

Culture Forum Minutes of Meeting Tuesday 24 August

1. Introduction

The Chair welcomed the group.

- 1.1. Apologies were received from Lucy Bird, Philip Flood, Damian Hebron, John Munro, Suzanne Rolt, Colin Tweedy and Claire Whitaker.
- 1.2. Minutes from the previous meeting: At the end of Section 2, the reference to “The Woman in Black” should be taken only as one example of the impact of theatre productions in the West End in general.

2. Working Group Papers

The Forum received and discussed papers on topics identified at the first meeting as needing particular attention.

2.1 Paper: Co-funding by Sue Isherwood

This paper highlighted the mixed economy of arts and heritage, the cultural and wider aims of different funders, and the threat of cuts to current co-funding models and arrangements. It called for all funders to work together to obviate the worst effects and made several practical proposals on clarifying mission, communication, partnerships, cost centring, new ways of working and capacity building.

2.2 Paper: Mergers, hubs and other forms of collaboration by Ian Lush

This paper reviewed the potential for forms of collaboration to increase effectiveness and save money. It raised issues of suitable forms, careful preparation, sustainability, and looking beyond the arts and heritage sector for lessons. A wealth of examples was offered by Forum members, both positive and problematic. The main conclusion was that collaborations must be encouraged in these challenging times.

2.3 Paper: Funding and organisational models by Andrew Higgins

This paper analysed and drew out lessons from four successful, building-based arts organisations not in receipt of public funding to see whether there were lessons or conclusions to be drawn about what made these organisations successful. Forum members added further examples analysis, and explored their wider applicability.

2.4 Paper: Measuring impact of the arts and heritage by Andrew Barnett

This paper laid out the history of measuring different kinds of impact achieved by cultural activity – economic, social, personal and so on. It stressed that evidence of impact is critically important in a world of increasing accountability and evidence-based policy. The Culture Forum should encourage a shift in the culture of the sector: measurement of impact should be the norm not the exception. Members explored the implications of such as culture change – for building-based organisations and those funded by local authorities, competition with others working in areas such as education and social services, potential research partners, forms of measurement, and the challenge for small organisations.

2.5 Paper: ‘Frozen’ portfolio by Suzanne Rolt and Jenny Williams

This paper studied Arts Council England’s portfolio of regularly funded organisation and wider investment strategies. It saw a slow evolution of this portfolio and the danger of inertia as government funding declined. In contrast, a diverse and innovative sector needs turnover in the portfolio. Forum members distinguished between the impact on smaller and larger organisations, and drew attention to potential changes to ACE’s investment strategy and the change in balance between Treasury and Lottery funds.

2.6 Paper: Lottery by Lucy Bird

A different approach had been taken here. As agreed by Forum members, a brief submission had been made to the DCMS consultation on the distribution of Lottery funds between the good causes.

2.7 Paper: Culture and the Big Society by Michelle James and Graham Henderson

This paper explored the role of culture in the Big Society and potential opportunities. As background, it summarised the genesis of the Big Society idea, key concepts, how they might be applied to the arts and heritage, and risks and opportunities. It then proposed possible steps that could be taken by arts and heritage organisations.

3. Earned Income

(Earned income was defined as box office, catering, sales of merchandise, productions and other intellectual property products, and events designed to generate funds. Later the group added the idea of earning income – rather than obtaining grants – from local and health authorities’ strategic commissioning budgets.)

3.1 What new models for earned income can be developed and shared?

It was noted that there were already many good models operating in the sector.

(The following discussion centred on exploiting assets)

Opus Arte was highlighted as one model of extending opportunities for earned income. It was noted that this was an acquisition by the Royal Opera House rather than a business arm started from scratch. The ROH had seen acquiring Opus Arte as an opportunity and invested in it.

It was important to distinguish between venue based and non-venue based organisations. For example, heritage charities that do not open buildings to the public would find it difficult to make money in the down times. Opportunities for venue based organisations were, on the whole, greater as they could exploit their space for conference or office facilities. It was important to note that, for some theatres, their design meant that the “front of house” facilities were not adequate for additional income generation.

