Arts Council England's National Investment Plans 2015-18

Hard Facts to Swallow

Analysis, Commentary and Evaluation

GPS Culture

10th October 2014

Contents

Working Papers for our address to the research questions are listed here and available as downloads from our website at www.gpsculture.co.uk

1] Introduction

GPS Culture is the research vehicle for Christopher Gordon, David Powell and Peter Stark, the co-authors of **'Rebalancing our Cultural Capital'** (http://www.theroccreport.co.uk) addressing the imbalance in funding between London and the rest of England and **'Policy for the Lottery, the Arts and Community in England'** (http://www.theplacereport.co.uk) addressing more general inequity in the distribution of Lottery funds.

On 1st July 2014, Arts Council England published its investment plans and strategic funds for 2015-2018. In response, GPS Culture undertook to conduct more detailed research, provide an analysis and either a commentary or conclusions from the perspective of its earlier research and in the context of a rapidly evolving public policy debate on the future governance of England.

The title of this report references the publication of the original 'A Hard Fact to Swallow' by the Policy Studies institute in 1982 which found Arts Council expenditure in London in 1980-81 to be £3.37 per head of population (php) as against £0.66 php in the rest of England. That research fed directly into the conclusions of the House of Commons Select Committee’s 1982 Report, and informed the Arts Council's 'Glory of the Garden: Strategy for a Decade' (1984) specifically designed to address these inequalities.

The conclusion of our research is that the imbalance of taxpayers' funding for the arts between London and the rest of England in the past 34 years has widened and will widen again over the coming three years despite the injection of over £3.3bn of wholly new funds for the arts throughout England from the National Lottery since 1995. We conclude that the necessary change will now require government intervention.

For this report, readers are asked to note that:

- we are concerned only with England;
- our focus is on Arts Council England's longstanding responsibilities for the arts although we reference its recently inherited responsibilities for Museums and Libraries;
- we use the acronym 'NPOs' to refer to those arts organisations that form part of the current National Portfolio (2012-15), those that will form part of the new Portfolio (2015-18) and those that were in receipt of funding for more than a year in 2007-08 (then referred to as 'Regularly Funded Organisations or RFOs);
- the research phase of work on our next report, ARTISTS, is now underway. We aim to publish it before Christmas or early in the New Year.

As with both of our previous research reports, the work on this one is self-funded and independent. Our analysis has been substantially informed by input from associates Steve Trow and Emily Tattersall.

We have reviewed Arts Council England's investment plans 2015-18 through the lens of twelve research questions grouped in relation to the main themes of our earlier work, with an additional section on governance, management and transparency derived from the background research specific to this report.

The findings are supported by appendices and working papers for each question and response as appropriate. The Appendices form part of the report. The Working papers are accessible in downloads from our website (www.gpsculture.co.uk).While there are no references in the main report, the working papers and appendices are annotated.

Peter Stark, David Powell and Christopher Gordon
for GPS Culture
10/10/2014

2] Executive Summary

Prologue

- London will continue to receive a necessary and substantial premium in public funds over and above its strictly calculated national 'fair share' so that the capital city can continue to play its critical role in the cultural and artistic life of England and the United Kingdom.

- Current levels of imbalance in funding of the arts between London and the rest of England are, however, excessive and unjustified. They prevent England from realising the potential of the arts and the cultural and creative industries for the economy. They frustrate participation in the arts at local level and prevent the arts from fulfilling their role in promoting individual and community wellbeing.

- The arm's length principle, allied to informed expertise in arriving at judgements of artistic quality, is fully supported. That 'principle' does not, however, prevent governments from establishing overall public policy for the arts within which the Arts Council has a defined remit to deliver its own policies and programmes.

- Looking to the immediate future there is no greater challenge to the Arts Council than its responsibility to form new partnerships for culture and the arts with local authorities as they are transforming through co-operation with their neighbours to deliver shared services and through devolution of functions to agencies and to communities.

- Our researches of the past 18 months have led us to the conclusion that there is a pressing need for reform of the arrangements for public funding of the arts in England. Our concerns acquire edge, impetus and urgency from our sense of the scale and nature of the threats confronting arts funding by local government, alongside the substantial opportunities that exist for the future if the foundations for new relationships can be laid now.

Geographic imbalance and the Arts Council's claims for its Investment Plans

- Considering the arts (i.e. excluding museums expenditure) and strictly comparing like with like, our analysis cannot substantiate the claims made by the Arts Council England that:
  - funding of the National Portfolio in London has moved from 51% to 47% of the total;
  - there is a ' current trend' of 60% of grant in aid investment outside London, or that
  - there is a 'current trend' of 70% of National Lottery investment outside London.

- During the three years of Arts Council England's 2015-18 investment plans the imbalance between national funding for the arts in London and in the rest of the country will worsen.
  - The Arts Council will have stewardship of funding to support the arts in England directly of £1,584 million (excluding operating costs of over £100 million) provided by taxpayers and lottery players from across the whole of the country;
  - £689 million (43.4%) of this will be invested in the arts in London at £81.87 per head of population (php) as against £900 million in the rest of the country at £19.80 php. A ratio of over 4 : 1 in favour of the capital;
  - Were Lottery funding to have been treated separately and with closer reference to the Directions issued to the Arts Council by DCMS, there would have been an expectation that these funds - for new and additional activity in the arts - would have been deployed to redress the long standing imbalances in taxpayer-sourced funding rather than being used to enhance them yet further.

- In its publication 'This England' (February 2014), the Arts Council states a clear position that it would only be able to 'strengthen regional provision' as a consequence of 'our grant-in-aid cuts being restored in the event of economic recovery'. In all likely circumstances, that is a commitment to indefinite delay.

The Arts Lottery, equity and social value

- We confirm the continuing substantial inequity in the distribution of Arts Lottery funding across England with particular reference to areas of multiple deprivation (also often the highest contributors to Lottery income). Only 17% of local authority areas (most often those already the most engaged with the arts) are in receipt of more funding from the Arts Lottery than their citizens have contributed.

- We recognise the growing cultural diversity of England's population. We express concern at the continued failure of the Arts Council adequately to reflect this, to produce effective strategies for support of the arts within those cultures or to engage in a sustained way with exceptional artistic talent and leadership arising from them.

- Latest research illustrates the extent to which the investment plans focus ever more benefit, increasingly Lottery-sourced, on those from the most advantaged backgrounds. Arts Council England's suggestion that subsidy per attendance is a 'more representative measure' of public benefit from public subsidy would point to the same conclusion particularly given the (average) subsidy to the major ballet and opera companies - for each individual performance of - £78,860.

- Fundamental to the fair and effective functioning of the arts funding system are the remit of and Lottery directions issued to the Arts Council by the DCMS, and the undertakings that the Arts Council has given in relation to the Lottery. We identify:

  - the breach of the principle that Lottery funding should only be for 'new and additional' activity, focused on time-limited activities and not be used to substitute for funds previously provided through government funding;
  - failure to create strategy or funding programmes of substance to support the role of the arts, culture and creative industries in regional economic development;
  - failure to create strategy or programmes to support the role of the arts and culture working locally, with a principal emphasis on participation in creating social value, and enhancing individual and community wellbeing. We note in particular that the 'flagship' programme Creative People and Places, designed to address areas of least engagement in the arts, has been cut by 46% in the investment plans.

Governance, management and transparency

- We draw attention to the lack of transparency in the operation of certain funding schemes, particularly larger awards made through Grants for the Arts where, despite clear guidance that the maximum award available within the programme was £100,000, 51 awards were made higher than this amount totalling £10.84 million in 2013/14. This included 12 awards of over £200,000 totalling £4.75 million.

- We note the implementation of an apparently undeclared policy substantially to reduce the number of awards to organisations receiving extended security of funding of up to £100,000 per annum. There has been a net loss of 352 such organisations since 2007/08. Such small organisations - typically lightweight, flexible and affordable and often specialist and culturally diverse - have a particular capacity to contribute to artistic innovation and to work with local communities across the country.

- Whilst fully acknowledging the need for expertise of the highest calibre on the Arts Council itself and without calling into any question the probity of Council members, we note that the levels of declared interest in larger National Portfolio organisations amongst the current membership (there are 36 of these distributed between 12 of the 14 members of the Council, 21 of them in London) might feed a perception that such interests could have a disproportionate influence on decision making.

- Our analysis shows that the Arts Council's operating costs have been successfully reduced. The two reorganisations have seen the loss of 248 posts and the rationalisation of properties but at a 'once off' cost of more than £14m in addition to 'normal redundancy costs' of over £4m during the period. We note that over that period the proportion of operating costs charged to the National Lottery has risen from 41% to 55%. We also note that, because of this change, the Arts Council has been able to meet the DCMS target of achieving a 50% operating costs saving from grant-in-aid.

- With regard to the priority that we place on achieving a new and nationally harmonious relationship with local government we note a disturbing inconsistency between the Arts Council's relationship with local government in London and elsewhere. In the three years to 2012/13 local authorities outside London funded National Portfolio organisations in a ratio of 32% to the funds provided by the Arts Council while in London the true average comparator figure is 6% after excluding the funding of the Barbican Centre provided by the anomalous City of London Corporation.

- London has the capacity to do more to fund the arts for its own citizens. It appears that the Arts Council has failed to use its financial leverage to develop or sustain funding partnerships in the capital to the extent that appears to be both policy and practice applied to the rest of England

Conclusions

- The overall impression given by the 2015-18 settlement is of an increasingly closed system that operates with insufficient transparency. Too often there appear to be disguised agendas that benefit a small minority of established, and most commonly London based, arts organisations and a privileged section of the population as a whole. Guidance issued on Lottery funding that mandates far wider benefit to the whole nation and, within it, to local communities – particularly the least engaged and most disadvantaged – appears to have been ignored.

- We contend that after the next general election, any incoming administration should review the Arts Council's remit and the policies and structures for delivering it.

- In terms of policy, 'Great art and culture for everyone', Arts Council England's existing 10-year strategic framework is clearly inadequate for guiding engagement with the opportunities and challenges that exist in current public policy debates on the nature of England and the arrangements for its future governance at local, regional and national level (as well as within the United Kingdom and Europe). It is a policy document that seems to belong to another era and the Arts Council's centralised structures for governance, management and decision-making may be equally unfit for future purpose.

- Our research and analysis (the RoCC and PLACE Reports, the Arts Council's response to them and now these 'Hard facts to swallow') has illustrated the systemic inability of the Arts Council to reform itself without external intervention. The forces of custom, practice and vested interest are just too strong.

- Any new policy directions of the kind that are proposed in our reports would need to be established through the political process. These should be determined by parliament for implementation and monitoring by a reinvigorated government department.

- Such a department would continue to have the wider 'cultural' responsibilities of the DCMS. At the very least, reform in dispositions for the arts should be made alongside the same for libraries, museums and heritage. All such changes to be made with reference to arrangements for future governance in partnerships between local authorities and with localities and the communities within them.

- Change of the scale and nature that we advocate could be phased in towards full realisation in 2018/19. The implementation of new overall policy and structure could require a year of development and debate (2015), a year of detailed design and then implementation (2016) with a year's notice to those who might be affected by changes (2017). Existing commitments should be honoured but there is still capacity for Arts Lottery strategic funds and Grants for the Arts (totaling over £400 million over the coming three years) to be reconsidered and redirected.

3] The Research questions

A] Context

1. What is the immediate context for the investment plans 2015-18?

B] Geography, cultural and creative industries

2. What are the benchmarks for assessing the imbalance in public funding for the arts and culture between London and the rest of England?

