



Funding the arts

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This note looks at trends in funding within the arts sector from 1997 to the present. Following the 2010 Election the Coalition Government asked all major arts funding bodies to show how they would manage cuts of 25% or 30%. Leaders from institutions like the National Theatre and Tate have warned that cuts on this scale would inflict severe damage on the arts. Following the results of the Comprehensive Spending Review in October 2010, Arts Council England announced a new strategic framework for the next years as a consequence of a reduction of almost 30% in its overall budget. It is suggested that arts institutions should embrace the US model of fundraising from private sources to help offset a sharp reduction in public subsidy. However, recent research from Arts & Business suggests that, while there is scope for increased private giving, private investment will continue to be seen as a supplement, not a substitute, for state support of the arts.

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1 Sources of arts finance

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

- Arts Council England (ACE) and corresponding bodies for Wales, Scotland and Northern Ireland
- National Lottery funding opportunities
- European Union funding schemes
- Local authority support for the arts
- Trusts, foundations and private giving
- Box office or admission charges
- Merchandising or sponsorship
- British Film Institute (as successor to UK Film Council; see 3.5 below)
- Collaborations with artistic rivals
- Foreign governments and businesses

The responsible Government Department, the Department for Culture, Media and Sport (DCMS), does not provide direct funding to any arts organisations or practitioners but operates on an “arm’s length principle”. The mixture of sources is summarised on the [DCMS website](#):

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

An emerging “model” of arts funding for organisations is for one-third of income to come from state subsidy, one-third from box office and the remainder from commercial revenue sources. This contrasts with the United States, where arts funding is 90% private, and continental Europe, where public funding is considerably higher than in Britain or the US.¹

2 Trends under the last Labour Government

The last Labour Government invested heavily in the arts and this was matched by record levels of private investment by individuals and businesses. Public spending, however, was cut towards the end of Labour’s tenure as the economic recession hit. This, too, saw private investment decline.

2.1 Investing heavily in the arts

Between 1997-98 and 2009-10, the DCMS increased its total grant-in-aid funding to ACE by around £265 million. Table 1 below sets out DCMS grant-in-aid funding to ACE during the years of successive Labour Governments:

Table 1: DCMS grant-in-aid received by Arts Council England, 1997/98 - 2009/10

	£millions
1997/98	188
1998/99	191
1999/00	228
2000/01	237
2001/02	251
2002/03	289
2003/04	325
2004/05	369
2005/06	409
2006/07	427
2007/08	424
2008/09	438
2009/10	453

Source: Arts Council England annual reviews

Note: figures rounded to nearest million

A DCMS press release of October 2007 set out Labour Government plans for further spending on the arts:

Government investment in the arts is set to be boosted over the next three years, with the announcement of an extra £50 million going to the Arts Council England by

¹ Bryan Appleyard, “A cut-out-and-keep guide to saving the arts”, *Sunday Times*, 29 August 2010

2011...The organisation's funding will rise from £417 million this year to £467 million in 2010/11, a real-terms increase by 3.3 per cent over the three year period...Grant aid to England's national museums and galleries will increase from £302 million this year to £332 million in 10/11, an increase of slightly above inflation...The inflation proof settlement for England's national museums and galleries means that free admission for all is guaranteed for a further three years. They will also get extra funding for special projects...Extra projects being funded are:...The new museum of Liverpool development receiving £1.4 million in 2010/11...The Natural History Museum's Darwin centre Phase 2 to receive £0.3 million, £0.6 million and £1.0 million across the three years for running costs...The Victoria and Albert Museum to receive £0.69 million, £0.73 million and £0.77 million for running the new Sackler Centre for Arts Education...The Museum of London to receive £0.3 million, £0.31 million and £0.32 million for the costs of merging with the Museum in Docklands'.²

Sir Christopher Frayling, then Chair of ACE, responded:

"This is a very good result...We have campaigned long and hard for this settlement and in the context of a tough spending round it is good to know that the government has listened to the case we put for the arts...This increase will allow us to build on the current excellent health of the arts in England."³

In 2009, the then government allocated an extra £60m to DCMS to help make good the budget shortfall that it had:

[This confirmed] government allocations of £50m to Tate Modern's £215m extension; the final £8m of a £22.5m pledge to the British Museum; £33m to the British Library; and £25m to Stonehenge.⁴