It was noted that buildings could also be liabilities rather than assets. The key was exploiting assets more creatively. For example, an arts charity that owned the archives of a well known artist was currently planning to open a new gallery. Should it instead think more laterally about how to use those archives, particularly given the way that some galleries are selling digital prints of works in their collections?

Orchestras also had further lessons to be learned. At present the market for recorded classical music was depressed, which has led to some orchestras establishing their own record labels. Although only a marginal source of income (and one that was only likely to produce a profit over the long term), this was as much about brand development. Broadcasting was also an important area that should be considered. The BBC had quotas for using independent production companies and perhaps a similar system could be brokered by the DCMS to encourage the BBC to work more closely with arts organisations.

In the past people had looked into licensing rights and found that the cost of distribution and administration was high. There may now be a new opportunity for distribution with a lower cost of licensing.

Some major cultural organisations have significant property holdings which they were prevented from using to generate income because the holdings were considered to be Treasury assets with constraints on their usage. As these assets had been part of the cultural organisations for many years, the organisations should have greater control of their use. It was noted that this was happening a lot in the third sector; some local authorities were devolving their assets to trusts and allowing greater flexibility. It was not always possible to generate income through exploiting assets, however. Economies of scale and organisational resources were a significant factor for success. For example, a small music organisation had success with an award-nominated album and benefited from increased sales. But the cost of capitalising this growth was enormous and the organisation ended up losing money.

There was the obvious potential to do more digitally – the example of jazz was cited - but the front page of digital distributors, such as iTunes, were dominated by major labels. In short, digital could be an illusion for those who did not have sufficient resources to exploit the opportunities. More positively, if the right investment could be provided, those with strong brands could realise commercial potential.

It was noted that there may be a need for significant re-orientation of the public and artists to ensure that everyone recognised that markets had changed and that the old models and payments cannot stand up anymore.

The sector needed to find ways of advising public and private funders on how they could best invest in facilitating the transition of an organisation towards less reliance on public funding and greater earned income. Organisations going through such a change would benefit from advice on what they needed to know and how to go about it. This suggested a scheme to develop and exploit intellectual property for arts organisations and to encourage funders to invest and develop brands and products.

Investment needed to take place in human capital too. There had to be a priority in increasing money spent on developing talent.

Thought should also be given to income from contracting for services. Local authorities, for example, had been moving towards a model of commissioning for the provision of services and programmes and away from making grants. It was noted that much of the commissioning would be done by a range of departments such as social services and not just cultural services. Commissioning often involved greater accountability, including the measurement and reporting of outcomes. There were issues, opportunities and challenges for the cultural sector here.

(The following parts of the discussion focused on new models)

London Bubble Theatre Company's "Fan Made" theatre was highlighted as an innovative approach to generating income. This model involved the theatre involving paid up members in the community to propose a major production each year. Members were then asked to contribute funds to enable the production to go ahead.

This sounded like an old model of asking for up front subscriptions. This was followed by a discussion on donations. It was noted that when one museum stepped up its greeting of visitors, museum donations rose from 2 pence per visitor to approximately £1 per visitor. The key assets in visual arts organisations are not just collections and buildings but also the skills and expertise of their staff. There may be opportunities to generate more income by exploiting this expertise more commercially. There are two aspects to this expertise which is built up through programming / acquisitions and contact with artists through professional development schemes. Through these processes public art galleries often work with artists who fall outside the immediate commercial art sector and are not represented by commercial agents. There is potential to support non-commercial artists through sales to visitors to public galleries and also to private and public collections that public galleries have contact with. Perhaps a network of like minded galleries can work

together and represent a group of non-commercial artists at such commercial events as Frieze Art Fair for example.

Foreign income from touring was also mentioned as an opportunity, although not new. More broadly, international sales could have potential in some cases. Some organisations have been working in China and have set up a new market for themselves in that country. Dynamic pricing was another model which, although not new, was re-emerging. Box office was the major income for most organisations.

It was noted that there was an American model which posted possible arts events up on a website and explained how much it would cost to mount them. The organisers would then try to raise funds through the website to make the project happen. It was noted that there were many potential problems and pitfalls with this model and it was not clear that it was one that would translate easily to the UK, given its lower culture.