3. Can the Arts Council's claims in its investment plans for change in the disposition of its funding be substantiated?

   i) 'Funding of the National Portfolio in London has moved from 51% (2007-08) to 47% of the total (2015-18)'.
   ii) 'We will build on the current trend of 60% of grant in aid investment outside London'.
   iii) 'We will build on the current trend of 70% of National Lottery investment outside London'.

4. What effect would the proposed levels of investment in the arts claimed by the Arts Council or analysed here have on the imbalances between London and the rest of England?

C] Lottery. equity and social value

5. What is the current position on the delivery of wider social value and equity, beyond purely geographic concerns, from National Lottery arts funding

   i) Government, Lottery distributors and Camelot
   ii) Overview on cultural value
   iii) Local authorities
   iv) Wellbeing
   v) The economic contribution
   vi) Touring and digital streaming

6. How will the 2015-18 settlement reflect the growing diversity of England's population, cultural traditions and artists?

7. What is known about the kinds of organisation and the groups in society that benefit most from national arts funding and the Arts Lottery?

8. What policy guidance is available for the distribution of Arts Lottery funds and what additional information was available to inform the 2015-18 Investment Plan in its address to Lottery priorities?

9. How has the proposed 2015-18 settlement responded to these challenges?

10. How could the Arts Council have done more to secure a more socially as well as geographically equitable distribution of Arts Lottery funds?

D] Governance, Management and Transparency

11. How does the proposed 2015-18 Investment Plan stand in relation to government's guidance on additionality and substitution?

12. What does more detailed and historical analysis of the 2015-18 investment plans and their structures, programmes and budgets reveal?

    i) Prologue
    ii) Operating Costs
    iii) Grants for the Arts and Strategic Funds
    iv) The National Portfolio - programme design
    v) The National Portfolio - undeclared policy and small-scale companies
    vi) The National Portfolio - balancing expertise and interest on the Council
    vii) The National Portfolio - could London do more to help itself?

E] Conclusions

A] Context

1. What is the immediate context for the investment plans 2015-18?

Opportunities

It appears likely that a combination of decisions that flow from the Scottish referendum and the impact of budget reductions on the structures of local government will produce unprecedented change in arrangements for the governance of England and what could be a full-throated debate concerning our English identities and the kind of England we aspire to live in.

Over the coming year the arts must be included within the mainstream of this public policy debate. Flowing from that there will be opportunities unlike any others since the founding years of the Arts Council from 1945 (when they were not taken) for the diversity of our arts and cultures to be embedded in the new structures for economic and social policy that will emerge. Those new structures will be both between local authorities collaborating regionally, and within individual authorities themselves, as new ways are found to engage with their constituent localities and communities.

While Arts Council England must retain a national and international perspective, striving to make ‘the best available to the most’, it also has the duty under its Royal Charter to grasp this opportunity to work with partners in order to nurture our national cultural life locally and in regional centres.

It is arguable that while 'Great art and culture for everyone' (refreshed in October 2013) and the settlement for 2015-18 proposed in July 2014 may have aimed successfully to protect large parts of the national arts infrastructure in the short term (a real, albeit fragile, achievement), they fail to recognise other opportunities or to position the arts nationally, regionally and locally to engage with them. In the 10,000 words of the Arts Council's '10 year strategic framework' there is no mention of or reference to - let alone strategy to address - the imbalance in funding between London and the rest of England. The word 'region' does not appear once. There is no address to Lottery directions. It reads as a document from another era.

Beyond ignoring these issues of regional and social imbalance, Arts Council England in its recent publication 'This England' (February 2014) now states a clear position that it would only be able to 'strengthen regional provision' as a consequence of 'our grant-in-aid cuts being restored in the event of economic recovery'. Given pronouncements on this subject by all political parties, that is a commitment to indefinite delay.

Threats

In common with many other public services, Arts Council England has had the unprecedented task of managing a very substantial reduction in its public funding over the past 5 years. Grant-in-aid has reduced by £65m with this reduction only partly offset by increases in Lottery funds in certain years. Partly to mitigate the effects of this reduction, ACE has also been challenged to reduce its operating costs by 50% over the same period.

At the same time local government, the Arts Council's major partner in funding the arts, has faced similar challenges - even larger in some parts of the country. With arts provision and support as only a discretionary rather than a statutory power, it is understandable that many authorities have felt obliged to make large reductions in this policy area, though others have, with difficulty, held the line to date.

Those reductions in resource already implemented and the certainty of continuing reductions have, generally, produced creative responses from local government (with a particular focus on the library service) and often galvanised new partnerships with the voluntary sector, local artists and local and regional arts organisations. Newly emerging models have, however, no national policy framework to relate to (other than for libraries) and no information or financial resources to draw on. Despite the levels of effort, good will and imagination, the situation on the ground is fragile and uncertain.

B] Geography, cultural and creative industries

2. What are the benchmarks for assessing the imbalance in public funding for the arts and culture between London and the rest of England?

Over 50% of England's population lives more than a day visit distance from the capital. Using Leeds as an illustrative benchmark, each visitor has to pay a premium of between £200 and £300 per person per visit in travel and accommodation (using discounted rail fares and budget hotel prices) before a single ticket is purchased or a family enters a 'free' museum.

In 2012/13, Arts Council England distributed £320 million of taxpayers' money to the arts with £20 per head of population (php) allocated in London against £3.60 php in the rest of England.

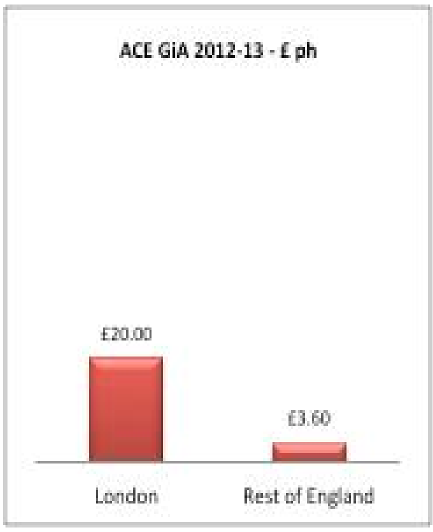
A ratio of 5.5 : 1 in favour of London

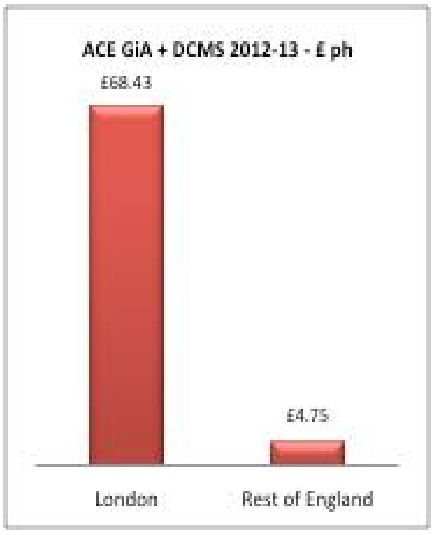
If DCMS and Arts Council funding for museums, galleries and libraries is added (and after making due allowance for the net benefit of touring), taxpayers in England provided benefit to London of £68.43 php against £4.75 php in the rest of the country.

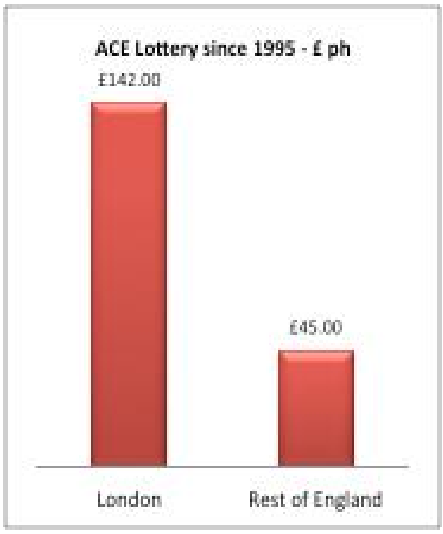
A ratio of 14:1 in favour of London.

Since 1995 the Arts Council has had stewardship responsibility for over £3,300 million of 'new and additional' funding from Lottery players across the country. In that time Arts Council England has provided benefit to London of £142 php against £45 php in the rest of England.

A ratio of 3:1 in favour of London







This very substantial concentration of national public resources for the arts and culture in a capital city is not the pattern deployed elsewhere in Europe or the Commonwealth (Vienna and Athens excepted). Whilst national resources will have one major focus in the capital, they will also have others in major cities/urban conurbations elsewhere.

Moreover, in those capital cities (and those 'second' cities with high cultural profiles e.g. Milan, Barcelona, Lyon and Marseille) mayors and city government play a very significant part. In Paris, Rome, Madrid, Hamburg, Munich, Johannesburg, Sydney, Melbourne and Montreal for example- centralised or federal systems notwithstanding – their important local responsibility is accepted and embraced.

We acknowledge the scale of capital investment made in new arts buildings and institutional infrastructure in major urban areas outside London but argue that investment in new funds for production has not followed. There is, therefore, substantial unrealised potential in the regions outside London for the arts - in the wider context of the cultural and creative industries - to contribute to economic regeneration regionally and nationally.

We return to the issue of London's own funding for the arts that its citizens enjoy in the penultimate section of this report.

Reference Working Paper A

3. Can the Arts Council's claims for change in the disposition of its funding in its investment plans be substantiated?

i) 'Funding of the National Portfolio in London has moved from 51% (2007/08) to 47% of the total (2015-18)'.

In 2007/08 the Arts Council had no responsibility for Museums and those arts organisations receiving three-year funding did so from grant in aid only.

During the three years 2012-15 the Arts Council was asked to assume these responsibilities and received specific additional grant-in-aid funding previously provided directly by the DCMS in respect of the 'Renaissance in the Regions' programme.

By 2015/16 that funding was integrated into Arts Council's grant-in-aid budgets but the expectation for its future use for the development of museums principally outside London remains.

The first comparator exercise has therefore been carried out for the arts portfolio (strictly organisations receiving three-year security of funding) only and for grant-in-aid only. It shows (Reference Appendix 2 and Working Paper B) London benefit of 52.6% of NPO funding in 2007/08 and of 51.6% (average) for 2015-18.

Allowing for Major Partner Museums (MPMs) to be included in the grant-in-aid comparison (though as we observe, the Arts Council had no discretion in the change), we still see London benefit of 52.6% in 2007/08 but moving to 48.3% in 2015/16 (average)

When the Arts Council's decision to move the revenue funding responsibility for large scale touring opera and ballet companies, most of these based outside London, from tax-borne to Lottery sources is factored into the calculation (again no change driven by the implementation of policy just a shuffling of budgets) there is a shift from 52.6% in 2007/08 to 47.3% (or even to 44.9% including MPMs).

We conclude that - comparing like with like - the Arts Council's claim is not substantiated and that regularly funded arts organisations in London will receive 51.6% of grant-in-aid funding of the portfolio during 2015/16 against 52.6% in 2007/08.

It is only with the adjustments stemming from new responsibilities for museums and the decision to fund major Portfolio organisations outside London from the Lottery that the Arts Council's claim can be justified.

Reference Working Paper B

ii) 'We will build on the current trend of 60% of grant in aid investment outside London'.

The Arts Council claims that for 2015-18 the balance of its grant-in-aid funding apportioned between London and the rest of England will be 40% to 60%. Reference to Working Paper C shows a different reality.

The consistent analysis of 'current trends' on grant-in-aid funded arts programmes in the Working Paper shows the benefit to London moving up marginally from 49.7% to 51.6% between 2012-15 and 2015-18 against the Arts Council's claim of 40%.

If museums funding is added - though we show (above) that this could only have marginal if any legitimacy in showing 'trends' - then benefit to London still only falls to 45% against 55% in the rest of the country.

We find no basis for the ratios claimed by the Arts Council, whether as a current state or a current trend or a level likely to be achieved by 2018.

