

Culture Forum Minutes of Meeting Tuesday 27 July

Introduction

The Forum members were welcomed to the first meeting. They were reminded that although they were elected as individuals and brought with them their own organisation and sector experiences, they were also there to represent the wider arts and cultural sectors. It was vital for them to seek the views of their peers in order to ensure better representation.

The purpose of the Forum was to examine the opportunities and threats facing the sector and to assess the realities and applicability of potential alternative funding structures. The intention was to deliver a report which in its conclusions and findings would be: objective, rational, considered and authoritative.

The Forum would seek solutions to the cuts and, at the same time, be robust in its defence of the arts and public funding for the arts. While each meeting would consider aspects of the funding ecology - public, private and earned income - the wider policy implications for each of these funding streams should also be considered.

The combination of the expertise of the Forum members and input and engagement from the wider sector would help to outline recommendations for the sector moving forward.

Tim Joss was appointed by the Forum to chair the meeting.

On a point of order, it was agreed that the Forum should refer to the *cultural* sector in its discussions and deliberations, and not just the arts, as the heritage sector was also represented.

Questions Discussed

The theme of the first meeting was **public funding**.

The reported cuts to public funding of anything between 25% and 40% in the forthcoming spending review were of prime importance and concern to cultural organisations. This funding underpins the sector. It comes from central government, local government and funding streams in other departments such as health and education.

In order to understand how it might be possible to generate further earned income or private income into the sector, it was vital to understand first the public funding landscape and the potential impacts, challenges and opportunities facing the sector.

The meeting considered the following questions:

- How will the proposed cuts affect front-line arts and culture and what are the issues across artforms, regions, type of organisation?
- How do we achieve a collective voice on making the case for culture?

- What are the strongest counter cuts arguments and how can we deploy them?
- Are mergers and acquisitions of functions a way forward?

1. How will the proposed cuts affect front-line arts and what are the issues across artforms, regions, type of organisation?

It was also important to note that very few arts organisations work on an equal mix of $\frac{1}{3}$ public, $\frac{1}{3}$ private and $\frac{1}{3}$ earned income. Most publicly funded arts organisations already earn more income than they receive in public subsidy. However, for some types of organisations such as galleries offering free entry, public income accounts for a high proportion of turnover and earned income is that much more difficult to generate. It will therefore be harder for some types of organisations to adapt their business models in response to cuts in public funding. Similarly, museums with a statutory duty to preserve and interpret their collections are especially vulnerable to major cuts because a large part of their expenses are fixed costs. Another example is jazz. Here there is high reliance on volunteers and private philanthropy is difficult to attract. Generally, organisations outside London find it harder to raise private income. And another is those organisations working in the public arena such as health and criminal justice; they rely extensively on public service contracts and funding.

This is not just a revenue issue. Capital injections are also needed from time to time.

The Forum questioned what is meant by 'front-line arts'. For example, many network organisations have grown up organically to provide information and advice to their sectors. These organisations, while not producing artistic programmes, were fulfilling the function of providing information and services with the aim of making the sector they support more efficient and effective. In effect they were examples of merging back office operations.

The swift and stark announcements of the abolition of the Museums, Archives and Libraries Council (MLA) and the UK Film Council were noted as decisions taken without an apparent clear plan for understanding which functions should simply cease and which should be absorbed by other organisations.

The Forum noted that the abolition of the MLA would leave a gap in advocacy for libraries.

Local authority budgets were even more vulnerable as all local authorities would be cut by at least 25% and council tax freezes cut off the opportunity to raise revenue through taxes. The axe would fall disproportionately on non-statutory services such as culture and leisure. It was important that the Forum address these hidden cuts, which were currently not making the news.

The dissolution of the Regional Development Agencies was noted in this same context. Some had offered funding for the cultural sector, through regeneration schemes for example. The Forum should assess the full range and scope of public funding available to the sector and the impacts of the levels and scales of cuts.

It would be necessary to ascertain whether Arts Council England (ACE) would adopt a universal position in the face of local authority cuts, or whether it would deal with each cut on a case by case basis. It was important, however, to understand the size and scale of the problem. Many organisations rely on a 'co-funding' model of ACE and LA funding.

Members reported on Arts Council England briefings and potential changes to funding models. In particular it noted the expected increase in lottery funding (provided the Government passed the legislation for this on which it was currently consulting) which would be phased in over the next two years. The increase in the arts share would rise from just over 16% to 18% in 2011 and 20% in 2012. This could change the nature of ACE funding models, as lottery income would be a much larger proportion of ACE's overall budget.

Any changes in funding models would potentially lead to changes in organisational structure and it was important that the Forum was ready to respond to these and assist in offering solutions.

