



CULTURAL  
CITIES  
ENQUIRY

Enriching UK cities through  
smart investment in culture

# Contents

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Chair's foreword	1
Sponsors' forewords	2
Advisory Board	4
Table of recommendations	5
The purpose of the Enquiry	6
Executive summary	8
<b>Overview of recommendations</b>	10
Recommendation 1: Leadership	12
Recommendation 2: Investment	14
Recommendation 3: Talent	20
Recommendation 4: Place	24
Putting words into action	26
Conclusions	27
<b>Detailed context and recommendations:</b>	
Investment in culture today	29
Leadership	32
Investment	36
Talent	46
Place	51
Endnotes	55
Acknowledgements	57

# Chair's foreword

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## Dame Jayne-Anne Gadhia, Independent Chair of the Enquiry

**The overwhelming conclusion of this report is that smart investment through cultural activities can bring enormous benefits to our cities and their people across the United Kingdom.**

Every City has its own unique set of cultural assets – from historic buildings and arts centres to festivals and local crafts.

The creative industries is the fastest growing sector of the UK economy. We have the legacy, the talent and the opportunity to do more, and to use culture to unite communities, encourage investment and accelerate economic growth.

And we have the leadership to make this happen. We have City leaders across the United Kingdom who are clear on the potential for cultural investment to enhance and improve the lives of their people. We have business leaders and universities who want to support this agenda to create thriving local economies. And we have a wide and varied group of creative people who are excited to work together to make a real difference in the places where they live.

Culture is already a powerful force in our cities. And this enquiry has identified four key areas which could really ignite this power to drive economic growth and to improve lives.

Firstly we urge Cities to bring together like-minded people and institutions to establish city-wide plans to bring in higher levels of investment, make best use of cultural property assets, and attract a full range of diverse talent. We call this the Cultural City Compact.

The Compact will also allow cities to focus on plans for the new investment proposals that we recommend here. These include the development of corporate social venture funds, the establishment of enterprise development partnerships and a focus on attaining available tax reliefs. We also recommend that the debate about a tourist tax, which is currently underway in Scotland, should be extended across the whole U.K.

New investment will attract and grow new talent which we propose is supported through city talent development plans, as well as a real focus on the diversity of people who are needed to ensure that culture flourishes and is accessible to all.



Finally, we can see that the huge portfolio of cultural and heritage buildings that preside, magnificent, in cities across the country, can be used to drive urban regeneration and capture maximum civic returns.

In summary, there is a huge opportunity to work together to attract and enhance investment in culture across the U.K. and so attract and support the diverse and talented people that will ensure that our cities thrive through social and economic growth.

It has been an absolute privilege to work with so many committed people from cities across England, Ireland, Scotland and Wales to explore how our nations can use our unique and historic cultural assets and new talent to make a real difference.

My thanks go especially to the Enquiry's Advisory Board, the Arts Councils of England and Wales, Creative Scotland, Core Cities and Key Cities and the project team who have done so much work throughout the length and breadth of the country to identify opportunities and to develop the recommendations that I hope will make a real difference for our cities in the years to come.

# Sponsors' forewords

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Credit: Hugo Glendinning 2016

## **Sir Nicholas Serota, Chair, Arts Council England**

Throughout history, the world's great cities have been remembered as much for cultural achievements as economic success. Today, many of our most exciting cultural organisations are located in cities, contributing to our lives, to our sense of community, to jobs and to growth.

We are at a crossroads. We believe that culture could contribute more to our civic life and economy. But the sector has also to put itself on a strong long-term financial footing in an environment in which public funding is tight.

This report contains realisable plans for a City Compact that would bring together the UK's Arts Councils, local government, businesses and universities, using the energy of culture to stimulate economic growth and community engagement while shaping a more resilient cultural sector.

These recommendations may resonate in all communities with similar challenges. Arts Council England welcomes this report and looks forward to working with our partners to make it a reality.