In contrast, research comparing income generation amongst arts organisations in London and New York had shown that those in London, at large, medium and small levels, were generating more earned income than those in New York. This was particularly so among small arts organisations – in New York they were raising only 9% of their total income from earned income, whereas in London they raised 36%.

3.2 How can Intellectual Property be successfully harnessed?

Helping organisations to help themselves would be key to exploiting assets and harnessing intellectual property. Many small organisations would not have the knowledge, capacity or resources to make the most of their intellectual property and therefore providing information and advice about who to go to or where for the expertise was very important. It was about making connections, partnerships and joint ventures.

Digitaltheatre.com was an interesting example of an organisation using new distribution networks to capitalise on intellectual property. They recorded theatre productions and broadcast them over the internet (for a fee) but in a way that still captured the feel of live theatre. They were working with theatres such as the Bush Theatre, the Young Vic, English Touring Theatre and the Royal Exchange.

Some theatre productions were of plays which were out of copyright but there were others which were still in copyright, even though the authors were dead. There was quite a case to be made about the royalties paid on such productions to the heirs of author. An exchange ensued over copyright and whether a small fraction of the royalties paid to the estates of dead authors/playwrights should be diverted to fund new writing. There was strong disagreement with this suggestion, however, as it was felt that legal assets should not be diverted away from people who were entitled to choose how they spent their money.

It was noted that the Government had extended the length of copyright over the last few years and this was unlikely to be reversed.

It was noted that Germany had a producer's right, where the producer has a copyright. If the notion of property rights was turned round so that the arts charity became the producer, then there could be ways to harness intellectual property such as developing a licensed 'library'. However, the challenges must not be minimised: for example, distribution could prove to be very competitive and expensive. It was not known from where else legitimate amounts of money could be gained because this currently seemed an unlikely route for performing arts.

One organisation, a digital producer showing emerging talent, worked with organisations such as the ICA to put on innovative events. Now that organisation had been approached to package the intellectual property of the process of producing those events and it planned to sell that information to different places.

Womad had done something similar, where they sold the Womad concept and expertise in delivering festivals across the world. The host communities shouldered the risk. It was suggested that larger venues could exploit touring rights more effectively. People in the commercial end of the arts always said how difficult it was to make money from intellectual property. Lawrence Lessig, in his book "Remix - Making Art and Commerce Thrive in the Hybrid Economy", talked about how, through digitisation, an audience could be far more involved in the creation and co-production of art. He gave excellent examples of the clever ways in which the arts organisation could be involved. When a theatre needed to raise money for a digital broadcast earlier this year, it put a syndicate of donors together and then immersed people in the process of making that broadcast as a bonus. There could be something there in engaging audiences and donors in the process of making the art.

3.3 London 2012 and beyond, what are the opportunities for visitor numbers and for a cultural legacy?

It was noted that the sector did not push the importance of culture to tourism as much as it should. A quarter of all tourists' expenditure (an enormous amount) went on cultural heritage. The Visit Britain website had some excellent statistics on visitor spend in the UK. On 2012 specifically, different experiences from different Olympiads made generalisation difficult. London would be different again. The key questions were whether those who come to the Games will be new and different visitors and what could the arts and heritage offer to these visitors, including encouraging to look beyond London?

It was very important that the sector worked very closely with the various tourism agencies and companies to derive benefit. It needed to make the overt connection between the Olympics and arts and heritage and advocate this to the tourism sector and the Government. For example, if some Olympic visitors went to see the rowing in Eton, they should be alerted to nearby arts and heritage opportunities.

Forum members raised the possibility of channelling tourist earnings to arts and heritage organisations who generated tourist expenditure. One example used in other cities was a bed tax in hotels. It was noted that this implied hypothecation, and that if Government could make money through a bed tax they were likely to want to decide on its use. However, it might be useful for the group to come to a view on such ideas.

In terms of a message to the Government, there were a huge number of organisations who weren't being sufficiently engaged and exploited, and willing people were beginning to turn away. This included arts and heritage organisations and schools.

2012 provided an opportunity to inspire greater participation in the arts and heritage. As many would be UK residents, there was an opportunity for a significant legacy.