2.2 Private investment in the arts under Labour

The *Financial Times* reported how private investment, too, had risen in accordance with increased spending by the government, only to fall with the onset of recession:

Private investment in the arts, which reached record levels in 2008, has fallen by 7 per cent as recession-hit businesses rein in their spending on cultural causes. A survey released yesterday by Arts & Business, which monitors business funding of the arts, showed that investment fell from its all-time high of £687m to £655m in 2008-09 – despite an average increase in attendances at cultural institutions of 12 per cent. The decline applied to all three sources of private investment: business, private donations, and trusts and foundations. Together, they accounted for 15 per cent of organisations' total income, with public sector funding making up 53 per cent, and the remaining 32 per cent earned through income, including ticket sales and trading.⁵

Some months earlier, the same publication suggested that a number of arts organisations were actively pursuing private sponsorship and donations in an attempt to combat likely government spending cuts:

Arts groups are trying to armour themselves against looming public spending cuts through an aggressive pursuit of wealthy donors and increasingly sophisticated collaborations with both artistic rivals and the private sector. Although a three year

² DCMS press release, *James Purnell announces extra arts funding - £50 million by the third year of settlement*, 12 October 2007

³ ACE press release, *Arts Council England statement re arts funding 2008-2011*, 10 October 2007

⁴ "Treasury finds £60m to save cultural projects and fund new film centre", *Guardian*, 16 October 2009

⁵ "Private arts funding falls from record high", *Financial Times*, 13 January 2010

public funding settlement that expires in 2011 has sheltered them from the worst effects of the crisis, arts luminaries acknowledge that government aid will never again reach the heights it did during the years of public spending largesse.⁶

It has been suggested that the Labour Government could have done more to encourage private donations. In 2007 the outgoing director of the National Gallery, Charles Saumarez Smith, asserted that

there had been little political will supporting arts funding in the Treasury since the departure of then chief secretary, Paul Boateng, in 2005. (...) Saumarez Smith backed calls for tax relief on arts philanthropy, recommended by a Treasury-commissioned review in 2004 but left to gather dust. Its author, Sir Nicholas Goodison, has revealed the Chancellor [then Gordon Brown] did not contact him for three years after he submitted his report. He was finally rung by the Treasury in January – the day before he was due to testify to MPs about the review.⁷

2.3 The Arts Council controversy of 2008

Arts Council England (ACE) attracted criticism from across the arts in January 2008 as the result of a funding settlement in which 185 organisations lost their subsidies (a move which proved so unpopular that it caused the theatre community to pass a vote of “no confidence” in the organisation). In February 2009 it was announced that ACE planned to cut 24 per cent of its workforce as part of a restructuring to meet a Government requirement that it save 15 per cent on administration costs by 2010. The cuts would save £6.5m a year, which ACE expected to put back into arts organisations.⁸ However, a budget cut to ACE funding of £4m for 2010-11, resulting from a Treasury requirement that £5bn in savings be found across all Government departments by 2011, was reportedly “not as severe as had been expected”. At the same time ACE announced that it would draw on its Lottery cash reserves to try to mitigate the worst effects of the recession on arts bodies: £44.5m in extra funding will be distributed to organisations that are “under pressure specifically as a result of recession”.⁹

Alan Davey, chief executive of ACE, warned of a potential “perfect storm” for the arts in time of recession, if public funding is cut back just when other sources of income, including corporate sponsorship, philanthropic giving, local authority funding and income from charitable trusts and foundations, are drying up.¹⁰

Furthermore, suggesting possible wastefulness of resources within the organisation, the *Museums Journal* reported:

About £200m is spent each year on deciding which museums or cultural attractions should receive grants, the National Audit Office (NAO) has revealed. Each year, about £1.8bn is handed out in grants to the culture, media and sport sector, but there are wild discrepancies in the amount of money spent on assessing where the awards should go.¹¹

2.4 Cuts in public spending

Amid looming recession, the Labour Government made clear in 2009 that increasing levels of funding for the arts would not be sustainable. The then Culture Minister, Barbara Follett,

⁶ “Art groups innovate to bring donors into family”, *Financial Times*, 28/29 November 2009