## **Cllr Huw Thomas, Core Cities**

Core Cities UK has always believed in the power of culture to transform lives. In my own city of Cardiff, sports, culture and the creative industries have helped to re-invent the city – and we are now putting culture, creativity and innovation at the forefront of our city's development. The story is the same across the Core Cities, where a buzzing cultural scene has become a major part of what makes them such great places to live, particularly for the creative people who will be so vital to our 21st century, post-Brexit, economy.

These cities are at the heart of 'The Great British Dream Factory'. Go to any country in the world and you will meet people who listen to music, play video games, read books, watch films and plays created in our cities. To exploit these strengths the Cultural Cities Enquiry has come up with a number of clear, practical measures to secure and enhance the position of British cities amongst the leading cultural centres of the world. Core City UK leaders will now work hard to make sure the recommendations are heard, understood and implemented.



## **Cllr Alan Waters, Key Cities**

Key Cities are a diverse group of medium size cities who are active investors in culture. Since 2010 investment on art and culture projects has trebled – despite deep cuts in core council funding. We believe in the transformative benefits of cultural investment as a means to harness the creative potential of all communities and individuals. There is no such thing as "too much" creativity! This in turn creates confident, inclusive cities with a strong sense of vision and an ability to engage positively with change. In my own city of Norwich, the link between high levels of investment in broad-based cultural projects and local residents and visitors is striking: an overall engagement rate of nearly 50%.

We strongly endorse the recommendations of the Cultural Cities Enquiry. It provides practical tools we can use to match and sustain our ambition of releasing the untapped potential in our cities through more and smarter investment in culture.



### **Suzanne Wylie, Chief Executive, Belfast City Council**

We are inspired by the recommendations from this important Enquiry as they chime so well with Belfast's ongoing ambitions, particularly in the areas of investment, leadership, skills and place-making. We fully endorse the Enquiry's bold declaration that long-term city success, in every definition of the word, is down to its unique culture having a chance to thrive and grow, and that this should be central to any inclusive growth agenda. We are encouraged that this report sets out a number of practical and realistic actions that will enable a more collaborative and creative approach to developing culture in our cities and we look forward to taking steps along with our regional government and other City parties to implement these recommendations.



### **Iain Munro, Acting Chief Executive, Creative Scotland**

Creative Scotland welcomes this report of the Cultural Cities Enquiry and its focus on how strategic investment in culture can drive inclusive growth in cities. In Scotland sustained investment in culture has driven city development, from Edinburgh's position as a leading global festival city, the contribution of European City of Culture status to Glasgow's renewal and Dundee's commitment to culture-led regeneration, most recently evident in the opening of the V&A Dundee on the shores of the Tay. We have also seen how Paisley, as Scotland's largest town, has been galvanised by the recent bid to be UK City of Culture 2021.

We welcome the emphasis in the report on leadership and partnership working, principles that underpin both Scotland's approach to Placemaking and the development of the Creative Industries sector. As acknowledged here, it is only through working together that cultural organisations, public bodies and the private sector can ensure that everyone is able to participate in our civic life.



### **Nick Capaldi, Chief Executive, Arts Council of Wales**

Cities are places where cultures are made manifest. This can be seen in the make-up of the people, the look and fabric of the city, the quality of life it provides and the extent to which it offers engaged, inclusive and democratic opportunities to its citizens. The city is the canvas on which lives are made, experienced and shared.

This report aims to change the nature of the conversation about culture. We need to break from the confines of the traditional debate about provision and services and focus on how culture can effect change as part of the dynamic of a growing and ambitious city. In transcending simplistic questions of provision, culture has the possibility of offering more authentic and deep rooted ways of meeting the need of the city's communities and the social, economic and cultural challenges that face them.