3.4 How can we ensure earned income stays strong if there is a potential drop in audience numbers?

Arts & Business research showed that there was a concern about a potential drop in audience numbers. This would be a result of a drop in purchasing power, price inflation and 2011 rise in VAT.

It was acknowledged that this was different for the free museums; for performing arts organisations this was a more significant issue.

It was noted that last year the National Trust had their best summer because more people were taking UK holidays. Their merchandise income was great but they experienced greater wear and tear on the buildings and had to reinvest more money to maintain the buildings.

The next challenge was to make sure that those visitors returned. This involved constantly refreshing what was on offer so that people wanted to come back. In terms of ticket pricing, it meant looking at how the experience could be made even better. Organisations very reliant on box office needed to make sure that everything in that experience was of high quality so that people kept coming back.

It was noted that the price of tickets had risen significantly over the last 10 years but audience attendance had also risen, particularly in the West End. Could this continue or had it peaked? Where were we on this graph? (It was noted that a lot of visitors from the USA thought that theatre here was still very inexpensive.)

This rise was countered by the point that the amount retained from the ticket sales had decreased because of the rise in discounting over the last few years. Whereas seat capacity may have gone up, some cash capacity had gone down.

In terms of audience loyalty, the recession was making people think about their expenditure more carefully. This underlined the importance of market research, basic database marketing and more creative approaches to building customer loyalty.

Precisely at this time of financial insecurity, the sector should be pushing messages about the arts and heritage being affordable. It should use key messages about galleries being free and providing great value for money and to highlight affordable ticket schemes.

It was noted that Jeremy Hunt recognised how culture helped define a place and therefore had a key role in strengthening the domestic tourism spend in the UK. When working with partners in Europe the tourism sector noted that the cultural infrastructure and provision in the UK was so much richer than in Europe, and the sector needed to celebrate and build on that.

It was noted that David Cameron had made a keynote speech on tourism, in which he mentioned culture. This had been at the Serpentine Gallery in London.

4. Follow up work on Earned Income

The following topics from the discussion were noted as meriting further investigation and colleagues volunteered to take these forward:

- Tourism (Nick Hunt and Matthew Rowe)
- Broadcast and digital distribution (Mark Pemberton and Denise Proctor)
- Brand Development and exploitation (Andrew Higgins and Andrew Barnett)
- Strategic commissioning ¹(Sue Isherwood and Guy Eades)
- Venture capital and attracting investment in trading (Peter Wilson and Graham Henderson)

5. Response to the Culture, Media and Sport Select Committee

It was agreed that the NCA would contact the Committee Chair to alert him to the work of the Forum. While the Forum's report would not be ready in time to meet the Select Committee's deadline for evidence, it would be published before the Committee concluded its inquiry, and as the subject of the report would be pertinent to the inquiry, the request should be made to submit it as further information.

It was agreed that members would share their individual evidence to the Select Committee with each other.

¹ Local government is increasingly moving towards a Strategic commissioning model, whereby it gives less to service organisations but spends more in commissioning organisations to deliver to strategic plans. A lot of the commissioning will not be done by the cultural sector but by the social services, similar to how the health services commission. The issues here are about the cultural sector and its role. Contracts are being devised to help out on social services outcomes. The arts could work together to help deliver on this.

6. Thinking ahead to the Culture Forum's report

It was agreed that the aim should be to have the report ready by 11 October with a view to making a presentation to Government ministers. While the intention was to publish in advance of the Spending Review announcement, it was acknowledged that some decisions, such as the broad cuts, would have been made. But the report was about looking beyond the immediate threats and thinking about how the sector could adapt and continue to thrive.

It was agreed that a small drafting group should be appointed to take forward the writing of the report. As much as possible would be done in time for the next meeting. The NCA volunteered someone to help with the drafting process and Arts & Business confirmed that it had allocated a budget to pay for the report production and dissemination.

It was agreed that Forum members should help steer the drafting group as to what should be in the final report. Members should consult with their constituencies on what they feel are the key issues.

It was agreed that Tim Joss, Ian Lush, and Peter Wilson would form the drafting committee, with support from the NCA for writing and editing.