⁷ “Arts supremo attacks Brown over funding”, *The Observer*, 8 April 2007

⁸ “Arts Council England will save £6.5m as staff cut by a quarter”, *Guardian*, 26 February 2009

⁹ “Struggling arts bodies to get Lottery rescue”, *Financial Times*, 25/26 April 2009, p4

¹⁰ “Arts world braced for ‘hurricane’ as recession hits”, *Guardian*, 14 March 2009

¹¹ Gary Noakes, *Museums Journal*, July 2008, p4

told the *Times* newspaper: “There are too many schemes bidding for too little money”.¹² It was reported in July 2009 that a shortfall of £100m had emerged in the DCMS capital budget for 2009-10 and 2010-11. Financial directors of interested bodies received letters advising them of the over-commitment and seeking contributions from unspent capital money. Ambitious building projects such as the British Museum's new exhibition wing, the redevelopment of Tate Modern, the British Film Institute's film centre on the South Bank in London and the Stonehenge visitor centre were said to be under threat.¹³

2.5 Perceived favouring of London and the south

Criticism was levelled at the Government and at ACE in 2009 when it was reported that the vast majority of ACE money was spent on projects in London and the south. The *Independent* noted a lack of grants for other regions:

Leading members of the arts industry have called for an overhaul of the funding system after revelations that public and private arts money poured into London while other areas of the country were neglected. More than 13 times more money per head was spent on the arts in the capital last year compared to the regions. Arts Council England (ACE) spent £22 per head on regularly-funded arts organisations in the capital, compared to £1.62 per person in the South-east. The imbalance was leaving other regions of the country bereft of cultural hubs, critics warned.

The figures, which referred to spending in the year 2007-08, emerged in a parliamentary answer given to the then Liberal Democrat culture, media and sports spokesman, Don Foster. Mr Foster was quoted as follows:

“The Government says it wants more people in all parts of the country to get involved in the arts. This can't happen unless everyone has access to well-funded local arts organisations. Much more needs to be done to enable the regions to set up their own cultural hubs and to make sure that they get their fair share of arts funding”¹⁴

3 Trends under the Conservative-Liberal Democrat coalition

Prior to 2010, the Conservative Party had warned about inevitable cuts in spending in the arts sector regardless of who would form the next government. Since the formation of the coalition, cuts in public funding have coincided with a drive to encourage more investment into the arts by private means – from businesses and philanthropists. Despite spending cuts in DCMS, which have had an effect on ACE and, in turn, other arts organisations, Ministers have defended the Department's position in what they describe as tough economic conditions.

Even before the formation of the coalition government, London Mayor Boris Johnson warned the arts world about cuts in funding and urged people to donate. The *Financial Times* reported that:

[He] has exhorted City workers to donate their payments to the arts or risk damaging one of the capital's most important attractions (...) Mr Johnson urged city workers who received “tax-payer-funded bonuses” to “step to the plate and give in a very public way. Because without the arts in London, there would be no London”¹⁵

¹² “British Museum and Tate plans could be shelved as funds run dry”, *The Times*, 16 July 2009

¹³ “£100m funding black hole threatens major arts projects”, *Guardian*, 23 July 2009

¹⁴ “North is the poor relation in spending on the arts”, *Independent*, 28 March 2009

¹⁵ “City workers urged to donate bonuses to arts”, *Financial Times*, 22 September 2009

3.1 Emphasis on business and private donations

As pre-General Election talk suggested, early indications are that the coalition government will encourage arts bodies to attract private financial support from the business sector and through donations from philanthropists. It has placed a considerable emphasis on this means of funding since it formed in May 2010. In his first keynote speech on the arts, the new Culture Secretary, Jeremy Hunt, said that he wanted to make private giving to arts and culture easier by:

- reforming Gift Aid
- building on the successful Acceptance-in-lieu Scheme to make it possible for donors to give works of art to the nation during their lifetimes
- rewarding high-performing arts organisations through longer-term funding deals, so reassuring sponsors and donors that their support would complement public investment.¹⁶

The *Guardian* warned that a drop in public spending could have repercussions for other sources of funding:

Some of the UK's most generous private donors, including Sir John Riblat and Anthony D'Offay, have... written to ministers pointing out that they give as an addition to, not as a substitute for, public spending.¹⁷

Just days after the formation of the new government, Jeremy Hunt was reported as saying:

"I have been clear that all parts of DCMS's areas would need to play their part in meeting the challenge of reducing the deficit (...) I will be doing all I can to help our sectors through the next few difficult years, and want to do all I can to ensure that never again are our sectors as vulnerable to sudden booms and busts in public funding (...) I am also looking to see how and where we can boost other sources of income to the sectors and make fundraising easier"¹⁸

The role of Arts & Business (A&B), the organisation dedicated to bringing private money into the arts, will undoubtedly be of importance here. When A&B started in 1976, business sponsorship of the arts amounted to £600,000.¹⁹ In 2008, the figure was £686.7m, falling slightly last year to £654.9m. By 2016, the figure will be £1 billion, according to A&B's forecasts.²⁰

3.2 Cuts in public spending

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

- reducing the ODA budget by £27 million
- a 3% cut to all bodies within the DCMS sector
- cutting the department's core budget by 3%

¹⁶ DCMS news, *Arts, heritage and sport funding boost*, 19 May 2010

¹⁷ "Culture department braces itself for redundancies of up to 50%", *Guardian*, 21 July 2010

¹⁸ DCMS news, *Our contribution towards reducing the Government deficit*, 24 May 2010

¹⁹ [Arts & Business website: our history](#)

²⁰ Bryan Appleyard, "A cut-out-and-keep guide to saving the arts", *Sunday Times*, 29 August 2010

- an additional reduction in Arts Council England's (ACE) budget of £5 million (we are discussing with ACE the use of historic reserves that it has been hitherto unable to access, which may allow extra spending this year to mitigate the overall reduction to the arts sector)²¹

Among the high-profile casualties are the planned Stonehenge Visitor Centre (a saving of £17m) and the BFI Film Centre (a saving of £45m).²²

The Culture Secretary is also proposing large scale staffing cuts within his department, which, it has been suggested, do not bode well for the future of public spending in the arts:

Up to one in two of the staff at the (DCMS) are to be made redundant as part of the cuts programme submitted to the Treasury by the culture secretary, Jeremy Hunt (...) In a move which will send a chill through the arts world, Hunt, who has proposed cuts of between 35% and 50% of all staff, believes he will not be able to win support for the coming deep cuts in arts and media budgets unless he leads by example (...) Arts organisations are bracing themselves for a torrid time because Hunt wants to keep publicly subsidised free entry to national museums, on the basis that it improves tourism and the wider creative economy (...) The DCMS has already asked the biggest arts organisations to provide models of how they would implement cuts of 25% - 30% over four years, and what the effects would be (...) If enormous cuts are, as seems likely, announced in the October spending review, many in the arts world are lobbying for them to be phased in gradually.²³

3.3 Effect on Arts Council England

Culture Minister, Ed Vaizey, confirmed in Parliament in June 2010 that the overall budget for ACE has been reduced by £10m (2%) to £459 million in 2010-11.²⁴

ACE, as the main recipient of arts funding from DCMS, has voiced concerns via its website about potential cuts. The following quotations demonstrate this:

The Arts Council has now been asked by DCMS to model a 25-30% cut across four years (along with other DCMS funded bodies). A 30% cut would, if passed on equally, amount to a reduction in the Arts Council's budget for regularly funded organisations of £134m a year. This would mean the loss of many arts organisations – large and small. (...)

The Arts Council has already had a 5% Grant-in-aid in-year cut. DCMS share of the Government's in-year reduction is 4.1%, or £88 million. The Department has reduced the budgets of all the bodies it funds to help meet this reduction. (...)

DCMS has asked the Arts Council, along with other Non Departmental Public Bodies, to model a further 33-50% cut to its administration costs. If a cut of this size is implemented, the Arts Council will no longer be able to operate effectively on behalf of the sector, or manage the profound change to the sector that will be required over the coming years.²⁵

On 18 June 2010, ACE announced a 0.5% funding cut for each of the 808 frontline arts organisations to which it regularly gives money. Its website stated:

²¹ DCMS news, *Our contribution towards reducing the Government deficit*, 24 May 2010

²² DCMS news, *Further savings announced*, 17 June 2010

²³ "Culture department braces itself for redundancies of up to 50%", *Guardian*, 21 July 2010

²⁴ HC Deb 28 June c368W

²⁵ Arts Council, *Why the arts matter*, August 2010

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

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

In addition, we have identified cuts to other areas, these include:

- £1.8 million from the revenue grants of the two highest funded organisations not directly producing art (£1.6 million from Creativity Culture and Education and £0.2 million from Arts & Business*, a four per cent reduction)
- £0.4 million from further cuts to our operating costs (bringing savings on operating costs to a total of £6.9 million this year)
- £6 million from savings due to the postponement of a major public engagement project, cuts to our audience development plans, and to funds for partnership working with local authorities and the private sector.²⁶

When the results of the Comprehensive Spending Review were made known in October 2010, it emerged that ACE would be subject to a 29.6% cut to its budget. The Council announced that the majority of arts organisations would be given “an equal cut which has been kept to 6.9% for 2011/12.” Over the four-year period 2011-2015, the percentage budget cut for funded arts organisations would be 14.9%. Dame Liz Forgan, Chair of ACE, said:

“These are severe cuts, made worse by the fact that around 80% of them have to come in the first two years of the settlement. We are determined to lead the arts through this tough period, using all our knowledge, expertise, and brokering skills, and drawing on the resourcefulness and imagination around us.”²⁷

In November, ACE announced a new “strategic framework for the arts” under the title *Achieving great art for everyone*. The four major changes from the existing regular funding programme to national portfolio funding are:

- an open-application process for all organisations
- funds awarded will be for a fixed term of normally three years, but there will be the flexibility in the length of funding agreements from two up to six years
- funding agreements with organisations will be based on clear criteria and shared goals
- funding agreements will be based around 'strategic' and 'programme' relationships, rather than 'one-size-fits-all' relationship, and all decisions will be made against a set of published criteria

²⁶ ACE news release, *Arts Council England implements cuts to 2010/2011 budget*, 18 June 2010

²⁷ ACE news release, *Across the board 6.9% cut in funding for arts organisations in 2011/12*, 26 October 2010

In addition, the new portfolio will be smaller than the current one, with the potential loss of more than 100 organisations by 2015. This, ACE claims, is “preferable to maintaining a large portfolio that will be progressively debilitated by cuts over the course of the settlement.”²⁸

On 31 March 2011, ACE announced its latest funding plans. As expected, the previous list of “regularly funded organisations” (RFOs) is to be replaced in April 2012 by a new list of “national portfolio organisations”. ACE received 1,333 applications in total. In their own words, “decisions have been made on a consistent basis across the country, against published criteria, drawing on detailed regional knowledge, art form expertise and a national overview.” These are the headlines as given in a press notice:²⁹

- reduced grant in aid budget (down 14.9%) in context of wider public sector cuts
- Arts Council cuts strategically - no 'equal cuts for all'
- National portfolio of 695 organisations replaces previous regularly funded portfolio of 849
- 110 new organisations brought into the mix
- 206 existing RFOs turned down for funding

The ACE website includes [charts](#) providing a breakdown of the new funding regime by art form. There is a complete list of “portfolio” organisations on the ACE [website](#), with a column indicating the parliamentary constituency for each project.

ACE also administers “[Grants for the arts](#)”, an open-access funding programme for the arts, funded by the National Lottery. This programme aims “to fund new initiatives, respond to new ideas and nurture new talent.” In 2009/10, over 2,795 grants were made under this scheme, totaling £65,806,729.³⁰ The amount of money available is dependent on Lottery sales.

3.4 Defending the cuts

The Conservative-Liberal Democrat administration has made clear that cuts in arts funding will become commonplace. Culture Minister, Ed Vaizey, was quoted in a BBC News article:

“Nobody should be in any doubt at all that we strongly support the work that arts organisations do in this country but equally they have to be in no doubt at all that we face a very tough financial environment (...) Everybody had to share their burden of the cuts that were coming”.