# Advisory Board to the Enquiry

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<b>Shirley Atkinson OBE</b>	Emeritus Professor and former Vice Chancellor, University of Sunderland
<b>Tom Bloxham MBE</b>	Chair & Co-founder, Urban Splash
<b>Cllr Clare Coghill</b>	Leader, Waltham Forest Council – representing London Councils*
<b>Isaac Julien CBE</b>	Filmmaker and installation artist
<b>Charles Landry</b>	Founder, Comedia
<b>Kate Nicholls</b>	CEO, UKHospitality
<b>Dame Alison Nimmo</b>	CEO, The Crown Estate
<b>Dame Seona Reid</b>	Deputy Chair, Heritage Lottery Fund
<b>Sir Nicholas Serota</b>	Chair, Arts Council England
<b>Shain Shapiro PhD</b>	Founder and CEO, Sound Diplomacy
<b>Nisha Tandon OBE</b>	Executive Director, ArtsEkta
<b>Cllr Huw Thomas</b>	Leader, Cardiff Council – representing Core Cities
<b>Cllr Alan Waters</b>	Leader, Norwich City Council – representing Key Cities

\*Cllr Darren Rodwell represented London Councils on this Enquiry until July 2018



Wakefield Libraries and Information Services  
Photo © Jill Jennings / Wakefield Libraries and Information Services

# Table of recommendations

<p><b>LEADERSHIP</b></p> 	<p><b>1. Cultural City Compact</b> Cities to establish Compacts with financial support from national governments</p>
<p><b>INVESTMENT</b></p> 	<p><b>2. Enterprise development partnerships</b> Establish and enhance collaborative networks of cultural organisations to share professional expertise and support joint investment in shared infrastructure.</p> <p><b>3. Contactless donations</b> Cultural organisations and cities should make it easier for people to give more by offering contactless giving, to improve donor experience and increase donations.</p> <p><b>4. Corporate Social Venture Funds</b> Establish place-based Corporate Social Venture Funds (CSVs) with investment from local business, city institutions and social investors, to provide repayable finance and business support to grow local social enterprises with a cultural or creative focus.</p> <p><b>5. Tax reliefs</b> Support smaller organisations to access existing creative tax reliefs and extend the remit of the scheme to cover literature and popular music.</p> <p><b>6. BIDs+ model and Tourist Levy</b> Establish a pilot BIDs+ scheme. Establish a UK wide review of the merits of a tourist levy.</p>
<p><b>TALENT</b></p> 	<p><b>7. Diversity targets and talent pathways</b> Cultural organisations to set diversity targets for leadership and boards, and publish progress. City Compacts to support city-wide plans for development of creative talent pathways.</p>
<p><b>PLACE</b></p> 	<p><b>8. Asset Portfolio approaches</b> Establish portfolio approaches to cultural property assets, maintaining civic/community/cultural sector ownership to recycle returns.</p>

# The purpose of the Enquiry

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## What do we mean by ‘culture’?

This Enquiry has taken a deliberately broad outlook that does not seek to define the boundaries of culture. Our remit has encompassed arts institutions, museums, libraries, the historic environment and cultural festivals, popular and grassroots culture. But we have been aware that culture is a social expression that will take many different forms, and is ever evolving. We have been particularly interested in the relationship between culture and the wider creative industries, in the knowledge that distinctions between ‘cultural’, ‘creative’ and ‘digital’ enterprises are fast eroding. Artists are increasingly incorporating digital mediums into their practice, and at the sharp end of the creative industries this is mirrored in widespread fluidity of people, skills and technology, particularly in the fast-growing new field of Createch, based on the interplay of creativity and technology.

*“Great places harness their potential, energy and creativity and they draw on their cultural resources. These are the raw materials of the city and its value base; its assets replacing coal, steel or settled industrial patterns. Creativity is the method of exploiting these resources and helping them to grow. The task of city makers is to recognise, manage and exploit these responsibly.” Charles Landry.*

The purpose of this report is to consider how we can radically increase the ability of our cities to use culture to drive inclusive growth.