Reference Working Paper C

iii) 'We will build on the current trend of 70% of National Lottery investment outside London'

The Arts Council claims that for 2015 -2018 the balance of its National Lottery funding as between London and the rest of England will be 30% to 70% (still a continuing ratio of 2:1 per head of population in favour of the capital).

The immediate shift to 30% to 70% claimed in 2012/13 (from 45% to 55% for that year as analysed in the RoCC report) was achieved by the legerdemain of introducing a very significantly expanded 'national' category of funding to the grant schedule, not by any shift in policy or practice.

The Arts Council's stated ambition to 'build on the current trend of 70% of National Lottery investment being made outside London' needs to be considered under the three spending programmes that deploy Lottery funds.

With reference to Working Paper D we find that:

- NPO Lottery funds (£69.6 million pa) will be allocated in the ratio of 30% : 70% until 2018
- the 'open application' Grants for the Arts programme was allocated 30% :70% in 2013/14 and - despite a disturbing upward trend in the proportion of awards going to London (and the South East) - our analysis is that this ratio of the declared budget (£70 million pa) will be maintained to 2018.
- the allocation of Strategic Lottery Funds (determined, as we understand it, by the Executive Board and often not subject to application) has historically benefited London disproportionately. The combined ratio of regionally allocated funds for 2012/13 and 2013/14 is 42.2% : 57.8%.
- After review of the purposes and budgets of the newly designated Strategic Funds (allocated from both grant-in-aid and lottery) we conclude that the Arts Council might achieve at best a ratio of 40% : 60% on these funds to 2018 rather than the 30% : 70% ratio they target.

Reference Working Paper D

4] What effect would the proposed levels of investment in the arts claimed by the Arts Council or analysed here have on the imbalances between London and the rest of England?

Grant in aid

In the three years of the Investment Plan Arts Council investment of taxpayers funding - Grant in Aid:

- will total £931 million
- of this £466 million will be invested in organisations in London at a per capita return to London's population of £55.39p per head of population(php)
- the remaining £465 million will be invested in the rest of England at a per capita return to those citizens of £10.22 php

Lottery funds

In the three years of the Investment Plan, Arts Council investment of Lottery funds

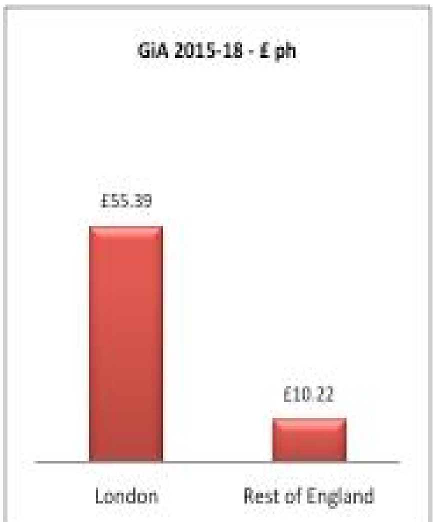
- will total £658 million
- of this £223 million will be invested in organisations in London at a per capita return to London's population of £26.48 php
- the remaining £435 million will be invested in the rest of England at a per capita return to those citizens of £9.58 php

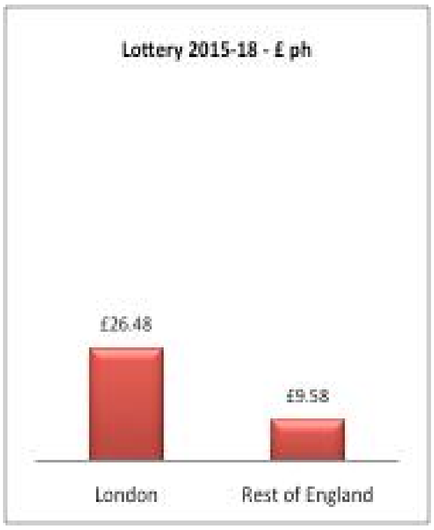
Expressed in another way, in just the three years of this Investment Plan, London based arts organisations (not including Museums) will receive £120 million more from Arts Lottery funds than their strict 'fair share[1]'

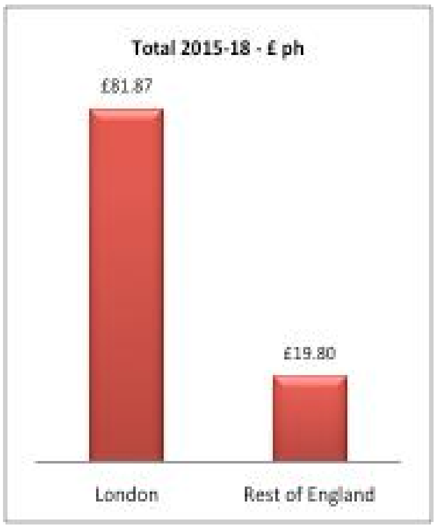
Taken together

In the three years of the Investment Plan the Arts Council will invest taxpayers and Lottery players funds from the whole of the country that

- will total £1,589 million
- of this £689 million will be invested in organisations in London at a per capita return to London's population of £81.87 php
- the remaining £900 million will be invested in the rest of England at a per capita return to those citizens of £19.80 php







[1] As argued for by the Mayor of London. 'Fair shares for London'

In arriving at these conclusions from our analysis we have accepted the Arts Council's claimed ratios for its planned national investment in relation to the National Portfolio and Grants for the Arts programmes (at 30% : 70% in favour of London). Our analysis finds, however, that a ratio of 40% : 60% is likely for Strategic Funds. Were we to be proved wrong over time and the Arts Council's claim for Strategic Funds to be achieved, the net effect on our calculations would be to shift £38.5m from London to the rest of England over the three years - a change of under 2.5%.

Whether our projections or the Arts Council's prove to be correct, by the end of the investment plans' period in 2018, the imbalance in the investment of taxpayers and lottery players funding between London and the rest of England will still stand at over 4 : 1 in terms of per capita investment.

Reference Working Paper E

C] Lottery, equity and social value

5] What is the current position on the delivery of wider social value and equity, beyond purely geographic concerns, from National Lottery arts funding?

Since 1995 the 33 English local authorities in which people are least engaged with the arts have received £288 million (£48 php) from the Arts Lottery. Over the same period the 33 areas with the highest levels of arts usage have received £1,327 million (£275 php) - £1 billion more than they have contributed.

Only 17% of local authority areas (54 of them) have received grant awards from the Arts Lottery amounting to more than they have contributed through the purchase of Lottery products (on a straight per capita basis). The remainder (273) are 'in deficit' and include almost all of the poorest and least 'arts engaged' parts of the country.

New research from the Gambling Commission shows that the proportion of the population playing the Lottery varies very considerably (from 61% in the North East to 41% in London). This might give added substance to the case for weighting the distribution of Arts Lottery funds.

The local authority area with the highest net php return to its Lottery players is the City of Westminster, whose population has contributed £14.5m to the arts lottery since 1995 whilst its arts organisations have received £408m, a surplus of £393.5m. The Local Authority area with the poorest 'return' is County Durham, where its Lottery players have contributed £34m since 1995 while its arts organisations have received only £12m, a net 'deficit' (in effect a contribution to the surpluses of others) of £22m.

Reference the PLACE report at Section 6.

6] How will the 2015-18 settlement reflect the growing diversity of England's population, cultural traditions and artists?

2015/16 will mark the 40th anniversary of the Gulbenkian Foundation, CRE and Arts Council's publication of 'The Arts that Britain ignores'. In this context we note the Arts Council's own concerns that, as England's population continues to diversify, the overall number of National Portfolio Organisations led by members of those diverse communities is set to reduce under the new investment plans.

We are concerned that the establishment of an annual fund of £2m for each of the next three years to help to achieve the wider purposes and definitions of the Arts Council's own 'Creative Case for Diversity' may lead to additional funding for existing organisations led from within the majority community rather than supporting the development of smaller companies from within the minority cultural communities themselves.

We suggest that the continuing difficulty that the arts funding system in England has had in addressing the full diversity of arts and cultural expression within the population as a whole may be related to its own structures. If this is correct then the issue of diversity within the National Portfolio will persist.

The devolved approaches proposed for Lottery funding at Question 10 (below) might better allow for diverse artistic practices and creative cultural participation to engage more effectively and responsively with available funding.

7] What is known about the kinds of arts organisations and the groups in society that benefit most from taxpayers' arts funding and the Arts Lottery

The PLACE Report drew attention to the alignment of strategic (and now NPO) funding with an apparently 'closed system' of principal beneficiaries to the extent that the five largest recipients of Arts Council grant-in-aid (at over £80m pa) had also received more in Lottery funding (over £300m) than the 33 least engaged local authority areas in the country.

To inform its proposed 2015-18 settlement Arts Council England commissioned an internal report on large scale opera and ballet that acknowledged the exceptional levels of cost associated with this scale of work in these art forms. An average single performance requires £78,860 subsidy and the seven supported companies working at this scale account for 22% of all NPO funding. In ACE's 2015-18 plans, five of these seven companies will see their subsidy moved from grant-in-aid to Lottery funding.

In its response to the RoCC Report, the Arts Council stated that 'subsidy per attendance' would provide 'a more representative measure' of public benefit than the Report's analysis of 'per capita' spend.

This despite the Arts Council's own research concluding that only 9% of the resident adult population of England was 'highly engaged' with the arts, and the conclusion of the DCMS's *Taking Part* survey that 'Participation rates continue to be significantly higher among those in the upper socio-economic groups and in the least deprived areas of England'. The A.C.O.R.N. socio-economic profiles identify the defining characteristics of almost two thirds of those attending the arts:

28.2% Comfortably off young couples, secure families, older couples and pensioners;
24.0% Wealthy executives, affluent older people and well-off families;
12.3% Prosperous professionals, young urban professionals and students living in cities

Even more disturbing for those advocating 'subsidy per attendance' as a more representative measure of the achievement of access or engagement objectives should be recent research showing that 25% of all ticket purchases in the subsidised performing arts are made by just 2.5% of regular ticket buyers.

In summary, audience research tells us that the most regular attenders of heavily subsidised cultural events are some of the most privileged in society - the highly educated and wealthy living in the capital, or within easy reach of the predominantly London-based institutions. Through the regular attendance that they are able to afford, these already privileged groups derive by far the most benefit from universal taxation and, now, from Lottery players across the whole country.

Reference Working Paper F and the PLACE report, sections 6,7,8 and 9.

8] What guidance and research was available to inform the 2015-18 investment plans in their address to lottery priorities?

i) Government, Lottery distributors and Camelot

'Arts Council England is sponsored by the Department for Culture, Media and Sport in order to make the arts, and the wider culture of museums and libraries, an integral part of everyday public life, accessible to all, and understood as essential to the national economy and to the health and happiness of society'
(Quoted by the Arts Council in 'Great art and culture for everyone' as its 'remit' from DCMS)

The PLACE report drew attention to Lottery directions issued by the DCMS to all lottery distributors around community consultation and the prioritisation of disadvantaged areas that appeared to be being well and effectively addressed by sister distributors for Heritage and Sport through carefully targeted strategic programmes available throughout the country.

The same report drew attention to the undertakings given by Arts Council England to increase its engagement with local communities and with wellbeing agendas if the 20% proportion of 'good causes' income previously allocated to the arts could be reinstated after the diversion to fund the London Olympic Games.

The founders of the Lottery were clear in their intention that Lottery funding would be for 'new and additional' activity and that it must not be used to substitute for activity previously publicly funded through mainstream programmes. The Lottery distributors have since agreed a set of definitions in relation to additionality and substitution that they have all undertaken to apply.