The coalition government asked all major arts funding bodies to show how they would manage cuts of 25% or 30%. In a joint representation, Arts Council England joined leaders from the National Theatre, Tate, Barbican, Natural History Museum, Royal Shakespeare Company, Sadler's Wells, Serpentine Gallery and Southbank Centre to state their case. They argued that while the cultural sector was willing to play its part in the country's economic recovery, the size of cuts being proposed would be damaging.³¹

²⁸ ACE news release, [Biggest change to arts funding in a generation](#), 4 November 2010

²⁹ ACE press notice, [Arts Council England announces funding decision and new national portfolio of arts organisations](#), 31 March 2011

³⁰ [ACE website, Investment in the arts](#)

³¹ “[Arts and culture bodies in cuts appeal to government](#)”, *BBC News*, 15 July 2010

In July 2010 the Culture Secretary wrote a letter to the *Guardian*, an extract of which is quoted below, to defend the Government's position on arts finance:

[*Guardian* columnist] Polly Toynbee claims... the government wants to replace public funding of the arts with private. That is simply not the case – I have always argued that private funding should be in addition to, not instead of, public money. Why? Because state funding offers stability over many years which usually philanthropy cannot. It also, with a proper arm's length relationship, allows creative risk taking and artistic freedom that is not always possible with other forms of funding. But the arts, too, should play their part in helping to reduce the deficit (...) We are right to explore whether philanthropy can be increased, with the important caveat that this will be more difficult for smaller organisations, especially those outside London (...) This government's support to the arts remains rock solid.³²

3.5 Abolition of the UK Film Council and the MLA

In July 2010 the Culture Secretary, Jeremy Hunt, made a Written Statement to the House:

In my first few months as Secretary of State I have made it my priority to examine our network of public bodies critically with the aim of improving accountability, transparency and value for money.³³

The outcome was the proposed abolition, merger or declassification of a number of organisations sponsored by the Department for Culture, Media and Sport. The UK Film Council was one of the bodies proposed for abolition. The Statement continued:

Further work will be done in discussion with the bodies concerned and other interested parties over the summer to finalise the details and timing of these proposals.

Where bodies are to be abolished we will look to transfer key functions to other existing bodies so as to continue to support our sectors and preserve the necessary expertise. In the case of the Film Council, for example, this will include their current responsibilities for the distribution of Lottery funding for films, which will be maintained, as well as support for the certification process which is critical to the film tax relief, which will also be maintained. We will maintain a strong relationship with the British Film Institute.

The Council was created in 2000 and has a staff of 75. Since that date it has distributed more than £160m to over 900 films.³⁴ The Council's annual report sets out its role and policy priorities:

Our role

The UK Film Council is the Government-backed lead agency for film in the UK ensuring that the economic, cultural and educational aspects of film are effectively represented at home and abroad.

The Board of Directors oversees the work of the UK Film Council and provides advice to Government on film.

Our mission

To ensure that UK audiences can enjoy great films. We do this by:

³² Jeremy Hunt, [letter to the Guardian](#), 31 July 2010

³³ HC Deb 26 July 2010 cc59-61WS

³⁴ ["UK Film Council axed"](#), *Guardian*, 26 July 2010

- nurturing our film talent;
- assisting our film industry;
- celebrating and safeguarding our film culture.

Our strategic objective for the next three years

To help ensure a successful transition into the digital age for UK film.

Our six core activities

- Supporting British films and filmmakers
- Nurturing skills and creative talent
- Encouraging innovation for the digital age
- Improving access to films for UK audiences
- Conserving and making accessible for the UK's archival heritage
- Providing opportunities to learn about film (...)

The UK Film Council works throughout the UK through its partnerships with National Screen Agencies in Scotland, Wales and Northern Ireland and nine Regional Screen Agencies in England. Its Board of Directors is appointed by the Secretary of State for Culture, Olympics, Media and Sport and includes senior industry and public figures.

The Board oversees the work of the UK Film Council and provides expert advice to Government. We invest the income we receive into film in order to deliver economic benefit and public value for British citizens.³⁵

The announcement has been criticised by film industry professionals. Tim Bevan, the Council's Chair, was reported as saying:

"Abolishing the most successful film support organisation the UK has ever had is a bad decision, imposed without any consultation or evaluation. People will rightly look back on today's announcement and say it was a big mistake, driven by short-term thinking and political expediency. British film, which is one of the UK's more successful growth industries, deserves better."³⁶

Film director Mike Leigh described the decision as "remarkable and extremely worrying".³⁷ Lord Puttnam, president of the Film Distributors' Association, said:

"Over the past decade, the Film Council has been a layer of strategic glue that's helped bind the many parts of our disparate industry together. It is sure to be widely missed, not least because the UK cinema industry is in the midst of a fundamental transformation at the heart of which is digital roll-out."³⁸