**The purpose of this report is to consider how we can radically increase the ability of our cities to use culture to drive inclusive growth. The value of culture to our civic life is now indisputable. There is a great opportunity to release reserves of untapped potential in our cities through investment in culture. Culture can help our cities to define a shared vision for the future, to promote innovation and positive change in our businesses and institutions, to equip communities to deal positively with change, and to realise more equitable opportunities for all individuals to succeed.**

We can radically increase the ability of our cities to use culture to drive inclusive growth. In the UK, cities account for about 9% of landmass, but deliver 63% of its economic output and 60% of jobs. They are critical to the future of surrounding regional economies and to the UK as a whole. A vibrant, thriving cultural scene is recognised as an increasingly important local asset. As this report demonstrates, more support for culture will realise major gains for the UK’s economy and urban populations, and its recommendations will have relevance for many other places.

## We know that culture drives economic development...

A comprehensive survey of the value of culture as an economic activity in its own right showed that in 2015, culture contributed £19.5bn GVA to the economy, paid £2.6bn in taxes – £5 for every £1 of public funding – and employed more than 130,000 in largely well paid, highly-skilled jobs.<sup>1</sup>

## ...fuelling the creative industries...

Sir Peter Bazalgette’s 2017 review of the Creative Industries highlighted the vital relationship between a strong cultural environment and the growth of creative clusters<sup>2</sup>. Strong local culture provides skills, talent and unique content for the creative industries.

## ...and supporting the visitor and night time economies

Culture is linked to 42% of inbound-tourism related expenditure<sup>3</sup>. Culture can transform a city’s tourist economy. Since Liverpool’s year as European Capital of Culture in 2008, the number of hotel beds and staying visitors has doubled<sup>4</sup>. The value of the UK’s night time economy, estimated at £66bn, is largely underpinned by cultural activity in our cities<sup>5</sup>.



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## Culture defines a city's reputation...

During Glasgow's tenure as European Capital of Culture, 60% of international media coverage of the city was about its transformation into a cultural centre, marking a turning point in its national international image<sup>6</sup>. More recently, Hull's year as UK City of Culture 2017 resulted in improved perception of the city among 46% of UK residents, while 75% of visitors to Hull during the year send their perceptions of the city had improved<sup>7</sup>.

## ...promoting inflows of talent and investment, and driving urban regeneration

Skilled workers will sacrifice higher wages to locate in areas with lots of cultural activity – and access to talent is a key success factor for our growing creative and digital clusters across the UK<sup>8</sup>. Evidence from London and New York shows that there is correlation between the cultural capital of neighbourhoods and property prices – although this is not always a wholly positive force<sup>9</sup>. Culture has a unique catalysing role to play in urban regeneration, and capturing more of the value from this could release additional investment and secure space for grass roots organisations and artists.

## Positive impact on young people's development...

Participating in cultural activity supports children's achievement in other subjects, and makes them more likely to go on to get a degree<sup>10</sup>. There is also a big impact on young people's soft and transferable skills, with 'structured arts' activities significantly increasing cognitive abilities and transferable skills scores<sup>11</sup>.

## ...successful deployment of culture in health and well-being...

Using culture as part of public health strategies is now well-recognised as an effective strategy to improve outcomes, and is increasingly deployed by public health authorities across the UK and overseas. There is growing evidence of successful social prescribing programmes involving culture, and for art therapies for conditions as diverse as Parkinson's and depression<sup>12</sup>.

Outside of clinical settings, culture can help people maintain good health and wellbeing. A Scottish Government study found that people who had attended a cultural event in the previous 12 months were almost 60% more likely to report good health.

## ...and growing evidence of culture's contribution to building stronger communities

That's not surprising considering that cultural organisations often provide a community's main social space, bringing together different social or generational groups, building trust, increasing interaction and allowing people to share knowledge, skills and fun<sup>13</sup>.

Cities are creative and economically vibrant places to live, but they can also challenge our inbuilt 'pro-social' tendencies to be polite, empathetic and altruistic. Particularly in more deprived areas, cities can be associated with stress, loneliness and poor mental health. To combat this, cities need to build back in spaces and activities that re-establish meaning, belonging and purpose and encourage a sense of "we-ness"<sup>14</sup>. Cultural opportunity helps people from a range of backgrounds engage with each other, explore difference safely, help develop shared identities, and promote inclusion<sup>15</sup>.

