of some arts organisations, particularly if they have not made alternative funding arrangements. (Paragraph 89)

Regional variations

16. Outside London and the metropolitan areas, arts organisations find it a lot harder to make their own money. It is vital that, even in less densely populated parts of the country, people still have access to cultural activities. It is all the more important in this climate that the Arts Council take these factors into account when selecting its National Portfolio and we urge it to continue to do so in the future. (Paragraph 99)

Fixed costs

17. Although the spending cuts will affect a wide range of arts organisations, the larger bodies have more resources to cushion the blow. It is the smaller arts projects which may only have a couple of members of staff that are at most at risk. The speed at which the cuts have been implemented has made it very difficult for these smaller

arts projects to look at other options, and it is of great concern that so many of these organisations could be lost. (Paragraph 102)

What arts organisations can do for themselves

18. We are not convinced of the need for so many subsidised orchestras, whether by the Arts Council or the BBC. We recommend that the Arts Council and the BBC work together to identify areas of duplication and options for joint-working. (Paragraph 109)
19. More generally, the different responses we received to the question of whether arts organisations could work more closely with each other highlight the diversity of organisations and working practices that exist in this sector. Wherever savings and efficiencies can be made by sharing resources and skills, this should be done. However, we are mindful that there is not one solution that fits all. Many smaller organisations do not have the resources to spend time strategically restructuring or liaising with other bodies. Therefore we recommend that the Arts Council makes it a criterion for large organisations applying for the National Portfolio to instigate programmes to share their knowledge and skills with smaller arts bodies in the manner of successful programmes such as Tate Plus. (Paragraph 110)

The UK Film Council

20. The British film industry is good value for money; not just in terms of the revenue it brings into the country, but also in its promotion of the UK as a cultural centre and a tourist destination. However, it is important for bodies that distribute public funds to keep their own administration costs down and we have some sympathy with the Government view that the UK Film Council has spent too much on administration and wages. (Paragraph 125)
21. The abolition of the UK Film Council was handled very badly by the Government. We would not expect a decision with such significant implications for the film industry to be sprung on the UK Film Council with little discussion or consultation. It is extremely regrettable that a film-maker of the stature of Tim Bevan has, as a result, decided to take no further part in Government-sponsored initiatives. It also appears that little or no thought had been given as to who would take on its functions. The UK Film Council was originally created because the Arts Council was felt to be doing a poor job in supporting British film. We would therefore have been very concerned if the initial suggestions that this task would revert to the Arts Council had proved to be correct. We agree that the British Film Institute is the best placed organisation to take over the role of distributing film funding, although given the reduction in its grant-in-aid this will not be an easy task. However, we are encouraged by the latest statistics on the health of the British film industry, and are confident that it will continue to thrive. (Paragraph 126)

The Museums, Libraries and Archives Council

22. We commend the work of the Museums Libraries and Archives Council, as our predecessor Committee did in 2007, and do not see any persuasive reason for the Government's decision to abolish it. (Paragraph 137)
23. We are concerned that the Arts Council does not have the expertise or the resources to carry on, adequately, the functions of the Museums, Libraries and Archives Council. We welcome the Arts Council's commitment to retain key MLA staff. However, given the reductions the Arts Council is having to make in its own operating costs, it is unrealistic to expect that the Arts Council can carry out the role as effectively as the MLA. We recommend that the Government review the Arts Council's museum and library functions and consults libraries and museums in 2012. (Paragraph 138)

The Public Lending Right

24. We are surprised at the Government's decision to abolish the PLR body and disappointed that DCMS did not discuss the future of the PLR with its Registrar before announcing its abolition. It follows the same disturbing modus operandi as with the other bodies, including the UK Film Council. We have not found anyone who supports this decision. Any proposal that the Arts Council should take over the PLR was unrealistic and rightly abandoned. However, this has left the PLR in a state of protracted uncertainty, which could have been avoided had the department discussed proposals with the PLR sooner. (Paragraph 147)
25. We do not believe that the British Library is an appropriate body to take on the work of administering the PLR. Far more appropriate is the ALCS, which already distributes royalty payments to authors. We understand that there may be a legal technicality preventing this, in which case we recommend that legislative measures are put in place to allow it to happen as soon as possible. (Paragraph 148)