Much debate centred on how the Council's functions will be carried on after its demise:

³⁵ *UK Film Council Group and Lottery Annual Report and Financial Statements for the year ended 31 March 2010*, HC 276 26 July 2010, p8

³⁶ "UK Film Council axed", *Guardian*, 26 July 2010

³⁷ "Cut! Film Council's death is mourned by British directors", *Times*, 27 July 2010, p12

³⁸ "UK Film Council axed", *Guardian*, 26 July 2010

Mr Whittingdale: To ask the Secretary of State for Culture, Olympics, Media and Sport what the responsibilities of the UK Film Council are; and how he intends such responsibilities to be discharged in the future.

Mr Jeremy Hunt: The UK Film Council works alongside various partners to support the British film industry, including funding, training and promoting the UK as an international filming location and raising the profile of British films abroad.

The key mechanisms which support the UK film industry will be retained, including the system of film tax relief and lottery funding. We are considering options for some functions to be transferred to other existing bodies, with a view to reducing administrative costs.³⁹

The Culture Secretary defended his decision in an article in the *Observer*, declaring that “stopping money being spent on a film quango is not the same as stopping money being spent on film.”⁴⁰

In November 2010 it was announced that the Government had decided to make the British Film Institute (BFI) the Lottery distributor for film in the UK. All Lottery-funded activity, together with some grant-in-aid activity, that had until now resided in the UK Film Council transferred to the BFI on 1 April 2011.⁴¹

Another body earmarked for abolition (by March 2012) is the [Museums, Libraries and Archives Council](#) (MLA). As a result, Arts Council England will take over a number of functions relating to museums and libraries. The principal responsibilities to be assumed are:

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

ACE has been allocated a budget of around £46 million a year by DCMS to deliver these additional functions. The Renaissance in the Regions programme has been cut by 15 per cent to £43.4 million, in line with the overall cut to the museums sector made in the Government's spending review.⁴² Mark Taylor, director of the Museums Association, has expressed scepticism about this development:

“ACE has precious little money with which to run the museum functions it will take on from the MLA, so the key question is – what is it that MLA does now that will have to be dropped?”⁴³

³⁹ [HC Deb 6 September 2010 c338W](#)

⁴⁰ Jeremy Hunt, “I’ve cut the UK Film Council so that money goes to the industry”, *Observer*, 8 August 2010

⁴¹ [UK Film Council, Future funding for film](#)

⁴² ACE news release, [Arts Council England takes on museums and libraries functions](#), 9 December 2010

⁴³ Quoted in: “Museums’ future under ACE”, *Museums Journal*, January 2011, p15

3.6 Philanthropy and endowments

A report by Arts & Business,⁴⁴ published in October 2010, suggested that philanthropy could not, in itself, make up for public spending cuts of up to 30% if those were imposed on arts organisations. However, the report found potential scope for arts institutions to raise up to £100m over the next six years by improving their targeting of philanthropists. Key findings included the following:

- The year-on-year trends of individual giving to wider charitable causes and the arts in particular, suggest that philanthropy is far from reaching a plateau
- Only 52% of the sector currently receives any individual giving
- Only 2% of philanthropically active individuals contribute to the arts. NCVO/ CAF (forthcoming) UK Giving 2010
- In 2008 individual giving grew by 25% above inflation to reach an all-time high of £382 million
- Individual giving decreased by 7% primarily in light of the recession and a particularly high one-off donation received the year before, to stand at £363 million by the end of 2008/09
- Individual giving increased by 4% in the English regions, even in light of the recession and a national average of 7% decrease, and after a 38% increase from the year before
- Individual giving accounts for on average 8% of arts' total income
- 73% of arts organisations increased their fundraising activities in the past 6 months and 48% increased their marketing and online drive
- The lack of memberships within smaller organisations is more of a supply rather than demand-led issue
- Legacies are undercapitalised by the arts, with only 8% attracting this source of income, though they are incredibly lucrative for other charitable causes, estimated to be worth around £1.9 billion a year
- More people attend the arts than are philanthropically active to all charitable causes combined
- The potential for the arts is therefore not necessarily in attracting a greater slice of the existing philanthropy pie, but in turning more individuals who engage with the arts into supporters
- An overarching increase in tickets and attendances, as well as sales from gift-shops and cafes/ restaurants, suggest that audiences are prepared (and able) to attend more often and spend more during their visit
- Collaboration and innovation within the sector will be the way forward as maximum impact will be expected with minimum resources
- There is also potential for growth from the higher (but not highest) -end of the market

⁴⁴ Tina Mermiri, *Arts philanthropy: the facts, trends and potential*, Arts & Business, October 2010

- The 'mass affluent' allude to the arts' competitive advantages, namely their creativity and their entertainment value as ways that would make them increase their philanthropy to the arts.