## Investment in culture today

- The UK's cultural sector is growing at a rate of 57% GVA a year.
- Public investment in culture is falling – down 11% in the 4 years from 2012/13 to 2016/17. This is driven primarily by a 19% fall in local authority funding, the mainstay of cultural investment in the UK, reflecting the continuing pressures on council budgets.
- Cultural organisations have compensated by increasing private investment and earned income – but this has proven easier for larger organisations in London and the South East and those in the centre of wealthier cities.
- Given the huge potential of culture to drive inclusive growth in our cities, we need to make sure that all our cities and communities can benefit from cultural investment, and that we are investing in the R&D end of our cultural economy

# Executive summary



## Leadership

Cultural City Compacts will provide strategic cross-sectoral local leadership, drawing together partners from city government, culture, business, higher education and LEPs



## Investment

Corporate Social Venture Funds to provide local vehicles for social investment  
Enterprise development for cultural organisations  
Contactless donations from visitors  
Extension of tax reliefs  
Exploration of new fiscal measures, including BIDs+ and a Tourist Levy



## Talent

Greater diversity of cultural leadership  
Coordinated approaches to development of creative talent in cities, supported by additional flexibilities to apprenticeship levy rules



## Place

Strategic use of cities' cultural property assets, through a range of sustainable approaches to portfolio management

## Enriching UK cities through smart investment in culture

Culture can have a powerful effect in driving economic vitality and regeneration in our cities, propelling innovation, investment, jobs and productivity – just look at Glasgow, Bristol or Hull. With the creative industries as our fastest growing sector, this is more true than ever, and offers an opportunity for cities across the UK to transform their economic potential with far reaching social benefits.

We can, and must, make best use of our cities' cultural assets – to catalyse the development of creative and digital clusters across the country; to reanimate our high streets and city centres; and to foster, attract and retain the next generation of talent that will fuel our economic growth.

From Antwerp to Abu Dhabi, cities in Europe and beyond are prioritising cultural investment in the global competition for talent, investment, and tourists. We can't afford to stand still.

Some of our cities are already innovating to maximise the social and economic returns on culture, but others have yet to fully capitalise on this opportunity. Too often this is down to access to investment. The need to address this has become more urgent as the economy that underpins the success of our culture is changing, with a decline in local authorities' ability to financially support culture driving a sustained downward trend in public investment.

We propose a package of measures to deploy culture to galvanise inclusive growth in ALL cities, focussed on strategic local leadership, new investment models, smart use of cultural property assets, and more open and equitable career pathways into the creative industries.

## LEADERSHIP



City of Culture projects show what can be achieved when a city pulls together in support of culture to drive lasting social and economic benefits. We need a model for sustained partnerships along these lines in every city.

The **Cultural City Compact** will bring together local partners with a shared interest in maximising the civic role of culture, including business, universities, the NHS, local authorities, the cultural sector and LEPs, or equivalent planning partnerships. Compact partners will work together to create and deliver a plan to **maximise social and economic benefits from a thriving cultural ecosystem**. Compacts will deliver measurable progress against local priorities such as developing income from

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tourists, attracting international students, or establishing a creative cluster and local talent pipeline.

Through taking a more outward facing and active role in supporting local economic and social priorities, the cultural sector will develop broader and more sustainable lines of investment.

## INVESTMENT



The cultural sector is uniquely placed to deliver economic, social and financial returns on investment. Developing more sustainable sources of income for culture will enhance its contribution to the quality of public life and prosperity of our cities. Cultural projects can present compelling investment propositions to a wider range of public and private investors – with new offers for business, health, universities, or the police.

In most other sectors, prudent use of borrowing is a key enabler of growth. But the cultural sector makes limited use of loan finance, and has been slow to take up the expanding availability of social investment.