Camelot continues to promote the return to all good causes on the basis that the nation is benefitting through the lives that are changing and the communities that are transforming with an added emphasis on spread and reach across all postcodes.

ii) Overview on cultural value

In March 2014, Arts Council England published 'The value of arts and culture to people and society – an evidence review'. In the introduction ACE states that, "we do not cherish arts and culture because of their impact on our social well being or cohesion, our physical and mental health, our education system, our national status or economy... instead we cherish arts and culture for their intrinsic values, how they illuminate our inner lives and enrich our emotional world".

In the context of the Arts Council's allocation of funds and its budget priorities for 2015-18, this statement has particular resonance alongside the DCMS's definition of the Arts Council's remit, (above) and also when reviewed in relation to the Directions issued by DCMS in 2007 to all the specialist national Lottery distributing bodies (see Appendix 3).

In 2013/14 immediately leading up to ACE's budget decisions and announcements, a number of significant research reports and policy contributions have appeared. It is difficult to locate evidence if their impact in the programmes and funding decisions within the investment plans.

iii) Local authorities

All recent surveys indicate that the infrastructure that local authority based expertise, facilities and funding has provided to sustain the arts and cultural life in communities across England since the 1970s, alongside the voluntary sector and local artists, is disappearing as reduced and further reducing public funds are required to focus on statutory duties. The scale of this loss has been reported by Arts Development UK and Arts Council of Wales in their 2014 report 'Local Authority Arts Investment & Partnership Survey 2013/14' and by ACE-supported research (On with the show 2014) from the New Local Government Network.

iv) Wellbeing

In 2014, the Report by the All Party Parliamentary Group on Wellbeing Economics (Wellbeing in four policy areas) has concluded that policy-makers should be setting arts spending priorities that target those with the lowest levels of wellbeing, especially communities with high deprivation. The APPG's work started in late 2013 and its evidence and literature references show that the relationship of wellbeing and the arts and culture has been gathering research credibility and practical momentum over the last few years. Such an approach would, the report says, lead to greater priority being given to participatory arts, rather than treating them as purely spectator activities, as evidence suggests that participation is particularly beneficial for wellbeing.

v) The economic contribution

Ongoing research persistently shows the potential of the arts within the creative industries to contribute to economic development, largely through the creation and growth of small creative businesses and the role of arts institutions within cultural tourism. In addition the ACE's own 'Evidence review of the economic contribution of libraries' with the Local Government Association reported in 2013 that:

> *"The arts provide nearly 1 million jobs and the 67,000 cultural businesses contribute £28 billion every year to the UK economy. Tourism contributes £115 billion to the English economy and as well as attracting visitors to places, the arts encourage visitors to stay longer and spend more in destinations. Businesses choose to invest in places with a vibrant arts offer because they offer their employees a high quality of life."*

vi) Touring and digital streaming

Recent research and intelligence from marketing organisations suggests that claims for any success in creating new audiences for the performing arts through live streaming to cinemas and theatres is overstated.

UK evidence to date also points to the negligible ability of large scale subsidised touring or digital streaming to engage new audiences, least of all those in areas of least engagement, while it can be (according to marketing specialists Purple Seven – in their report 'Theatreland – but not as you know it, 2013' damaging to 'live and local' presentations.

Research in the USA on opera indicates that the dominance of the Metropolitan's streaming from New York is proving cumulatively harmful to live audiences elsewhere. The record of commercial touring theatre in the UK seems to be more successful in attracting new audiences that that of the subsidised companies.

References: Appendix 3 and PLACE Report Appendix B

9] How has the proposed 2015-18 settlement responded to these challenges?

- The PLACE report asked why - given the available evidence - the Arts Council had not already designed and implemented a series of programmes to deliver the identified beneficial outcomes for individuals and communities. The question had additional weight as such work was so clearly prioritised in guidance and commitments given on Lottery funds and already in place in the strategic programmes of Sport England and the Heritage Lottery Fund.
- To the contrary, the Creative People and Places Programme - cited in all recent Arts Council publications as its 'flagship' programme to address areas of least engagement with the arts - has had its funding cut by 46% (for 2015-18) while it is also to be opened to new applicants. Existing projects designed to deliver a 'vision for a decade', many of which are just beginning to get into their stride, are now faced with contingency planning for severely reduced budgets or even closure.
- Meanwhile Lottery funding is to be even more closely tied to the most expensive art forms of large-scale opera and ballet.
- We acknowledge the creation of a new fund 'Developing ambition and talent outside of London' designed to 'help us (sic) attract and retain talent in the regions as well as build production capacity outside London' with an annual budget of £5m.
- However, this represents an investment of under 5% of available Strategic Funds, under 2% of Lottery funds and under 1% of the total available for arts programmes. Our illustrative proposal (next) was for 40% of Lottery funds to be targeted in this way.

10] How could the Arts Council have done more to secure a more socially as well as geographically equitable distribution of Arts Lottery funds?

Based on the analysis in our two earlier reports we developed an illustrative alternative model for the distribution of Arts Lottery funds, drawing on the experience, policies and programmes of other lottery distributors but adapting them to the particular requirements of working with the arts and museums and libraries. The evidence accumulated in this analysis of the investment plans for 2015-18 has led us to marginally revise that proposition and repeat it here. A simple tripartite programme structure and an (admittedly more complex) two-stage model for weighting and devolution.

An Arts Lottery Programme in three parts

Arts and Culture in the Economy
In partnership with arts organisations, museums and new arrangements for wider economic regeneration at regional level (e.g. LEPs) to promote creative cultural production (40%).

Arts and Culture in Society
In partnership with arts organisations, museums and libraries, civil society and local government to develop the arts at local level, promoting individual and community wellbeing (40%).

The Artist
On programmes available to individual artists and arts led projects to encourage new talent, diversity, innovation, and excellence in work locally, regionally, nationally and internationally (20%). (Essentially a more tightly 'artists focused' version of the current Grants for the Arts programme providing more direct artist benefit than the current programme - see Working Papers D and J)

Operating Costs
We note that the Arts Council proposes to change its formula for the apportionment of operating costs between grant-in-aid and Arts Lottery again. Since 2007/08 the GIA/Lottery split in this apportionment has shifted from 60/40% to 45/55% with some variations in the period between. The Lottery costs in 2013/14 amounted to over £18.9m. There are clearly sufficient resources in place for the operating costs of the Arts Lottery to enable alternative approaches to distribution to be responsibly considered.

A two stage devolved model

The allocation of these three proposed funds within a two-stage devolved model for decision making on funding is advocated. At a first level funds are allocated to an 'area/supra-regional' level on the basis of a weighted formula (to be devised with reference to DCMS directions on Arts Lottery spending but illustrated here on the basis of the proportions of 'playing households').

At this area level and using the '40:40:20' proportions proposed above, funds would be allocated to the appropriate 'implementing' level in line with the priorities identified in the directions issued to Arts Council England as a Lottery distributor.

Potential of newly evolving structures for co-operation between local authorities

The recent development of Local Economic Partnerships, combined authorities and the growing number of less formal shared service and shared function arrangements between authorities seem to be harbingers of a suite of new 'intermediate' structures that would exist between the old Regions (which retain their integrity differentially across the country) and current local authority boundaries.

The arts and culture as a sector needs to be involved in those debates between authorities and nationally and to find one or more new 'homes' within the new structures. This illustrative proposal for the future of the Arts Lottery (alongside existing devolved resources and structures for heritage) would give the sector cards to play in such negotiations.

Criteria for prioritisation

Any funding programme design in the arts must always allow for projects that cross over between programmes and areas of anticipated benefit but - given that flexibility - the following overview of prioritisation between programmes is suggested.

Areas of prioritised benefit for 'Arts and Economy' funds would be selected on the basis of an assessed ability to produce work of high quality and to contribute to the region's economy. There would be an expectation of significant geographical clustering in this investment.

Areas of prioritised benefit for 'Arts and Society' funds would be selected taking account of research into areas of least engagement with the arts, and measures of economic and social disadvantage (including reference to rurality and transport patterns within any given region). There would be an expectation of some clear focus on individual participation and community wellbeing and on 'spread', rather than 'clustering', in allocations of this funding.

Funding for the Artist programmes would be informed by peer group assessment and would allow for longer term projects whether rooted locally or exploring internationally or both.

Assessment of impact and outcomes

The criteria for prioritisation for the three areas (economy, society and the artist) would indicate the kinds of differential impact that could be expected from a policy-driven approach to Arts Lottery funds.

The National Distributor would be asked to account to Lottery players through the DCMS for its allocation of Lottery funds against the three specified areas of allocation and with particular regard to all of the DCMS Lottery Directions. Within each of the three areas, clear measures would be used to assess the impacts and outcomes from this redirection of Lottery funding for the arts across England.

Within the limitations of this illustrative and indicative proposal, it is neither possible to set out what the impacts of such a redirection would be, nor the net difference – financial, social or artistic – that might accrue from it. At a minimum (and alongside other benefits) the funding model and the suggested allocations that we set out (see tables below) would be expected to:

- increase the leverage of the arts and culture in locally targeted funds such as LEPs;
- contribute measurably to strengthening local cultural production economies;
- help sustain, and subsequently develop, the existing and new structures of expertise, facilities and funding that exist at the local level to support a range of small-scale cultural, social enterprise and volunteer-driven activity promoting participation in creative cultural activity
- maintain direct support to artists.

Linkage to the National Portfolio

The implementation of this suggested model for the Arts Lottery alongside a 'National Portfolio' of arts and cultural organisations funded for the long term through grant-in-aid, and together constituting a rebalanced national infrastructure for the arts and culture, could provide a new and flexible dynamic for a more polycentric and resilient English regional cultural ecology.

One key to this would be acknowledgement of the important roles that such nationally funded organisations should play – both individually and together – within their own regions. They would work alongside local government, the private sector, individual artists, higher education and civil society and, in constructive partnership, be able to access these regionally allocated funds.

At regional level we would expect to see a priority being support for the proven and critical role that smaller, often more flexible and culturally diverse, organisations play in the regional (and national) ecology. We point to the evidence here of the substantial loss of secure funding for such organisations (at Question 12 below).

Institutional strength and austerity

During a time of continuing austerity in public finances, it will be important from a national perspective to identify those organisations with the greatest capacity to develop alternative income sources to Arts grant-in-aid and Lottery funds, and with levels of resource (in funding, personnel and collections) that could be modestly redirected to fulfilling wider, effective national roles.

In a period of austerity it is not unreasonable to ask those with the most capacity to do more for themselves, to do so. They will need to take a smaller share of public finances available in future. Such a gradual and phased rebalancing should be able to be achieved by negotiation and introduced during 2015-18 in a way that would be sensitive to any risk of damage to core national and international functions.

An illustrative allocation

Given the actions taken by Arts Council England in the 2015-18 settlement to 'lock' Lottery funding into the National Portfolio's three-year funding agreements, the implementation of any new policy for the Arts Lottery will require an extended transitional timetable. We suggest one year to develop and debate the objectives and options (2015) and a further year (2016) to design the implementation before a year's advance notice to those who might be affected by any changes (2017).

The tables below are, therefore, based on an illustrative annual sum available for the Arts 'good cause' of the National Lottery of £300m from 2018/19 onwards with weighting applied on the earlier basis of the differing percentages of households in each region playing the lottery each week.

This approach references, but does not factor into the weighting, the fact that in regions where a higher proportion of households play the Lottery weekly, those households are also generally higher weekly spenders. The first table shows the basis of the calculation of the weighting at area level (combining London, the South East and East. The second allocates the resulting weighted total between our three proposed programme areas and the four geographical areas in the proposed proportions.