The importance of heritage

26. We are pleased to note the Government's recognition of the importance of heritage tourism to the UK economy by protecting Visit Britain's £50 million marketing budget in the Comprehensive Spending Review. (Paragraph 157)

Spending cuts and safeguarding heritage

27. We urge the Government to commission research into reducing the rate of VAT on historic building repairs as a means to better protect them and to act as an economic stimulus. (Paragraph 168)

The impact of spending cuts on heritage

28. Unlike other DCMS funded bodies, English Heritage has received grant settlements below inflation since 1997, resulting in a real term reduction of £130 million. It has undertaken economies and efficiency savings over that period to protect and advance

its core activities and is collaborating with the HLF to see where overlapping activities might be streamlined. It is nevertheless struggling to undertake all the key aspects of its wide remit. We note that English Heritage has had some success in attracting funding from non-public sources and as a membership organisation and manager of public heritage attractions. We recommend that English Heritage examines ways in which it might extend its commercial activities in similar ways to, and in collaboration with, the National Trust. (Paragraph 173)

29. we are concerned that the heritage sector has already suffered disproportionately and is ill-placed to sustain further reductions in funding. We also note that, unlike much of the arts, once lost the heritage can never be replaced. We urge the Government to take strong account of this in future funding settlements. (Paragraph 174)

Regional Development Agencies

30. Abolition of Regional Development Agencies will result in the loss of an important funding stream for heritage, and of a catalyst for important regeneration projects. We understand the concerns of the heritage sector at this potential reduction in capacity. (Paragraph 179)
31. We hope that the new Local Economic Partnerships will take account of the benefit they can bring through active intervention in the historic environment by promoting heritage-led regeneration. (Paragraph 180)

Heritage expertise and local conservation officers

32. We are concerned that the Government does not realise that effective management of the historic environment at local level cannot be adequately undertaken without sufficient numbers of local authority conservation officers. The lack of conservation officers was a matter of particular concern to our predecessors in both 2006 and 2008 and we are concerned that the position may deteriorate further in the light of local government spending cuts. This will inhibit protection of the built heritage and hamper proper consideration of development proposals in the planning system when the economy recovers. We urge the Government to remind councils of the need to retain their specialist heritage professionals, an important statutory function. (Paragraph 188)
33. DCMS' decision to end its grant to the Commission for Architecture and the Built Environment (CABE) entirely was harsh, especially given the minister's appreciation of its work and that of the local architecture and design centres CABE has fostered. We welcome CABE's continuation within the Design Council. The severe cuts, however, have given the local centres, in particular, barely any time to re-organise for the future and the danger is that their valuable contribution will be lost. We urge DCMS, the Department for Communities and Local Government and the Design Council to consider as a priority how they can prevent this happening. (Paragraph 189)

Heritage volunteering

34. Volunteers cannot plug the skills gap left by a reduction in the number of heritage professionals. Volunteers play an incredibly valuable role in the heritage sector, but Government must not be tempted to think that the success of the volunteer sector can excuse reducing the number of skilled professionals. (Paragraph 194)
35. It is important that the network of volunteers is not damaged by the spending cuts. The Government is promoting the idea of a “Big Society”, and nowhere more can this be seen in action, than in heritage volunteering. We recommend that the Government does more to promote heritage volunteering through schemes such as volunteering at work. (Paragraph 195)

Philanthropy and private investment in arts and heritage

36. Arts & Business largely represented good value for money, leveraging £4 in investment for the arts for every £1 it received. We are surprised and disappointed at the Arts Council’s decision to withdraw all funding from Arts & Business after 2012 and are concerned that the Arts Council lacks the experience and enthusiasm successfully to take on this role. (Paragraph 222)
37. It is not, and should not be, the role of philanthropists to plug the gap left by receding public subsidy of the arts and heritage. We have heard a consensual response from arts organisations and philanthropists that new private investment should be encouraged but should be additional to, not a substitute for, public funding. It is also unlikely that British philanthropy will ever resemble that in America, for reasons of size and culture. (Paragraph 228)
38. There are limited private investment opportunities for organisations outside London and the metropolitan areas, and it is difficult for smaller organisations to spend time and resources promoting themselves to potential givers. However, there is a still lot of work that can be done to increase levels of private giving to the arts and heritage. The arts can learn from the work done by the National Trust in raising a large number of small donations to fund specific projects. (Paragraph 229)
39. It is a significant omission from the Government’s “philanthropy strategy” that it suggests no reforms to the tax or gift-aid systems to encourage contributions and we urge it to do so. (Paragraph 230)
40. Although most philanthropists do not donate their wealth primarily for publicity or recognition, there is still a need for greater incentives and acknowledgement of their charitable activities. We therefore welcome the launch of the Government and Arts Council’s match-funding initiative. (Paragraph 231)
41. We welcome the use of the Prince of Wales Medal to recognise arts givers, but we note that many of the recipients are major gift givers who have already received honours. We recommend that both the Prince of Wales Medal and the honours system be used more widely in acknowledging philanthropists at all levels, and that the Arts Council be pro-active in nominating more arts givers for honours. We also