It was proposed that all members should respond positively to the current consultation to change the shares to lottery income.

Discussion then turned to ACE's view that cuts should be 'backloaded' - staggered so that higher cuts were introduced later in the funding cycle to allow time to adjust. This was warmly endorsed. ***It was agreed that the Forum should add its support to this position and argue for any cuts to be backloaded.***

The Forum also considered the question of how, in a climate of squeezed public funding, new organisations could enter the sector and how would future funding settlements serve new and diverse groups.

The Forum needed a better understanding of the longer term effects of the cuts and how they would impact on the shape and longer term health of, and vision for, the sector.

The Forum should assess whether and how much philanthropy could fill the gap left by public funding cuts. How much money could the sector expect?

On public sector leverage, it was noted that the Higher Education model of the state offering match funding for monies raised for an endowment appeared to be still in operation. The Forum should investigate this and the feasibility of introducing it into the cultural sector.

2. How do we achieve a collective voice on making the case for culture?

The Forum agreed that it was important to ensure that the sector was united in its approaches to Government and policy makers and that it should coordinate messages with other key players in the arts and cultural sectors.

It was important that the tone of the Forum's communications were positive and solutions-focused, but also firm and realistic in identifying problems. It was agreed that the Forum should not demur from stating a view if it believed bad decisions were being proposed. The Forum was an additional voice, formed of a broad alliance, supported by Arts & Business and the National Campaign for the Arts.

3. What are the strongest counter cuts arguments and how can we deploy them?

The Forum was clear that the cultural sector had contributions to make to the stated aims of the 'Big Society'. Within this it was important to note not just the economic benefits, but social benefits through community development and wellbeing.

With the emphasis on localism and decentralisation, more advocacy at the local level would be required when demonstrating that investment in the arts *is* creating the Big Society.

The cultural sector needs to position itself as part of the Third Sector. It would be important to raise the profile of the cultural sector as already delivering on Government's key social aims such as community engagement and volunteering.

To do this, real facts and figures and stories are essential as are the voices of allies such as business and community leaders, audiences and supporters. There needs to be an understanding of the value of culture to society. Culture offers high social and economic value, and that makes it worthy of public support.

As part of this exercise, it was vital to engage not only with DCMS but DCLG and the Departments of Education and Health.

In all this advocacy the sector must not over claim on its impact. Robust data is paramount, brought to life by anecdotal evidence .

The Forum should identify forms of entrepreneurship. The sector is not seen by government as being sustainable in its current form. Good examples of how the sector could respond to this charge included:

- The production of the Woman in Black took £5,000 subsidy and turned it into £8m of Treasury income.
- Business values creativity and innovation. The cultural economy is well placed to be part of the UK's economic and growth solution.
- The arts develop a workforce and talent that is capable of creativity and innovation.

4. Are mergers and acquisitions of functions a way forward?

The Forum saw mergers and acquisitions as just two ways to join corporate functions or structures. Examples of different structures of partnership and cooperation existed in the sector; for example:

- The museums model of hub and spoke organisations in the regions, funded via MLA's 'Renaissance in the Regions' programme
- Joint purchasing models such as the consortium of London museums which has negotiated a bulk purchase deal for electricity;
- Existing partnerships between different art forms across the sector to share back office functions.

In addition to these, the Forum would explore the feasibility of:

- Venues and performing arts working more closely together – putting more pressure on big arts organisations to share content;
- Mentoring models to share expertise across the sector;
- Federations, partnerships, and co-operatives .

In exploring such options, organisations would not want to lose their diversity and specialisms. And change takes time to prepare for: the due diligence process for example.

1 Action points

It was agreed that the following Forum members would co-ordinate research into the following issues:

1. Co-funding issues: information about how key funders – particularly local authorities and ACE work together to support organisations and strategic developments locally and regionally, but will also include ongoing or major project partnerships with other funders – HE, Health authorities, Foundations, etc: Sue Isherwood
2. Lottery opportunities and the leverage ratio of public to private funding: Lucy Bird
3. Models for encouraging new entrants into the sector: Jenny Williams and Suzanne Rolt
4. Mixed funding and organisational models: Andrew Higgins
5. Examples of how the sector is contributing to the Big Society: Michelle James and Graham Henderson
6. Mergers and Acquisitions and other models for joint ventures and cooperation: Ian Lush
7. Evidence and data gathering: Andrew Barnett.

5. Future meetings

It was unanimously agreed that Tim Joss should chair the remaining scheduled meetings which would take place on:

Tuesday, 24 August at 2.00pm. Venue, Gulbenkian Foundation offices. Topic: Earned Income.

Tuesday, 21 September at 2.00pm. Venue: Science Museum (TBC). Topic: Private Income.