Area	Population	Pop. %	No. of H'holds	H'holds %	Playing H'holds % (ONS)	No. of Playing H'holds	Playing H'holds Area %	Total Weighted Allocation £
London, SE & East	22,655,656	43%	9,244,671	42%	36%	3,295,938	37%	112,388,000
The Midlands	10,135,069	19%	4,190,513	19%	44%	1,862,782	21%	63,520,000
The South West	5,288,935	10%	2,264,641	10%	35%	792,624	9%	27,027,000
The North	14,932,796	28%	6,363,543	29%	45%	2,846,589	32%	97,065,000
Totals	53,012,456	100%	22,063,368	100%	40%	8,797,933	100%	300,000,000

Area	Weighted annual allocations			
	Arts & Culture in Society £	Arts & Culture in the Economy £	The Artist	Total £
London, SE and East	44,955,000	44,955,000	22,478,000	112,388,000
The Midlands	25,408,000	25,408,000	12,704,000	63,520,000
The South West	10,811,000	10,811,000	5,405,000	27,027,000
The North	38,826,000	38,826,000	19,413,000	97,065,000
Totals	120,000,000	120,000,000	60,000,000	300,000,000

It is important to stress again that the 'playing households' weighting used here is illustrative only in advance of wider discussions/negotiations and that, while the weightings are calculated at wider area level, decisions on distribution would be taken at regional/grouped-authority level.

D] Governance, management and transparency

11] How does the 2015-18 Investment Plan stand in relation to the guidance on additionality and substitution?

Additionality and substitution are notoriously difficult to ‘prove’ but the intent of government regarding the rules for application of National Lottery proceeds to the ‘good causes’ (the ‘spirit of the law’) has been clear and understood since 1994. We believe that Arts Council England has purposefully breached the principle of additionality, and that substantial direct substitution of Lottery funds for activity previously funded through grant-in-aid has now taken place.

Section 12 of the National Lottery Act (2006) states that “proceeds of the National Lottery should be used to fund projects, or aspects of projects, for which funds would be unlikely to made available by a Government department.” The use of Lottery funding for the support of large-scale opera and ballet companies that was previously provided from government grant-in-aid (for precisely the same work as seems to be indicated in the 2015-18 ACE plan) clearly breaches this guidance.

The definition of 'substitution' agreed with all other Lottery distributing bodies states that:

> ‘Lottery funding is distinct from government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements government and other programmes, policies and funding’.

Lottery funding of the annual revenue requirements of the major companies mentioned above clearly substitutes Lottery funding for 'Exchequer expenditure' in precisely the way intended to be ruled out by this definition.

The same agreement of distributors clarifies 'additionality'.

> "We and our delegates will have regard to the principles of additionality.....when we set the strategic objectives of our Lottery-funded programmes and when we decide how each programme will operate. We have, and will continue to use, Lottery funding to fund specific time-limited activity that would not take place without the support of the Lottery".

We contend that the same provision of annual revenue funding of these major opera and ballet components of the National Portfolio from Lottery funds breaches the spirit and letter of this agreement. Moreover, the decision to fund, say, Opera North from the Lottery must logically mean that either there is now no distinction at all between grant-in-aid and Lottery funds or that those funded through the Lottery have both less security of funding than that offered to, say, English National Opera and a lesser status.

We recognise, however, the need for forward planning stability to these major companies and stress - reference our thinking on the phased introduction of any new policies, programmes or structures - that no funding agreements currently being negotiated under the terms of the Investment Plan should be in doubt.

12] What does more detailed and historical analysis of the 2015-18 Investment Plan and its structures, programmes and budgets reveal?

i) Prologue

When embarking on this analysis, it had not been our intention to address more general issues of governance or management within Arts Council England. However:

- the scale and nature of the inaccuracies that we have found in the claims made in public for the 2015-18 investment plans by the Arts Council,
- the setting for these in the context of further inaccuracies and 'spin' in response to our research, in publications such as 'This England' and in evidence to the current Parliamentary Select Committee,
- the Arts Council's failure to meet its own deadline for providing answers to one of the only two Freedom of Information requests that we made, and
- the concerns regarding the efficacy of programmes and the transparency of their operation that others have raised with us during the past three months

have led us to further research and the observations that follow.

ii) Operating Costs

Our analysis of the Arts Council's Annual Accounts for 2007/08 to 2013/14, its forward projections for 2014/15 and onwards to 2017/18 (see Appendix 1) confirms that operating costs have been successfully reduced as a result of two distinct reorganisations. Taken together these reorganisations have seen the loss of 248 posts, the reorganisation of area and regional offices and the rationalisation of properties around the country but at a 'once off' cost of more than £14m in addition to 'normal redundancy costs' of over £4m during the period.

We note that over that period the proportion of operating costs charged to the National Lottery has risen from 41% to 55%. We also note that, because of this change, the Arts Council has been able to meet the DCMS target of achieving a 50% operating costs saving from grant-in-aid.

We note a projected increase in operating costs of £1.9m between the figures shown in the 2013/14 annual accounts and those projected for 2014/15 and thereafter during the currency of the Investment Plan in the schedule provided by the Arts Council at Appendix 1.

Reference Working Paper G

iii) Grants for the Arts and Strategic Funds

On the establishment of the NPO programme, three-year funded clients were told they could no longer apply for additional project funds from the Grants for the Arts programme. That restriction can seem hollow when viewed alongside the sums awarded to, and the success rates enjoyed by, NPOs in the distribution of Arts Council Strategic Lottery funds.

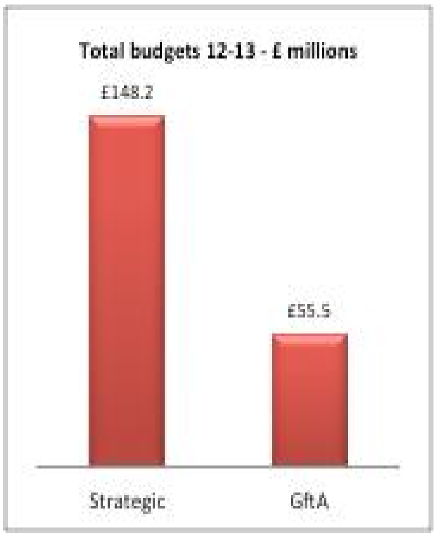
- In 2012/13, £55.5m was committed from the 'open application' Grants for the Arts programme. There were 2,745 successful applications - a success rate of 48% and an average grant award of £20,220.

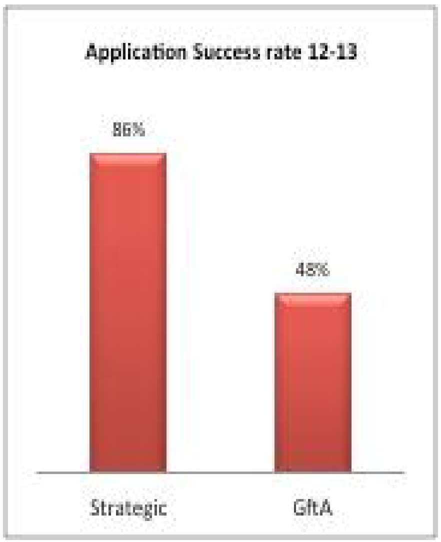
- The total value of Strategic Lottery funding awards made by Arts Council England to National Portfolio Organisations in 2012/13 was £148.2m (just under half against 'capital' programmes).

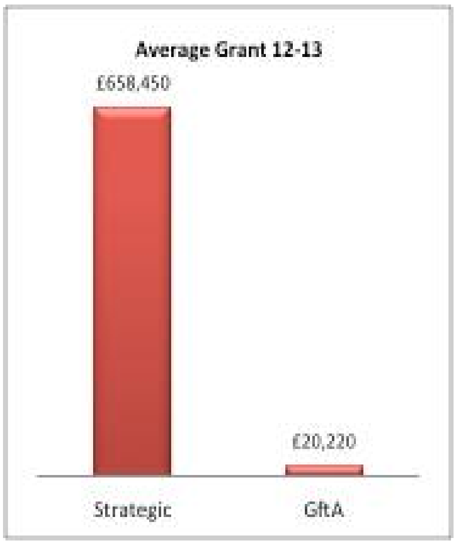
- Of the 263 applications from NPOs for Strategic Lottery funding, 225 were successful. This is a success rate of 86%, and the average grant size was £658,450.

There are also more current concerns about the transparency of the operation of Strategic Funds and Grants for the Arts including:

- at least two applicants that were not accepted for NPO status have nevertheless been offered/awarded three-year funding on what seem to be very similar terms to the National Portfolio programme - but through Strategic Funds;
- the limitation of the Major Capital and Catalyst funding programmes to application *only* from already designated NPOs;
- the award of very substantial capital grants to an *invited* list of major organisations (almost all in London) without any opportunity for others to apply;







Nowhere is the concern at the lack of transparency more evident (and more damaging to trust in the even-handedness and consistency of the Arts Council's operation of its own programmes by their own rules) than in the field of Grants for the Arts.

- despite clear guidance that the maximum award available within the Grants for the Arts programme was £100,000, 51 awards were made higher than this amount totalling £10.841m in 2013/14;
- of this total, 12 awards were over £200,000 totalling £4,753,611;
- details of these awards - drawn from the DCMS website - are in Working Paper H.

Reference Working Papers D and H

iv) The National Portfolio - programme design

o Our research has revealed very real concerns in the profession with the design of the National Portfolio programme. It can be summarised as:

- the extent to which a single National Portfolio programme designed to adjudicate and administer awards that range from £40,000 to over £24.7million annually can be functional or effective, or provide for an appropriate working relationship, with such a range of organisations;
- the extent to which a structure designed to operate in one way for the 36 months of each funding cycle can be adapted to the task of comparative assessment of 868 detailed applications over just one 15 week period;
- 2015-18 NPOs being required to supply ACE with risk mitigation strategies for their forward operation in advance of any budgets being agreed. There are also reservations about the likely bureaucratic consequences for them of ACE Relationship Managers carrying 59 pages of planning guidance documentation to inform their negotiation of funding agreements (for NPOs).

v) The National Portfolio - undeclared policy and small-scale companies

We have analysed the National Portfolio (those organisations receiving awards with more than one year's continuity) for2007/08, 2012-15 and for 2015- 18. We have done so by 'bands of grant size awarded' and by region.

Perhaps the most striking fact to emerge from the analysis is the stability of the portfolio in terms of its overall budget at a time of substantial cuts in grant-in-aid and as between bands and regions (we have already commented upon this phenomenon in relation to the balance between London and the rest of England). The creation of new 'middleweight' organisations, in London and in other large cities, that flowed from the major capital projects of the Lottery's first decade, pre-date this period. Thus:

- In 2007/08, between 2012 -15 and now projected for 2015-18, organisations in receipt of annual funding of more than £1m will have taken 59% of the available funds for the portfolio in each period.

The membership of this 'millionaires' club' is, however, far from homogenous and it is heavily concentrated in the capital.

- Of the 56 members in 2015-18, the nine organisations that receive £5m or more per annum take 35.3% of the budget and the four that will be in receipt of grants of over £15m per annum will receive 22.6% of the Portfolio budget.