recommend that local authorities instigate a form of local honours system for philanthropists who invest in the arts and heritage of that area. (Paragraph 232)

42. Despite the current hostility of the economic climate for arts and heritage organisations, their long-term funding and independence must remain a priority. It is the mark of a civilised society that its citizens all have access to arts, culture and heritage. A mixture of public and private funding works in these sectors, although more can still be done to raise more private money and to make public funds go further. (Paragraph 233)

Formal Minutes

Tuesday 22 March 2011

Members present:

Mr John Whittingdale, in the Chair

Ms Louise Bagshawe
Dr Therese Coffey
Damian Collins
Paul Farrelly

Alan Keen
Mr Adrian Sanders
Jim Sheridan
Mr Tom Watson

Draft Report (*Funding of the arts and heritage*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 108 read and agreed to.

Paragraph 109 read.

Question put, That the paragraph stand part of the Report

The Committee divided.

Ayes, 4

Noes, 1

Ms Louise Bagshawe
Dr Therese Coffey
Damian Collins
Mr Adrian Sanders

Mr Tom Watson

Paragraph 109 agreed to.

Paragraphs 110 to 233 agreed to.

Summary agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report (in addition to that ordered to be reported for publishing on 12 and 26 October, 2 and 9 November, 1, 7 and 14 December 2010 and 8 March 2011.

[Adjourned till Thursday 24 March at 10.00 am

Witnesses

Tuesday 12 October 2010

Page

Mr Alan Davey, Chief Executive, Arts Council England, **Mr Colin Tweedy**, Chief Executive, Arts and Business, and **Ms Louise de Winter**, Director, National Campaign for the Arts Ev 1

Mr Gary Millar, Councillor, Liberal Democrats, Liverpool City Council, **Mr Simon Eden**, Chief Executive, Winchester City Council, and **Mr Guy Nicholson**, Councillor, Labour, Hackney Borough Council Ev 16

Tuesday 19 October 2010

Mr Tim Bevan, Chairman, UK Film Council, **Ms Amanda Nevill**, Director, British Film Institute (BFI), and **Mr David Elstein**, Member of the British Screen Advisory Council (BSAC) Ev 24

Dr Simon Thurley, Chief Executive, English Heritage, and **Dame Fiona Reynolds**, Director-General, National Trust Ev 36

Tuesday 26 October 2010

Ms Mhora Samuel, Director, The Theatres Trust, **Mr Mark Pemberton**, Director, Association of British Orchestras, and **Mr Danny Moar**, Director, Theatre Royal, Bath Ev 43

Mr Roy Clare, Chief Executive, Museums, Libraries and Archives Council, and **Dr Michael Dixon**, Chair, National Museum Directors' Conference Ev 53

Tuesday 2 November 2010

Mr Edward Harley, President, Historic Houses Association, **Ms Carole Souter**, Chief Executive, Heritage Lottery Fund, and **Loyd Grossman OBE**, Chair, Heritage Alliance Ev 62

Mr David Lee, Editor, The Jackdaw, **Dr Tiffany Jenkins**, Arts and Society Director, Institute of Ideas, and **Mr Norman Lebrecht**, writer and commentator Ev 72

Wednesday 1 December 2010

Ed Vaizey MP, Minister for Culture, Communication and Creative Industries, Department for Culture, Media and Sport Ev 81

Dame Vivien Duffield DBE, Chair, Clore Duffield Foundation, and **Rosalind Riley**, Trustee, The Brook Trust Ev 92

Tuesday 7 December 2010

Barbara Hayes, Deputy Chief Executive, and **Richard Combes**, Head of Rights and Licensing, Authors' Licensing and Collecting Society, **Jim Parker**, Registrar, Public Lending Right, and **Stella Duffy**, author Ev 102