We can scale access to social investment through **city based Corporate Social Venture funds**. These provide a ‘next generation’ corporate giving offer to businesses looking to make more measurable and sustained impact within local communities, and would diversify sources of finance for culture, helping to build sustained cross-sectoral partnerships.

At the high volume, low value end of the philanthropy spectrum, cultural organisations that adopt **Contactless giving technology** will keep pace with payment expectations of donors, and increase their donations as a source of unrestricted funds.

Greater support for **enterprise development** will help cultural organisations build **organisational strength** and **financial resilience**. Compacts and funders can support this by promoting partnerships and city networks of cultural organisations, which can enable more efficient sharing of resources and expertise.

At a national level, the valuable contribution of **tax credits** for theatres, orchestras, museums and galleries can be deepened through supporting smaller organisations to access the scheme, and broadened by extending to literature and popular music. We also propose testing a **new fiscal model, known as ‘BIDs+’**, to stimulate business investment into culture through allowing a portion of the tax uplift to be retained locally, and **extending the national conversation on a Tourist Levy in Scotland to a UK-wide review** of the merits of this approach.

## TALENT



The creative industries is set to create a million new jobs by 2030. But career pathways into the sector are narrower than most. So who will get those jobs; which cities and communities will benefit?

The creative and cultural sector is characterised by many small and often transient organisations, which could be better supported to deliver increased training opportunities. Compacts can increase sector capacity by coordinating talent development at city level. Additional **flexibilities to apprenticeship levy rules** would also be a financial catalyst to the development of transferrable creative skills.

Alongside this, we need stronger action to **drive diversity within cultural organisations**, drawing lessons from what has worked in other sectors, including financial services.

## PLACE



Cities can make strategic, sustainable use of their cultural property assets, as part of the revitalisation of high streets and city centres, regeneration of post-industrial areas, or development of workspace for the creative industries.

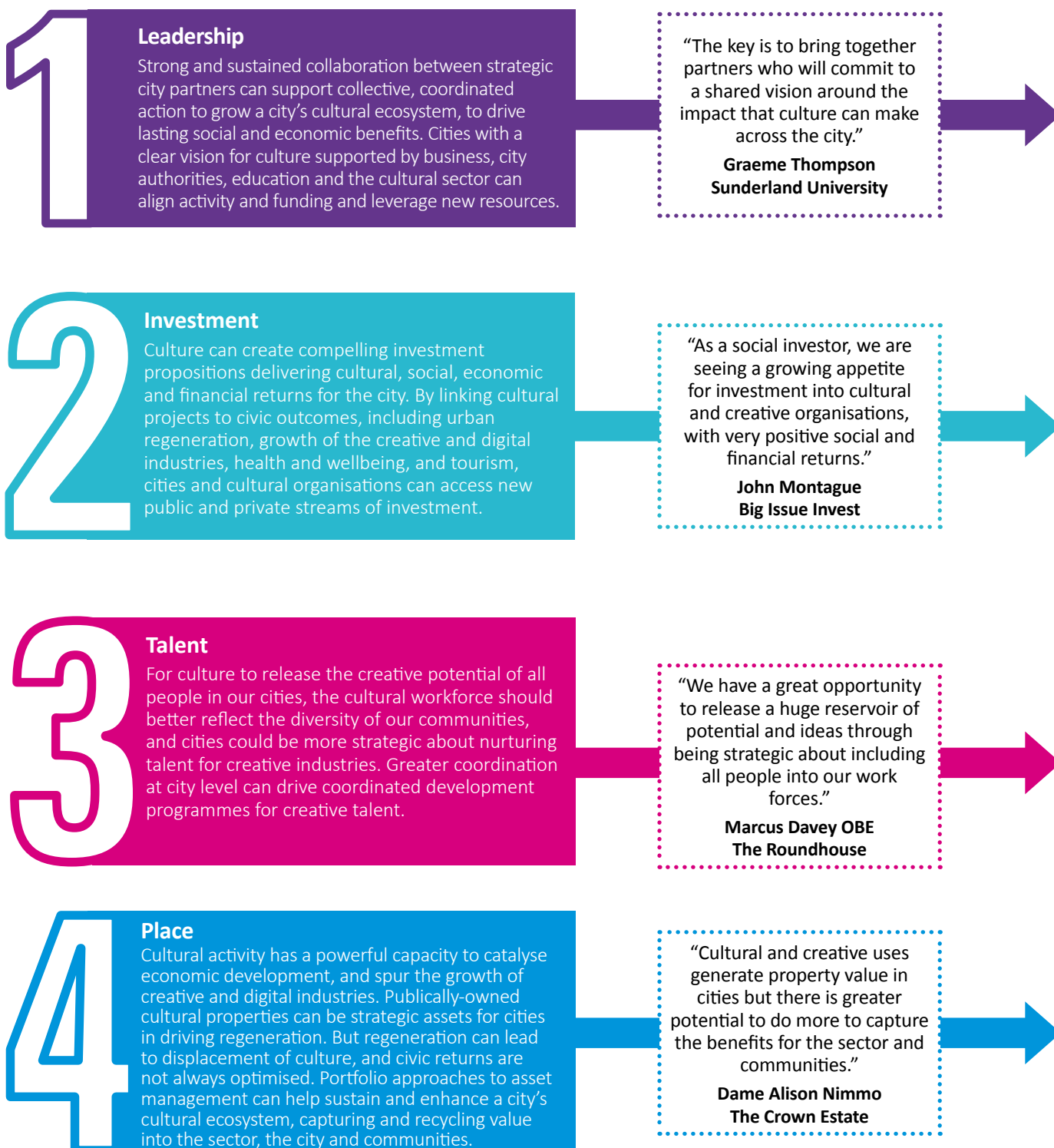
We propose that City Compacts consider a range of **portfolio approaches to cultural property assets**. Where these retain public, community or cultural sector ownership of assets, returns will be recycled, enhancing the city’s cultural ecosystem.