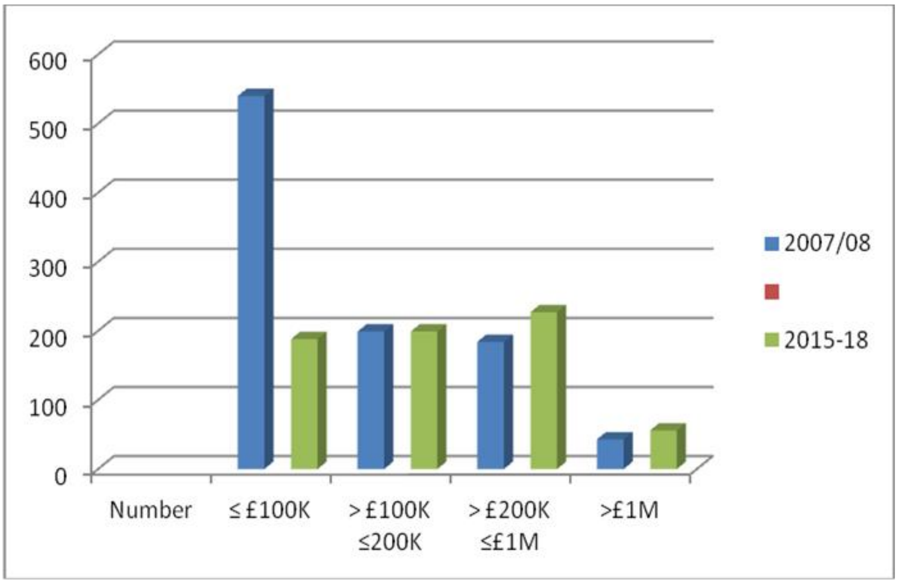
- Of the 56 members, 21 are London based and receive between them 32.1% of the national budget.

There is however one very major and particular exception to the rule of 'stability'.

- In 2007/08 there were 540 organisations nationally that received secure funding with awards of up to £100,000 (totalling £26,029,678, or 8% of the total budget for the portfolio).

- By 2015-18 there will be 188 organisations nationally receiving three-year security of funding with awards of up to £100,000 (totalling £13,194,914, or 4% of the total budget for the portfolio).

Number of grants by banding 2007/08 and 2015-18



- The net loss of 352 awards/companies of this scale (allowing for some departures and new entrants) amounts to a cull of 65% - at a saving of £12,834,764 (or under 4% of the portfolio budget).

- This loss has not been mitigated by any net 'upward' movement to awards of between £100,000 and £200,000. In 2007/08 there were 199 awards at this scale, totalling £28,302,858. In 2015/18 there will be 199 awards of this scale totalling £28,362,546.
- Nor has the disappearance of this category of award/company been evenly spread across the country. The North East has lost 53 of the 61 awards/companies at this scale that ACE funded in 2007/08 – some 87%. London has lost 49% (59) of its 121 strong cohort and the South West 33% (17) of the 51 ACE funded in this band in 2007/08.
- Clients 'exiting the programme' (sic) have most often been advised that the Grants for the Arts programme is considered more appropriate for their work. Anecdotal evidence - supported by our analysis of the programme (above) - shows that this is seldom the case.

Our earlier analysis has emphasised the scale and nature of the opportunities that are now open to the arts to respond to Lottery Directions and begin to fulfil their potential to contribute substantially to individual and community wellbeing in communities across the country. To do so will require lightweight, flexible and affordable smaller arts companies (often specialist and culturally diverse). To sustain such companies, we would expect to see growth in this band of funding.

Growth in the early years of creative artists' development in many art forms requires the ability to move from project funding to a period of greater security (and the different creative and collaborative opportunities and lessons of leadership and management that accompany that shift). This can be a particularly important progression for artists emerging from minority ethnic communities or from less economically advantaged backgrounds. Again, growth in this band of funding would have been expected. Given the increases in the National Portfolio budget over the period (in excess of £15 million) there is no financial reason for the number of small NPO awards to have been reduced so dramatically.

It is difficult for the outside observer not to compare the cost of the annual operation of a small performing arts company, or the annual contribution from the Arts Council to secure a county town's arts centre in partnership with other local interests, to the costs of the more expensive art forms.

The scale of the withdrawal from making small-scale three-year awards is surely too great and too consistent not to have been informed by some central direction, albeit an undeclared one. The majority of first time applicants for NPO status are clearly likely to be seeking for smaller amounts of subsidy, but we have been unable to find any published Arts Council policy that would have led either a new or existing applicant *not* to apply. Had an overt policy to reduce the number of smaller awards by two thirds over six years been proposed, would that have been accepted?

Reference Appendix 2 and Working Papers D and H

vi) The National Portfolio - balancing expertise and interest in the Council

The membership of the Arts Council itself must clearly contain a high level of expertise across a very wide range of art forms, management disciplines and overlapping sectors such as local government, Higher Education and Broadcasting. The recruitment of such expertise is bound to entail some potential conflicts of interest.

We stress that we have no wish to call into question in any way the integrity of any Arts Council member or the thoroughness and probity of the operation of the Council's procedures for managing any such conflicts of interest that may arise.

None-the-less, our analysis of the declaration of interests made by current Council members suggests that the requirements for expertise and the risk of perception of an overall conflict of interest within the Council's membership is imbalanced. The conflicts of interest declared by current Council members as at July 2014 can be summarised:

- Out of 14 Council members only two have no declared interests in any NPOs.
- There are 36 NPOs involved in the declarations of interest. Of these:
  - 7 are opera and ballet companies
  - 21 are in London
- 8 are current interests of which:
  - 2 are employees – with a further 3 involving family members as employees
  - 4 involve previous consultant/advisor positions
  - 7 are current Board memberships with a further 2 involving family members on Boards
- 9 are past interests of which:
  - 6 are Board memberships – with one further family member a past Board member

Reference Working Paper I

vii) The National Portfolio - could London do more to help itself?

Arts Council England faces the challenge of addressing its present remit out of an inherited Arts Council of Great Britain legacy and the framework of public funding for the arts set after the Second World War. This was built upon over the following 40 years and then accelerated by the negotiated settlement in London at the time of the abolition of the GLC in 1986.

The opportunity to create a new funding agreement with capital on the creation of the Greater London Authority in 1999 was not taken. The result is the pattern of national taxpayers and Lottery players funding for the arts, museums and galleries in the capital revealed in this and our earlier reports. Our analysis begins with three sets of 'hard facts'

- London has a population of 8,308,000 or 15.4% of that of England. In 2012/13 taxpayers from the whole of England provided benefit to London via Arts Council and DCMS funding of £68.43 per head of that population against £4.75 php in the rest of the country. A ratio of 14:1.
- Over 50% of England's population lives more than a day visit distance from the capital. Using Leeds as an illustrative benchmark, each visitor has to pay a premium of between £200 and £300 per person per visit in travel and accommodation (using discounted rail fares and budget hotel prices) before a single ticket is purchased or a family enters a 'free' museum or gallery.
- Since 1995, ACE has had stewardship responsibility for over £3.28 billion of 'new and additional' funds for the arts from the National Lottery. In that time, Arts Council distribution of these new funds has provided benefit to London of £142 php against £45 php in the rest of England.

London's Mayoralty boasts that the capital’s culture and heritage assets are responsible for attracting 80 per cent of the 16.8 million international tourists who visited in 2013, with estimated spend in the summer months alone of £3.3 bn.

A very substantial proportion of that income is generated on the back of the international reputation and reach of cultural assets and institutions (many providing free admission) that are funded by the whole of the UK. The economic benefits are however overwhelmingly enjoyed by London's private sector – the businesses which provide accommodation, hospitality, food and drink, travel and services within London.

Meanwhile, as it prepared to make its 2015-18 funding decisions, the Arts Council identified the principal threat to the arts as being in local authority cuts *outside* London. Our analysis shows that, on the contrary, whereas local authorities outside London have provided funding to the Arts Council's National Portfolio at 32% of the total level provided by the Arts Council, the equivalent figure for London is only 6% (after exclusion of the funding of the Barbican provided by the anomalous City of London - population 7,375 - and its Corporation).

The 'problem' may therefore more realistically lie in the failure of Arts Council England and the DCMS to use the undoubted financial leverage that they have to engage the Mayor of London, the 32 London Boroughs and the City of London, together with the cross-party representative body 'London Councils', in funding London's National Portfolio Organisations for their work in the capital.

There are other partners available to be constructively brought into that dialogue. In 2011/12, 90% of all private giving by individual philanthropists to the arts was to London based organisations; 68% of all UK Business Sponsorship was in London and 73% of support from Trusts and Foundations was given to London based arts. Out of the overall private giving total of £660.5m in 2011/12 (from the latest survey), £540.2m (81.8%) went to London based organisations.

The Arts Council argues that it is constrained from doing more for the arts outside London by the need not to damage the arts within London. Our research suggests that London has the manifest capacity to do more for itself and should be asked to do so at a time of national austerity that impacts to a greater extent in the regions than in the capital itself. This might also form part of a new cultural compact to be negotiated between England and its capital city.

Such negotiations would need to examine how the Mayor and the 32 London local authorities can be fully engaged in funding London's National Portfolio Organisations for their work in the capital. It would need to secure new agreements with government and other partnerships to deliver substantial and tangible benefits outside London from national performing arts companies, museums, galleries and other cultural institutions deemed to be 'national'.

In this context, our research revives the question as to whether the very largest 'national' performing arts companies ought in future to be funded directly by the DCMS alongside their 'peer group' equivalents in the national museums and galleries (as well as the British Library) and whether the Mayor of London and the GLA should reassume the primary funding responsibility for the Southbank Centre, as was the case with both the former GLC and the LCC.

The other important question for London to tackle is the relationship between London's largest organisations and the several hundred smaller London Arts organisations funded as NPOs or through Grants for the Arts. Our research here does not attempt to look at the London patterns of balance as between large and small, inner and outer, richer and poorer, better or less well served within the capital. This task remains one for London's arts and political communities to undertake.

Reference: Working Paper K

E] Conclusions

The overall impression given by the 2015-18 settlement is of an increasingly closed system that operates with insufficient transparency and with disguised agendas. This system consistently benefits a small minority of established, most commonly London-based, arts organisations and a privileged section of the population as a whole. Guidance issued on Lottery funding that mandates far wider benefit to the whole nation and, within it, to local communities and particularly the least engaged and most disadvantaged appears to have been ignored.

We recommend that after the next general election, any incoming administration should review the Arts Council's remit and the policies and structures for delivering it.

In terms of policy, 'Great art and culture for everyone', Arts Council England's existing '10-year strategic framework' is clearly inadequate for guiding engagement with the opportunities and challenges that exist in current public policy debates on the nature of England and the arrangements for its future governance at local, regional and national level (as well as within the United Kingdom and Europe). It is a policy document that seems to belong to another era and the Arts Council's centralised structures for governance, management and decision-making may be equally unfit for future purpose.

We believe that our research and analysis (including both the RoCC and PLACE Reports, the Arts Council's response to them and now these 'Hard facts to swallow') has illustrated the systemic inability of the Arts Council to reform itself without external intervention. The powers of custom, practice and vested interest are just too strong.

Any new policy directions of the kind that are proposed in our reports would need to be established through the political process. These should be determined by parliament for implementation and monitoring by a reinvigorated government department.

Such a government department would continue to have the wider 'cultural' responsibilities of the DCMS. At the very least, reform in dispositions for the arts should be made alongside changes in arrangements for libraries, museums and heritage. All such changes to be made with reference to arrangements for future governance in partnerships between local authorities and with localities and communities within them.

Change of the scale and nature that we are advocating could be phased in towards full realisation in 2018/19. The implementation of new overall policy and structure could require a year of development and debate (2015), a year of detailed design and then implementation (2016) and a year's notice to those who might be affected by changes (2017). Existing commitments should be honoured but there is still capacity for Arts Lottery Strategic funds and Grants for the Arts (totaling over £400m over the coming three years) to be reconsidered and redirected.

Appendix 1

Summary of Arts Council England budgets 2014/15 and 2015-18

An FOI request

GPS Culture made an FOI request from Arts Council England sufficient information to enable us to set out a summary of ACE's income and expenditure budgets for 2015-18. At the date of publication, we have not been able to get from ACE sufficient clarity about some components of their overall budget to complete this exercise to our satisfaction.

