

# The UK Cultural Sector

PROFILE AND POLICY ISSUES

EDITED BY  
Sara Selwood

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*To have a society in which there is no government support for the arts or culture would be a very barren civilization. Of course, there are many cultural activities that can thrive and survive on their own: the popular music industry is a fine example. But there are others, which involve innovative or difficult or new or esoteric work, where public subsidy is entirely justified.<sup>1</sup>*

Today, the cultural sector receives more funding than ever before. **The UK Cultural Sector: Profile and Policy Issues** is about the value and conditions of the subsidy that the sector receives, as well as those artforms and cultural activities that receive it. This comprehensive report charts the distribution of funding to the cultural sector throughout the UK – by home country and region, by artform and heritage activity. It covers the whole range of subsidised cultural activities – the built heritage, film, libraries, literature, museums and galleries, performing arts, public broadcasting and the visual arts.

**The UK Cultural Sector** is organised in four parts:

- Part I, Policy Issues, considers how policy shapes funding decisions and the nature and output of subsidised organisations. Individual chapters chart how changes in those policies have affected each of the cultural activities covered.
- Part II, Funding, looks at how much support goes to the sector from both public and private sources. It pieces together where that funding came from; compares it to amounts received

previously; examines where it was distributed; what it was intended to achieve; and what difference it might have made.

- Part III, The Wider Context, examines the context within which policy and funding operates: why and how governments 'intervene' in the cultural sector; how the economic impact of cultural projects is assessed; employment; and, the extent to which subsidy creates more innovative and diverse cultural practices.
- Part IV, Profile, provides detailed data on the various activities covered by the book: the number of organisations funded and the type and value of funding; the number of people employed; the size and profile of audiences and consumer expenditure; and the financial profile of the UK's funded organisations.

**The UK Cultural Sector** builds on previous research by the independent Policy Studies Institute, including **Culture as Commodity?**<sup>2</sup> and the expertise of **Cultural Trends**, the UK's leading source of statistical information on the arts and the cultural sector.<sup>3</sup> It contains contributions from 25 of the country's leading academics, consultants, cultural analysts, economists, funders and policy-makers, and provides the most thorough coverage of its subject to date.

<sup>1</sup> Chris Smith, *Creative Britain*. London: Faber & Faber, 1998: 18.

<sup>2</sup> Bernard Casey, Rachael Dunlop and Sara Selwood, *Culture as Commodity? The economics of the arts and built heritage in the UK*. London: PSI, 1996.

<sup>3</sup> www.culturaltrends.org.uk

psi

www.psi.org.uk

## key findings

There has been a consistent failure to establish dependable data on the cultural sector, and much of the information currently available is inconsistent and unreliable. Unlike many other accounts of the funding of the sector, **The UK Cultural Sector** is completely transparent and includes clear explanations of how the figures it provides were reached.

The study reveals some important key findings:

- In 1998/99,<sup>4</sup> £5.5 billion of support in the form of public subsidy and funding from the private sector including sponsorship went to the cultural sector.
- The range and number of subsidised cultural activities pursued in the period include 136.5 million cinema admissions; 68.2 million visits to built heritage sites; 70 million registered or regular users of national libraries, 2.4 million of higher education libraries and 34.4 million of public libraries; and 80–114 million visits to museums and galleries. About 10.9 million people said they went to plays; 11.9 million to classical music; 3.1 million to opera; 3 million to ballet; 2 million to contemporary dance; and 2.7 million to jazz performances.<sup>5</sup>
- In 1999 some 647,000 people – about 2.4 per cent of total employment – had their main job in a cultural industry, a cultural occupation or both. Since 1995 this represents an increase at nearly three times the rate of total employment.
- None of these figures pertaining to attendances and cultural venues or events or employment distinguish between the subsidised and commercial cultural sectors.
- Beyond these key facts, the data on the cultural sector are often incomplete, inaccurate or unavailable. This means that policy decisions and government initiatives are rarely based on an accurate picture of the sector, and little is known about their impact. Moreover, there is little evidence to show that those data that have been collected have been used to inform policy decisions. Despite the fact that the government has sought to increase accountability in the public sector and is moving towards evidence-based policy, a considerable reform of data collection and standardisation within the cultural sector is called for.

## sources of funding

The book tracks subsidies to the sector from a range of public and private sources, including the Department for Culture, Media and Sport (DCMS) and its equivalents in Scotland, Wales and Northern Ireland; local government; the National Lottery; sponsorship; charitable trusts and foundations; and higher education.

- Over £5.25 billion has been identified as coming from public sources in 1998/99 and at least £198 million from private sources.
- The total value of funding from DCMS and its equivalents in Scotland, Wales and Northern Ireland and local authorities has decreased by 8 per cent in real terms since 1993/94.
- The BBC's licence fee was the most significant of all sources of funding to the cultural sector, providing £2,180 million in 1998/99 – almost as much as the funding for the rest of the sector from central government<sup>6</sup> and local authorities combined.
- English local authorities provided a total of £1,064 million.
- The introduction of the National Lottery has seen funds to the sector increase substantially. At its height, the value of grants being made to the sector added 36 per cent to support provided by central and local government combined. In 1998/99, the National Lottery provided £369 million, less than half the amount provided in 1996/97. This was partly the result of a diminishing share of Lottery funds from late 1997, after the establishment of the New Opportunities Fund, but also because of the cultural distributors' over-commitments in previous years.

**The UK Cultural Sector** also examines support from less obvious funding sources. These include other government departments such as the Ministry of Defence, the Foreign and Commonwealth Office, the Department of Health, the Lord Chancellor's Department, and the Department of the Environment, Transport and the Regions as well as higher education institutions, tax foregone and the European Commission's structural funds.