Compacts can bring together private sector regeneration and asset management expertise to evaluate and establish the most effective portfolio approach for the local context.

**Note:** As a devolved competence, each of the UK’s national governments are responsible for implementing most measures relating to culture, so where the report refers to ‘governments’ we mean the governments in Westminster, Wales, Scotland and Northern Ireland, according to their respective remits. Similarly, references to ‘arts councils’ encompass the Arts Councils of England, Wales, Northern Ireland and Creative Scotland.

# Overview of recommendations

**Strategic investment in culture can drive inclusive growth in cities, propelling innovation, investment, jobs and prosperity. We have identified four strategic opportunities for cities to drive investment in culture and maximise the social and economic benefits that flow from that.**



**We can support cities to make best use of their cultural assets to drive inclusive growth through the following recommended actions:**

**1**

**1. City Culture Compacts** – a strategic partnership bringing together city authorities, business, education, cultural and community leaders, to co-design and deliver a vision for culture in the city. Effective Compacts will set out business plans to deliver measurable progress against local priorities.

**LEADERSHIP**



**2**

**2. Enterprise development** – establish and enhance collaborative networks of cultural organisations to share professional expertise and support joint investment into shared infrastructure

**4. Social investment** – establish city-based Corporate Social Venture funds to increase the supply of repayable finance for the cultural and creative sectors, with mentoring support from corporate investors.

**INVESTMENT**



**3. Contactless** – cities and cultural organisations can increase donations from visitors by adopting contactless giving technology.

**5. Tax reliefs** – increase the impact of Creative Industries Tax Reliefs through supporting smaller organisations to access the scheme, and extending reliefs to literature and popular music.

**6. BIDs+ and Tourist Levy** – evaluate options for these gainshare mechanisms to capture value and reinvest in cultural assets within a city.