There remain a number of questions as yet unresolved. When we receive further clarification from ACE we will update this Appendix.

Our FOI request (22 July 2014) asked the following information:

> 1] complete schedule of all specific programmes, funds and areas of expenditure to which ACE has allocated, or is intending to allocate, funds within each year between 2012/13 and 2017/18, allocated between expected Treasury, other departmental and National Lottery derived income … to … specific programmes, funds and areas of expenditure for each year between 2012/13 and 2017/18.
>
> 2] a schedule of all commitments which fall outside the period 2012-18 which have a bearing on the allocation of funds for specific programmes, funds and areas of expenditure and/or the proportions as between Treasury, other departmental and National Lottery derived income within the period, identifying for each such commitment the purpose and where and when ACE has accounted for these.
>
> 3] a schedule of annual operating costs or budgets for each of the six years 2012-2018, showing the amounts for each of the Council's main areas of operating expenditure.
>
> 4] all Council papers and Executive Committee papers documenting the decisions made in connection with 1, 2 and 3 above.

The FOI response

ACE responded between 19 August and 5 September with a number of documents, with papers for National Council's meeting on 24 June 2014 being offered as the source of the information we were seeking. For a variety of reasons these required (and in some cases still require) clarification.

ACE summary budget model

The summary budget that follows is based on information contained in papers which were on the agenda for National Council's meeting on 24 June 2014.

The basis for this is a spreadsheet sent by ACE responding our FOI question [1] and which set out "Arts Programme Budgets".

On the advice of ACE on 3rd October, we have adapted and extended this by combining the 24 June 2014 figures for:

- "Arts programme funding"
- Museums and Libraries
- Admin/Operating costs (both GiA and Lottery) and
- DfE Music Hubs funding

We understand from ACE that this would represent a summary of the total ACE budgets showing the funding ACE expects to receive and allocate for 2014/15 and 2015-18.

There are a number of questions as yet unresolved which we will continue to check and update after publication.

These include some small inconsistencies between the National Council Papers and the budget spreadsheets supporting them such as the three similar but not identical figures for total programme budgets (highlighted on the sheet. We expect confirmation from ACE on these shortly and will update this Appendix at that point.

We note that ACE provides two ways of setting out programme expenditure budgets and have shown both of these here. It is these figures which are identical for 2015-18 and where the two versions show a difference for 2014/15.

For Music Hubs, the source of the figures in this version of the budget summary are the ACE news release for the years 2015-18, dated 22 July 2014 (http://www.artscouncil.org.uk/news/arts-council-news/department-education-increase-investment-music-edu/) and, for 2014/15, http://www.artscouncil.org.uk/media/uploads/pdf/11-11-28_music_education_hubs_prospectus_final.pdf

Arts Programme budgets - 2014 to 2018				
ACE Income as derived from 24 June 14 Council Papers:				
	2014/15 £'000	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**
Programme funding				
Arts RDEL	*312,459*	300,584	300,584	300,584
Arts CDEL	*11,203*	9,634	9,634	9,634
Programme total GIA	*323,662*	310,218	310,218	310,218
Programme lottery	268,246	210,000	210,000	210,000
Total arts programme funding available to deploy	***591,908***	**520,218**	**520,218**	**520,218**
Museums and Libraries ("designated" from GiA)				
MPMs	*20,036*	22,650	22,650	22,650
Museum Development	*3,063*	0	0	0
Museum Strategic	*14,579*	6,926	6,926	6,926
Grants for Museums	*0*	10,000	10,000	10,000
	17,642	16,926	16,926	16,926
AELCU	*791*	800	800	800
Libraries	*684*	700	700	700
Tyne and Wear	*1,853*	1,766	1,766	1,766
Total museums and libraries programme funding available to deploy	***41,006***	**42,842**	**42,842**	**42,842**
Total programme funding available to deploy (GiA and Lottery)	***632,914***	***563,060***	***563,060***	***563,060***
DfE funds for Music Hubs	**58,000**	**75,000**	**75,000**	**75,000**
Total programme funding available to deploy (Arts + M&L+DfE)	**690,914**	**638,060**	**638,060**	**638,060**
Administration Costs				
Administration costs funded from GiA and Lottery				
GiA	*16,067*	16,067	16,067	16,067
Lottery	*18,919*	18,919	18,919	18,919
Total Administration	*34,986*	34,986	34,986	34,986
Total funding available to ACE (Total Programme + Total Administration)	***725,900***	**673,046**	**673,046**	**673,046**
ACE Expenditure as derived from 24 June 14 Council Papers:				
Programme budgets - GIA				
NPOs/Funded orgs - revenue	*312,912*	269,898	269,898	269,898
Small scale capital scheme	*0*	9,634	9,634	9,634
Strategic	*3,750*	27,686	26,686	27,186
Contingency	*7,243*	3,000	4,000	3,500
Total	*323,905*	310,218	310,218	310,218
Programme budgets - lottery				
NPOs/funded orgs - revenue	*28,477*	69,611	69,611	69,611
Gfta	*63,000*	70,000	70,000	70,000
Strategic	*150,551*	66,844	67,665	66,653
OLDF return - International and talent development	*20,394*	0	0	0
Contingency	*5,000*	3,545	2,724	3,736
Total	*267,422*	210,000	210,000	210,000
Total GIA & lottery	*591,327*	520,218	520,218	520,218
Total programme budgets GIA & lottery				
NPOs	*342,512*	339,509	339,509	339,509
Gfta	*63,000*	70,000	70,000	70,000
Strategic	*153,178*	104,164	103,985	103,473
OLDF return - International and talent development	*20,934*	0	0	0
Contingency	*12,243*	6,545	6,724	7,236
Total	*591,867*	520,218	520,218	520,218
Museums and Libraries ("designated" from GiA)				
MPMs	*20,036*	22,650	22,650	22,650
Museum Development	*3,063*	0	0	0
Museum Strategic	*14,579*	6,926	6,926	6,926
Grants for Museums	*0*	10,000	10,000	10,000
	17,642	16,926	16,926	16,926
AELCU	*791*	800	800	800
Libraries	*684*	700	700	700
Tyne and Wear	*1,853*	1,766	1,766	1,766
Total museums and libraries programme funding available to deploy	*41,006*	42,842	42,842	42,842
DfE funds for Music Hubs	58,000	75,000	75,000	75,000
Administration				
Administration costs funded from GiA and Lottery				
GiA	*16,067*	16,067	*16,067*	16,067
Lottery	*18,919*	18,919	*18,919*	18,919
Total Administration	*34,986*	34,986	*34,986*	34,986
Total expenditure disbursed by ACE (Total Programme + Total Administrati	**725,859**	**673,046**	**673,046**	**673,046**

Appendix 2

A ten year analysis of 'multiple year funded' organisations by Regions and by bandings

Analysis by Region and by range of funding levels 2007/08, 2012-15 and 2015-18

	Up to £50K		Up to £100K		Up to £200K		Up to £500K		Up to £1M		Up to £5M		Up to £15M		Over £15M				
2007-08																			
	A		B		C		D		E		F		G		H		Total No orgs		Total Value- £
AREA	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £			
East	6	174,965	8	596,021	14	1,908,755	10	3,132,831	3	2,091,840	1	1,180,346					42	4.35%	9,084,759
East Midlands	23	820,128	19	1,149,526	11	1,684,054	5	1,309,100	3	1,974,624	2	3,047,670					63	6.52%	9,985,102
London	66	2,329,315	55	3,945,156	73	10,621,224	65	20,337,903	24	17,098,703	12	22,983,725	2	12,373,066	4	80,904,633	301	31.16%	170,593,725
North East	37	1,109,616	24	1,812,362	13	1,734,912	5	1,376,400	1	540,250	3	6,428,300					83	8.59%	13,001,840
North West	44	1,439,310	37	2,707,800	22	3,081,276	8	2,883,100	6	4,755,600	4	7,969,900					121	12.53%	22,836,986
South East	21	601,567	18	1,357,796	15	1,972,618	9	2,842,566	3	2,289,510	2	2,990,417					68	7.04%	12,054,474
South West	29	1,045,349	22	1,503,285	20	2,912,143	11	3,025,595	5	3,584,355	3	4,861,962					90	9.32%	16,932,689
West Midlands	24	875,626	22	1,489,369	16	2,200,376	9	2,902,331	6	4,980,100	2	3,742,961	3	28,626,500			82	8.49%	44,817,264
Yorkshire	69	1,966,875	16	1,105,610	15	2,187,500	9	2,983,770	2	1,225,210	4	6,427,450	1	9,153,800			116	12.01%	25,050,215
Grand Total	**319**	**10,362,752**	**221**	**15,666,926**	**199**	**28,302,858**	**131**	**40,793,596**	**53**	**38,540,193**	**33**	**59,632,732**	**6**	**50,153,366**	**4**	**80,904,633**	966	100.00%	324,357,055
% of totals	**33.02%**	**3.19%**	**22.88%**	**4.83%**	**20.60%**	**8.73%**	**13.56%**	**12.58%**	**5.49%**	**11.88%**	**3.42%**	**18.38%**	**0.62%**	**15.46%**	**0.41%**	**24.94%**	100%		
London	66	2,329,315	55	3,945,156	73	10,621,224	65	20,337,903	24	17,098,703	12	22,983,725	2	12,373,066	4	80,904,633	301		
Rest of England	253	8,033,437	166	11,721,770	126	17,681,634	66	20,455,693	29	21,441,490	21	36,649,007	4	37,780,300	0	-	665		
2012-15 average																			
	A		B		C		D		E		F		G		H		Total No orgs		Total Value- £
AREA	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £		%	
East					12	1,910,014	9	2,753,051	11	7,633,224	1	1,397,024					33	4.57%	13,693,313
East Midlands	4	176,620	13	849,827	16	2,048,432	6	1,892,062	3	2,183,592	3	4,260,663					45	6.23%	11,411,196
London	17	723,254	49	3,240,875	77	10,906,776	73	22,430,168	24	17,382,557	15	26,774,805	1	6,117,455	4	79,651,113	260	36.01%	167,227,005
North East	2	97,916	7	524,680	18	2,245,433	10	2,989,107	3	1,665,015	3	8,021,866					43	5.96%	15,544,017
North West	7	300,850	27	2,003,641	31	4,336,084	8	2,707,706	6	4,347,305	7	11,504,858					86	11.91%	25,200,443
South East	1	39,166	7	510,966	9	1,349,093	11	3,679,592	6	3,968,193	5	8,839,799					39	5.40%	18,386,809
South West	7	301,915	29	2,149,571	20	2,787,832	17	4,867,756	5	4,036,448	3	4,952,344					81	11.22%	19,095,866
West Midlands	3	127,626	12	960,991	13	1,831,517	11	3,234,575	6	4,661,846	4	6,145,188	2	13,305,231	1	15,719,083	52	7.20%	45,986,057
Yorkshire	7	316,992	29	1,996,636	26	3,760,676	11	3,148,495	4	2,661,755	5	7,636,510	1	9,621,278			83	11.50%	29,142,343
Grand Total	**48**	**2,084,510**	**173**	**12,237,188**	**222**	**31,175,855**	**156**	**47,441,690**	**68**	**48,539,935**	**46**	**79,533,057**	**4**	**29,043,964**	**5**	**95,370,196**	**722**	**100.00%**	**345,687,047**
% of totals	**6.65%**	**0.60%**	**23.96%**	**3.54%**	**30.75%**	**9.02%**	**21.61%**	**13.72%**	**9.42%**	**14.04%**	**6.37%**	**23.01%**	**0.55%**	**8.40%**	**0.69%**	**27.59%**	**100.00%**		
London	17	723,254	49	3,240,875	77	10,906,776	73	22,430,168	24	17,382,557	15	26,774,805	1	6,117,455	4	79,651,113	260		
Rest of England	31	1,361,256	124	8,996,312	145	20,269,079	83	25,011,522	44	31,157,378	31	52,758,252	3	22,926,509	1	15,719,083	462		
2015-18 average																			
	A		B		C		D		E		F		G		H		Total No orgs		Total Value- £
AREA	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £	No orgs	Value- £		%	
East			1	98,845	11	1,793,264	12	4,148,086	8	6,012,981	1	1,403,019					33	4.93%	13,456,194
East Midlands	2	90,661	10	687,462	14	1,895,207	7	2,398,239	3	2,131,791	3	4,274,632					39	5.82%	11,477,993
London	10	437,034	52	3,754,324	66	9,248,577	73	21,969,760	23	16,380,630	16	28,815,842	2	18,594,000	3	61,417,000	245	36.57%	160,617,167
North East	1	47,913	7	552,385	16	1,891,952	10	3,223,448	3	1,691,336	3	8,232,618					40	5.97%	15,639,652
North West	4	168,218	25	1,985,035	25	3,672,155	7	2,150,161	7	5,056,118	7	11,936,042					75	11.19%	24,967,730
South East	2	80,000	4	356,763	8	1,296,316	12	3,909,664	6	4,058,528	5	7,332,587					37	5.52%	17,033,858
South West	6	256,913	28	2,201,844	20	2,772,733	20	5,987,763	5	3,767,190	3	4,968,671					82	12.24%	19,955,113
West Midlands	1	40,232	9	640,329	14	2,089,094	11	3,310,479	6	4,848,336	4	6,114,554	2	14,014,000	1	15,447,000	48	7.16%	46,504,024
Yorkshire	3	127,042	23	1,669,914	25	3,703,248	10	2,835,470	4	2,921,750	5	8,237,337	1	10,386,000			71	10.60%	29,880,760
Grand Total	**29**	**1,248,014**	**159**	**11,946,900**	**199**	**28,362,546**	**162**	**49,933,070**	**65**	**46,868,661**	**47**	**81,315,302**	**5**	**42,994,000**	**4**	**76,864,000**	**670**	100.00%	**339,532,491**
% of totals	**4.33%**	**0.37%**	**23.73%**	**3.52%**	**29.70%**	**8.35%**	**24.18%**	**14.71%**	**9.70%**	**13.80%**	**7.01%**	**23.95%**	**0.75%**	**12.66%**	**0.60%**	**22.64%**	**100.00%**		
London	10	437,034	52	3,754,324	66	9,248,577	73	21,969,760	23	16,380,630	16	28,815,842	2	18,594,000	3	61,417,000	245		
Rest of England	19	810,980	107	8,192,576	133	19,113,969	89	27,963,309	42	30,488,031	31	52,499,460	3	24,400,000	1	15,447,000	425		