The report concludes that though philanthropy will not be able to fill the imminent gaps from public funding, targeted interventions and campaigns will help: Friends schemes, crowdfunding, and mobilising the 'mass affluent' could ensure growth in the medium to long term.⁴⁵

In 2010 the Chief Executive of ACE was commissioned by the Culture Secretary to report on the possibility of creating endowments for the arts and wider measures to increase levels of philanthropy for the arts. His findings were published in December:

The Arts Council's report contextualises the use of endowments in the wider landscape of philanthropy and fundraising on the one hand, and an organisation's capital structure on the other. The report makes a number of recommendations to help organisations to fundraise better, this includes suggesting the introduction of an iconic match-funding scheme to dramatically boost general fundraising in arts organisations of all sizes including those major urban conurbations. The report also makes a number of recommendations to support organisations in building fundraising capacity in the arts.⁴⁶

At the same time, DCMS and ACE announced proposals to invest £80m in a series of "match-fund" schemes designed to raise an equivalent amount or more from private donors. This is part of a "ten-point plan" to "catalyse and facilitate individual and corporate giving by removing barriers, creating incentives and highlighting and sharing what works."⁴⁷

A subsequent consultation undertaken by the think-tank Arts Quarter, which canvassed the views of 587 arts organisations across England, called for "urgent fundraising capacity building across the sector" and "significant tax reform to incentivise philanthropy".⁴⁸

In Budget 2011 the Chancellor, George Osborne, announced a new tax incentive to boost legacy giving to charities and the arts. From April 2012, people who donate 10% of their legacy will be eligible for a 10% reduction in inheritance tax bills – a move which, the Treasury estimates, could result in more than £350 million worth of additional legacies in the first four years of the scheme.⁴⁹

Philanthropy and private investment were also among the topics examined by the Culture Committee during its inquiry into "Funding of the arts and heritage". In its report, published in March 2011, the Committee concluded:

It is not, and should not be, the role of philanthropists to plug the gap left by receding public subsidy of the arts and heritage. We have heard a consensual response from arts organisations and philanthropists that new private investment should be encouraged but should be additional to, not a substitute for, public funding. It is also unlikely that British philanthropy will ever resemble that in America, for reasons of size and culture.⁵⁰

⁴⁵ Arts & Business News, [Philanthropy report reveals potential for growth in arts funding](#), 5 October 2010

⁴⁶ ACE, [Endowments in the arts](#), 8 December 2010

⁴⁷ DCMS press notice 113/10, [Culture Secretary announces action plan to boost philanthropy](#), 8 December 2010

⁴⁸ Arts Quarter news, [Arts Quarter launches Philanthropy in the Arts report](#), 31 March 2011

⁴⁹ DCMS news, [Chancellor announces tax breaks for philanthropists](#), 23 March 2011

⁵⁰ Culture, Media and Sport Committee, [Funding of the arts and heritage](#), 28 March 2011, HC 464-I 2010-12, para 228

3.7 Lottery reform

One further development under the coalition government has been the proposal to restore the shares of the National Lottery Distribution Fund to 20% for each of the “good causes” of sport, heritage and the arts (the shares were reduced to 16.66% in 1998 to help fund additional projects in health, education and the environment). This is to be achieved by way of statutory instrument. The DCMS conducted a public consultation on this change which closed on 21 August 2010.⁵¹ The Government estimates that the result will be around £50 million a year extra for each of arts, heritage and sport, with the Big Lottery Fund receiving around £150 million a year less for other uses.⁵²

⁵¹ DCMS, *Consultation on the National Lottery shares*, May 2010

⁵² DCMS, *The Apportionment of Money in the National Lottery Distribution Fund Order 2010: impact assessment*, June 2010, p6