Tuesday 25 January 2011

Dame Liz Forgan, Chair, and **Alan Davey**, Chief Executive, Arts Council England Ev 110

List of printed written evidence

1	National Campaign for the Arts (NCA)	Ev 127
2	National Trust	Ev 132
3	Liverpool City Council and members of Liverpool Arts Regeneration Consortium (LARC)	Ev 135
4	English Heritage	Ev 140; Ev 213
5	Arts & Business	Ev 145
6	The Heritage Alliance	Ev 149
7	Arts Council England	Ev 154; Ev 199; Ev 206; Ev 210; Ev 213
8	Museums, Libraries and Archives Council (MLA)	Ev 158
9	Association of British Orchestras (ABO)	Ev 162
10	The Theatres Trust	Ev 166
11	National Heritage Memorial Fund (NHMF) and the Heritage Lottery Fund (HLF)	Ev 170
12	Historic Houses Association (HHA)	Ev 174; Ev 204
13	National Museum Directors' Conference	Ev 178
14	Department for Culture, Media and Sport	Ev 181
15	British Film Institute (BFI)	Ev 184
16	Renaissance South East	Ev 189
17	Local Government Association	Ev 190
18	Liverpool City Council	Ev 194
19	David Lee, The Jackdaw	Ev 202

List of additional written evidence

(published in Volume III on the Committee's website www.parliament.uk/cmscom)

1	New Writing North	Ev w1
2	Derbyshire County Council	Ev w3
3	Association of Festival Organiser	Ev w4
4	Tyne & Wear Archives & Museums	Ev w5
5	Peter Collins	Ev w8
6	West Yorkshire Playhouse	Ev w8
7	APRS	Ev w11
8	Foundation for Community Dance	Ev w14
9	Turner Contemporary	Ev w15
10	Horse + Bamboo Theatre	Ev w17
11	Mind the Gap	Ev w21
12	Carousel	Ev w24
13	Campaign to Protect Rural England (CPRE)	Ev w26
14	Contemporary Glass Society	Ev w28
15	National Maritime Museum Cornwall (NMMC)	Ev w29
16	South East Dance (SED)	Ev w33
17	Robin Jacob	Ev w36
18	sporta	Ev w37
19	North East England Renaissance Board	Ev w38
20	Northamptonshire Museums Forum	Ev w40
21	University Museums Group	Ev w42
22	Royal Shakespeare Company	Ev w43
23	Midlands Federation of Museums and Art Galleries	Ev w47
24	PRS for Music Foundation	Ev w50
25	OYAP Trust	Ev w53
26	Birmingham Museums and Art Gallery	Ev w54
27	Sue Grace, Sarah Bridges, Jane Seddon, Carrie Carruthers, Louise Tyrell and Grace Kempster, Northamptonshire County Council	Ev w58
28	Andrew Welch	Ev w60
29	Dance UK	Ev w64
30	Christopher Gordon and Peter Stark	Ev w65
31	Greater London Authority (GLA)	Ev w88
32	&Co	Ev w90
33	Heritage Tourism Executive for the North West	Ev w92
34	Camelot UK Lotteries Limited	Ev w94
35	Dr Alana Jelinek	Ev w97
36	Sherborne House Trust	Ev w100
37	Cornerhouse	Ev w101
38	Association of Local Government Archaeological Officers for England (ALGAO: England)	Ev w104
39	Artists Interaction and Representation (AIR)	Ev w106