Appendix 3

Guidance available on policy for the distribution of Arts Lottery funds?

Primary legislation
Section 12 of the Lottery Act (2006) states that "proceeds of the National Lottery should be used to fund projects, or aspects of projects, for which funds would be unlikely to made available by a Government department."

The Lottery Directions (with individual directions addressed in the PLACE report highlighted**)**
Under the National Lottery etc Act 1993, the Secretary of State issued Policy Directions in November 2007, which Arts Council England had to take into account from April 2008 in distributing National Lottery funds as follows:

A. The need to involve the public and local communities in making policies, setting priorities and distributing money.

B. Its assessment of the needs of the arts and its priorities for addressing them.

C. The need to increase access and participation for those who do not currently benefit from the cultural opportunities available in England.

D. The need to inspire children and young people, awakening their interest and involvement in the arts.

E. The need to foster local community initiatives which bring people together, enrich the public realm and strengthen community spirit.

F. The need to support volunteering and participation in the arts and community arts.

G. The need to encourage new talent, innovation, and excellence and help people to develop new skills.

H. The need to ensure that money is distributed for projects which promote public value and which are not intended primarily for private gain.

I. The need to further the objectives of sustainable development.

J. The desirability of ensuring equality of opportunity, of reducing economic and social deprivation and ensuring that all areas of England have access to the money distributed.

K. The need to support the long-term managerial viability and leadership of organisations in the arts.

L. The desirability of working jointly with other organisations, including other distributors.

M. The need to ensure that all those receiving Lottery money acknowledge it using the common Lottery branding.

N. The need to require an element of partnership funding, or contributions in kind from other sources, to the extent that this is reasonable to achieve for different kinds of applicants in particular areas.

O. The need (a) to support projects which are for a specific, time-limited purpose, (b) to ensure that Arts Council England has the necessary information and expert advice to make decisions on each application and (c) for applicants to demonstrate the financial viability of projects.

P. Where capital funding is sought, the need (a) for a clear business plan showing how any running and maintenance costs will be met for a reasonable period, and (b) to ensure that appraisal and management for major projects match the Office of Government Commerce's Gateway Review standards.

Undertakings provided by Arts Council England

In its 2010 response to the DCMS consultation on the incoming government's commitment to reinstate the original 20% of 'good causes' money to the arts (to the perceived detriment of the Big Lottery Fund and the interests of community and voluntary sectors) Arts Council England stated that:

- The restoration will provide increased support to arts organisations in the charitable sector, who will continue their work in local communities. In this role, local arts charities will be able to play a key role in realising the Big Society agenda.
- Lottery funding has traditionally been used to fund projects in areas of the country that lack established arts and culture infrastructure. We would plan to sustain and enhance programmes of this sort, which will continue to be valued by less well-off communities.
- Increased lottery funds will mean we will be able to enhance our strategy, looking at the possibility of helping parts of the infrastructure we wouldn't otherwise be able to, in areas such as the amateur arts sector, for instance.

Policy on additionality (extract from Arts Council Annual Review 2013-14)

> "Arts Council England and the organisations that distribute Lottery funds on its behalf recognise and respect the additionality principles of Lottery funding. Lottery funding enables us to extend the reach and increase the impact of the activity that we could undertake if only Exchequer funds were available. Together with the other Lottery distributors who make up the Lottery Forum, we have agreed to share the following common definition of additionality:
>
> *'Lottery funding is distinct from government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements government and other programmes, policies and funding'.*
>
> We and our delegates will have regard to the principles of additionality and this policy when we set the strategic objectives of our Lottery-funded programmes and when we decide how each programme will operate. We have, and will continue to use, Lottery funding to fund specific time-limited activity that would not take place without the support of the Lottery".

We note that, although this definition is still quoted in the Arts Council's Annual Review for 2013/14, the wording on the Arts Council's website has now been 'generalised' to read:

> "The Arts Council invests Grant in aid and Lottery income to achieve its strategy, Great art and culture for everyone. Although it does not substitute for government funding, where appropriate National Lottery funding complements government and other programmes, to achieve the greatest possible impact across the whole of the country. By using lottery funds to support additional activity we believe that we adhere to the principle of 'additionality' that Government funding should be maintained and is an essential part of a mixed funding model"

It is unclear whether this a specific change to wording agreed with DCMS and the other distributing bodies, or represents ACE's own aspiration.

Appendix 4

The Authors

The authors and their associates have worked in the arts and culture - together and independently - over 45 years. We share a concern for community and the 'local', for the work of the contemporary artist and a profound belief in the importance of local government. To this David Powell adds a life time's commitment to London and the experience of Dockland renewal. Christopher Gordon brings 25 year's of work in the cultural policies and structures of Europe, East and West, North and South. Peter Stark brings the experience of the regeneration of Tyneside and the fresh perspective of his recent return from 12 years work with the arts and culture in the inner city of Johannesburg and in the rural areas of South Africa.

Peter Stark's work in researching, developing and delivering cultural policy and projects in the UK has ranged from his founding directorships of South Hill Park Arts Centre and Voluntary Arts to the culture led transformation of his native Tyneside. In South Africa since 2000 he has worked in Inner City Johannesburg and the former homelands of the Eastern Cape. Throughout his career he has been a teacher of cultural management and leadership. He was awarded the OBE in 1990 for his work as Director of Northern Arts and he was appointed Professor in Cultural Policy and Management at Northumbria University in 2000. He is the Chair of Voluntary Arts (UK & Ireland)

Christopher Gordon is an independent consultant and university lecturer in international cultural policy in the UK and in continental Europe. Formerly Chief Executive of the English Regional Arts Boards, a local authority Arts Officer (London Borough of Camden and Hampshire County Council) and festival programmer, he led and wrote the National Cultural Policy Evaluations of Italy, Latvia, Cyprus and Turkey for the Council of Europe, and is author of two UNESCO cultural policy publications. Sometime adviser to the Culture Committee of the European Parliament, Treasurer of the European Forum on the Arts & Heritage, he is an Editorial Board member of the *International Journal of Cultural Policy*.

David Powell works as an animateur, consultant, mentor and board member with arts and cultural organisations across the UK and internationally. Since 1990 he has run his own independent research and development practice, DPA. He advises civic and cultural leaders – in the Thames Gateway, the North of England, in coastal communities and elsewhere. He promotes the role of cultural practice and creative businesses in regeneration and community building, helping strong local cultures and economies to flourish. He was a Director of Inter-Action, the influential arts and community development charity until 1985. He is a Visiting Professor at University of East London.

Associates

Steve Trow is an elected Member of Sandwell Metropolitan Council who also continues his long professional involvement in arts and cultural policy and programme development, principally in the West Midlands region. His experience as a practitioner, as a local government and regional arts officer, and as a consultant ranges from his early involvement as a founder of the community arts movement to the establishment of the West Midlands Cultural Consortium as its first Executive Director. Steve remains especially committed to winning a fairer share of cultural opportunities for the people and communities of the West Midlands and in particular for those he now represents in the Black Country.

Emily Tattersall who hails from the Wirrall has worked in the funded arts sector for over 40 years including significant spells in a number of funding bodies. She specialises in business and financial planning, research and financial analysis. As well as funding bodies she has worked with a range of arts organisations – of all scales and art-forms – as well as local authorities and other public bodies. She has also served on a number of Boards of arts organisations.

5] Working Papers

Working papers are listed here and are accessible in downloads from our website (www.gpsculture.co.uk)

WP.A] **Linked to Question 2**

What are the benchmarks for assessing the imbalance in public funding for the arts and culture between London and the rest of England?

Linked to Question 3

Can the Arts Councils claims in its Investment Plan for change in the disposition of its funding be substantiated?

WP.B] **Linked to Question 3.i**

Funding of the National Portfolio in London has moved from 51% (2007/8) to 47% of the total (2015-18).

WP.C] **Linked to Question 3.ii**

'We will build on the current trend of 60% of grant in aid investment outside London'.

WP.D] **Linked to Question 3.iii**

'We will build on the current trend of 70% of National Lottery investment outside London'.

WP.E] **Linked to Question 4**

What effect would the proposed levels of investment in the arts and culture claimed by the Arts Council and/or analysed here have on the imbalances between London and the rest of England?

WP.F] **Linked to Question 7**

What is known about the kinds of organisation and the groups in society that benefit most from national arts funding and the Arts Lottery?

Linked to Question 12

What does more detailed and historical analysis of the 2015-18 Investment Plan and its structures, programmes and budgets reveal?

WP.G] **Linked to Question 12.ii**

Operating Costs

WP.H] **Linked to Question 12.iii**

Grants for the Arts and Strategic Funds

WP.I] **Linked to Question 12.v**

Undeclared policy and small scale companies

WP.J] **Linked to Question 12.vi**

Balancing expertise and interest on the Arts Council

WP.K] **Linked to Question 12.vii**

Could London do more to help itself?