- Funding from these less obvious sources totalled £607 million in 1998/99, of which some £20 million came from the Ministry of Defence; £24.5 million from regeneration funding; and £200 million from the Treasury in the form of tax foregone.
- The European Commission provided a total of £52 million a year for cultural activities in the UK. Of this, under 12 per cent came from its programmes dedicated to supporting culture. The vast majority of its funding came from the structural funds, which are intended to address economic deprivation.

## distribution of funding

**The UK Cultural Sector** charts the distribution of funding throughout the UK, both geographically and by artform and heritage activity. The range of artforms and heritage activities covered include:

- built heritage
- film
- libraries
- literature
- museums and galleries
- performing arts
- public broadcasting and
- visual arts

The book also analyses the relationship between the subsidised cultural sector and the creative industries, not least in respect of the transfer of products (such as orchestral 'services' or subsidised theatre productions); employment (the movement of individuals from one sector to the other); and the dissemination of cultural activities (such as broadcasting, drama and classical music).

- In 1998/99, public broadcasting received the largest share of funding (£2,418 million), almost exclusively due to the BBC licence fee. Libraries received around £950 million; museums and galleries £616 million; the built heritage £611 million and the performing arts £521 million. The least funded sectors examined were the visual arts (£58 million) and film (£40 million).
- The greatest increases in funding between 1993/94 and 1998/99 were to the visual arts (173 per cent) and the built heritage (142 per cent), largely as a result of the Lottery. The least well rewarded by Lottery funding was literature, which is not building-based and did not benefit from capital building developments.
- National provision (almost entirely from the licence fee) accounted for 45 per cent of all funding; England received almost 45 per cent; Scotland almost 6 per cent; Wales almost 3 per cent and Northern Ireland almost 2 per cent.
- As might be expected, London and the South East receive the lion's share of funding for cultural activities. But this is difficult to show across the board. Five regional systems apply to the distribution of cultural funding in the UK, and data about the arts, in particular, are insufficiently transparent to produce a comprehensive picture of cultural spending on a region-by-region basis. However, it remains the case that over 40 per cent of Lottery funding and business sponsorship go to London.

## income and expenditure

**The UK Cultural Sector** uses the most extensive survey of its kind – the nearest thing that exists to a census of the cultural sector – to describe the financial operations of recipient cultural sector organisations. The survey covers a wide range of subsidised organisations: some with incomes in the £ millions; others with less than £1,000 and no permanent staff.

- At least three-quarters of the organisations surveyed were located in England. London and the South East accounted for a third of all respondents.
- Just over half respondents' recorded income came from public sources.
- Half respondents' expenditure overall was committed to the costs of their programmes. They spent around seven times as much on their main programmes as on their education programmes. Half their administration costs were dedicated to staffing.

Comparing the financial operations of a small group of organisations in 1993/94 and 1998/99 suggests that:

- The gap between subsidised organisations may well be increasing. The income of museums and galleries and service organisations surveyed had increased notably, whereas that of libraries and literature organisations had fallen.
- The nature of organisations' expenditure had shifted. In 1998/99 they spent more on their programmes and less on their administration than was previously the case. Spending on education programmes, in particular, had increased.
- The number of people employed by organisations had increased. In 1998/99 a higher percentage employed permanent staff than had been the case five years earlier, and more had volunteers.

Arts organisations funded by the Arts Council of England include the richest in the country (20 per cent had incomes of £1 million plus in 1998/99). **The UK Cultural Sector** compares their financial operations with those of organisations that have no such cushion. In particular, it considers how those with funding from the English arts funding system and those without make up their incomes and where their expenditure goes.

- Organisations funded through the English arts funding system are not only more likely to have larger incomes, but they tended: to have received Lottery grants, and these were of greater value; to be more dependent on their major funders (albeit the Arts Council of England and the regional art boards) as the main source of their public subsidies; and to spend more on their administration, with higher overheads, larger numbers of staff and higher staff costs.

## policy development

**The UK Cultural Sector** not only quantifies the value of subsidies made to the sector, but explores the reasons why support is given. It describes the development of government and other policies towards the funding of the cultural sector and reveals how the Labour government has developed many of the Conservative government's cultural initiatives. The book also examines how funding decisions are made, and asks why some organisations continue to receive grants year after year, despite the changing demands made of funding recipients.

According to DCMS, cultural organisations and individuals are subsidised for five reasons: to ensure excellence; because they need support to produce innovative work; to assist access; because they provide a seedbed for the creative industries; and because they are believed to contribute to economic, if not social, regeneration.<sup>7</sup> But to what extent are these propositions true? **The UK Cultural Sector** asks some challenging questions, including:

- Is it really the case that subsidised theatre (for example), is more innovative than commercial theatre?
- How reliable is the evidence for arguing the economic impact of cultural venues and events?
- What precisely is the nature of the relationship between the subsidised cultural sector and the creative industries?

The study also spells out the extent of what we don't know, making a clear case for better data-gathering and management; and questions the wisdom of policy and funding decisions based on unreliable or non-existent figures.

<sup>4</sup> The latest year for which comprehensive information is available.  
<sup>5</sup> There is, inevitably, some overlap between the audiences for these various activities. But no research is accessible within the public realm on those cultural consumers who represent the core beneficiaries of subsidies to the heritage and the arts.  
<sup>6</sup> The Department for Culture, Media and Sport and its equivalents in Scotland, Wales and Northern Ireland.  
<sup>7</sup> Chris Smith, *Creative Britain*. London: Faber & Faber, 1998: 18–19.