40	Southwark Arts Forum	Ev w108
41	Missions, Models, Money (MMM)	Ev w110
42	engage	Ev w113
43	Newcastle City Council	Ev w116
44	Film London	Ev w118
45	Faceless Company Ltd	Ev w119
46	London Arts in Health Forum (LAHF)	Ev w121
47	British Federation of Film Societies (BFFS)	Ev w122
48	Oxford University Museums	Ev w125
49	English Touring Opera (ETO)	Ev w127
50	Institute for Creative Enterprise (ICE), Coventry University	Ev w129
51	Wiltshire Music Centre Trust Ltd	Ev w132
52	Partnership for Urban South Hampshire Quality Place Delivery Panel	Ev w135
53	Museum of South Somerset	Ev w140
54	Luton Culture	Ev w142
55	Craftspace	Ev w144
56	Exeter City Council	Ev w146
57	Royal Albert Memorial Museum & Art Gallery (RAMM)	Ev w148
58	Prescap	Ev w150
59	Edward Schlesinger	Ev w153
60	Farnham Theatre Association Ltd	Ev w154
61	The Greenwich Foundation for the Old Royal Naval College	Ev w156
62	London Borough of Southwark	Ev w157
63	Strange Cargo	Ev w160
64	Trestle	Ev w163
65	Association of British Jazz Museums	Ev w165
66	Merseyside Dance Initiative (MDI)	Ev w170
67	Hardish Virk	Ev w172
68	Nautical Archaeology Society (NAS)	Ev w173
69	Accentuate	Ev w176
70	Hallé Concerts Society	Ev w178
71	Orchestras Live	Ev w182
72	Wayne McGregor, Random Dance, Akram Khan Company, Jasmin Vardimon Company, DV8 Physical Theatre, and Hofesh Schechter Company	Ev w185
73	Northern Ballet	Ev w188
74	Cultural Learning Alliance (CLA)	Ev w190
75	Royal Court Theatre	Ev w193
76	British Library	Ev w195
77	Crafts Council	Ev w199
78	City of London Corporation	Ev w202
79	Ivan Cutting	Ev w204
80	Jazz Services Ltd	Ev w205
81	Peterborough Attractions Group	Ev w209
82	Creativity, Culture and Education (CCE)	Ev w211
83	UK Music	Ev w215

84	Department of Culture at Manchester City Council	Ev w217
85	Fiona Macalister	Ev w220
86	Opera and Music Theatre Forum	Ev w221
87	East Midlands Museum Service	Ev w225
88	Dr Kevin Fewster	Ev w227
89	Royal Institution of Cornwall	Ev w228
90	Jonathan Platt	Ev w232
91	Chard and District Museum	Ev w234
92	Musicians' Union	Ev w235
93	Dance Consortium	Ev w236
94	The Place	Ev w238
95	Artsadmin	Ev w240
96	Incorporated Society of Musicians (ISM)	Ev w242
97	Maritime Greenwich World Heritage Site	Ev w246
98	National Historic Ships	Ev w248
99	Amber Film & Photography Collective	Ev w251
100	Modern Art Oxford	Ev w253
101	Oxfordshire Theatre Company	Ev w255
102	Association of Independent Museums (AIM)	Ev w256
103	Equity	Ev w259
104	London Borough of Richmond upon Thames Arts Service	Ev w263
105	Society of Antiquaries of London	Ev w266
106	Freedom Studios	Ev w267
107	Fitzwilliam Museum, University of Cambridge	Ev w269
108	Salisbury Playhouse	Ev w271
109	Oxford Playhouse	Ev w274
110	First Light	Ev w277
111	Portable Antiquities Scheme (PAS)	Ev w279
112	Apples & Snakes	Ev w281
113	Museums Association	Ev w282
114	Reading Agency	Ev w287
115	UK Overseas Territories Conservation Forum	Ev w290
116	Voluntary Arts England	Ev w291
117	Martin Thomas	Ev w295
118	North Kesteven District Council	Ev w297
119	New Deal of the Mind (NdotM)	Ev w299
120	StopGAP	Ev w301
121	Aldeburgh Music	Ev w305
122	London Councils and the Chief Leisure and Cultural Officers Association of London (CLOA London)	Ev w308
123	Young Vic Theatre Company	Ev w311
124	Country Land and Business Association	Ev w312
125	Netribution Ltd	Ev w316
126	Robert Groves	Ev w318
127	Murray Weston	Ev w321

128	Axis	Ev w324
129	Paul Clark	Ev w326
130	Iain More Associates Ltd	Ev w329
131	VAGA, the Visual Arts and Galleries Association	Ev w332
132	Rosalind Riley	Ev w337
133	Screen England	Ev w338
134	Michael Ohajuru	Ev w340
135	Regional Cities East (RCE)	Ev w343
136	Northern Rock Foundation	Ev w346
137	TYA-UK Centre for ASSITEJ, the International Association of Theatre For Children and Young People	Ev w347
138	Renaissance East of England	Ev w349
139	Big Lottery Fund	Ev w352
140	National Music Council	Ev w355
141	ZENDEH	Ev w359
142	Renaissance South West	Ev w360
143	Dance Digital	Ev w363
144	Institute of Archaeologists (IfA)	Ev w366
145	Renaissance East Midlands	Ev w366
146	Blake Museum	Ev w369
147	Liverpool Biennial of Contemporary Art Ltd	Ev w371
148	Lifelong Learning UK (LLUK)	Ev w374
149	sinfonia ViVA	Ev w377
150	Cause4	Ev w379
151	The Sage Gateshead	Ev w383
152	CapeUK	Ev w385
153	Natalie Watson	Ev w388
154	Design and Artists Copyright Society (DACS)	Ev w390
155	Film and Video Umbrella Ltd (FVU)	Ev w394
156	Culture Service, Royal Borough of Kensington and Chelsea	Ev w395
157	Northwest Regional Development Agency	Ev w397
158	Joint Nautical Archaeology Policy Committee	Ev w400
159	Leicester City Council Cultural Services Division and also as Lead Partner For Renaissance East Midlands	Ev w404
160	South West Screen	Ev w406
161	National Association for Literature Development	Ev w408
162	Paul Kelly	Ev w411
163	Renaissance in the Regions (South West)	Ev w414
164	Sue Cheriton	Ev w417
165	Hoipolloi Theatre	Ev w418
166	Dorset County Council with contributions from Dorset Strategic Partnership Culture Theme Group	Ev w420
167	Society for Nautical Research	Ev w425
168	Almeida Theatre Company Ltd	Ev w429
169	RESCUE: the British Archaeological Trust	Ev w430

170	English National Opera	Ev w432
171	Historic Towns Forum	Ev w435
172	Association of English Cathedrals (AEC)	Ev w438
173	Newcastle Gateshead Cultural Venues	Ev w439
174	Paul Graham	Ev w443
175	Stephen Boyce	Ev w444
176	Archives & Records Association	Ev w448
177	Havering Council, Culture and Leisure Services	Ev w451
178	Society of London Theatre and Theatrical Management Association	Ev w454
179	a-n The Artists Information Company	Ev w456
180	Art Fund	Ev w459
181	National Museum of Science & Industry (NMSI)	Ev w462
182	Royal Opera House	Ev w463
183	Making Music	Ev w466
184	High Peak Community Arts	Ev w470
185	Federation of Museums and Art Galleries of Wales	Ev w473
186	Surrey County Council	Ev w476
187	William Poel	Ev w477
188	Renaissance Yorkshire Museums Hub	Ev w477
189	Take Art and the National Rural Touring Forum (NRTF)	Ev w481
190	Board of the South Western Federation of Museums & Art Galleries (SWFMAG)	Ev w484
191	BECTU	Ev w488
192	National Association of Local Government Arts Officers (NALGAO)	Ev w492
193	Arts Development Officer for Gloucestershire County Council	Ev w496
194	Chief Cultural and Leisure Officers Association (CLOA)	Ev w498
195	Southbank Centre	Ev w501
196	National Theatre	Ev w503
197	Nottingham City Council	Ev w506
198	Joint Museums Committee, University of Cambridge	Ev w507
199	artsNK	Ev w508
200	Crewkerne & District Museum & Heritage Centre	Ev w510
201	Dr Simon Jenner	Ev w511
202	Independent Cinema Office	Ev w514
203	Musical Theatre Matters UK	Ev w516
204	Creative Scotland	Ev w519
205	Royal Society for the Protection of Birds (RSPB)	Ev w520
206	Association for Industrial Archaeology (AIA)	Ev w522
207	MITA – Moving Image Training Alliance	Ev w524
208	Richard Griffith	Ev w525
209	Marc Sidwell	Ev w526
210	Authors' Licensing and Collecting Society (ALCS)	Ev w528
211	Peter Stark and Christopher Gordon	Ev w529
212	New Vic Theatre Company, Newcastle under Lyme	Ev w540

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–11

Second Report	Pre-appointment hearing with the Government's preferred candidate for Chairman of the BBC Trust	HC 864-I
First Report	Channel 4 Annual Report	HC 423
Third Special Report	Channel 4 Annual Report: Responses to the Committee's First Report of Session 2010-11	HC 891
Second Special Report	BBC Annual Report 2008-09: BBC Trust's response to the Committee's Fifth Report of Session 2009-10	HC 352
First Special Report	Press standards, privacy and libel: Responses to the Committee's Second Report of Session 2009-10	HC 351