**3**

**7a. Diverse workforce** – cultural organisations should establish diversity targets for their boards and leadership teams, reflecting local demographics and each organisation’s purpose. Progress against targets should be published by each organisation, and city level cultural diversity to be prioritised by City Compacts.

**7b. Talent pipelines** – City Compacts can establish city-wide development plans for growing, attracting and retaining creative talent, aligning resources to increase the supply of training opportunities. This will be supported by greater flexibility in the use of Apprenticeship Levies and structuring of Apprenticeship Programmes.

**TALENT**



**4**

**8. Asset portfolio approaches** – City Compacts will promote collective management of cultural property assets to increase efficiency, allow cross-subsidy and promote long-term viability – deploying private sector expertise in asset management for civic gain. Models providing civic, community or cultural ownership of property assets will support recycling of returns. This can be supported by governments through best practice toolkits, coordination of public bodies and other interested agencies, and funding pathfinder projects.

**PLACE**



# Leadership



**The City Compact for Culture will bring together local partners with a shared interest in maximising the civic role of culture. These partners will work together to create and deliver a plan to drive social and economic benefits from a thriving cultural ecosystem. Compact partners will include business, universities, local authorities, the cultural sector and LEPs, and will pledge to align focus around key goals, in order to unlock new resources for cultural projects.**

Compacts will have business plans to drive measurable progress against local priorities such as reanimating city centres, increasing income from tourists or international students, or establishing a creative cluster. Compacts will also take the lead in establishing cultural property portfolios, Corporate Social Venture Funds, improving diversity and relevance of cultural offering, and skills strategies for creative talent – according to local need.

## **Snapshot: Sunderland**

Sunderland Culture Company is an innovative model of cultural leadership between the University, City Council and Sunderland Music Arts and Culture Trust. It manages 11 major venues owned by the partners, delivering large scale cultural projects. Resources are pooled to support a single management team, a central ticketing system and programme planning across all venues. The Culture Company generates income from its venues and acts as a central platform for negotiating national funding. It is the driving force behind a major regeneration of the city centre in the establishment of a Cultural Quarter, and runs health and wellbeing programmes in Sunderland's local communities.

## **Snapshot: Leeds**

Leeds has put culture at the heart of its inclusive growth strategy, and it's paying dividends – the city secured Channel 4's new headquarters and Burberry's relocation to Leeds. The city has invested in improved cultural facilities, including upgrades to the major cultural institutions, new artists' studios and in Sunny Bank Mills a major re-purposing of industrial heritage towards workspace for creative businesses. Leeds Arts University is expanding, Leeds Beckett University is opening a new £75m creative campus and the University of Leeds Cultural Institute will host one of the Arts Humanities Research Council creative Clusters. Other production companies are following C4 to the city.

## The case for strategic partnership

City of Culture projects show what can be achieved when a city pulls together in support of culture to drive lasting social and economic benefits. The experience of hosting these major cultural programmes has been transformational for many of our cities, including Glasgow, Liverpool, and Hull. Just bidding for cultural investment can create irresistible local impetus, leading to a major re-focus on the potential for culture-led development – as we've seen recently in Paisley, Leeds and Belfast. The City Compact is a model for sustained partnerships to replicate these benefits in every city.

A co-ordinated approach from key city stakeholders can significantly raise levels of ambition, and align investment and resource towards common goals. A Compact could enhance the creative ecosystem of a city, and ensure that a city's cultural offering is in tune with local communities. By creating a clear common vision and plan, it can unlock additional local resources – money, skills and property – for strategic cultural projects, and also increase success in attracting additional external resources. The Compact can also ensure greater alignment to cultural priorities across planning, licensing, and business rates.

Effective Compacts will have a close relationship to other local delivery bodies and strategies, including Local Economic Partnerships (LEPs), or equivalent planning partnerships, to agree the cultural component of a Local Industrial Strategy, a health and wellbeing strategy, or spatial and economic plans, and be the go-to body for discussion with national governments. Compacts will be initiated by local councils, and will be independently chaired by a local leader drawn from the business, education or cultural sector. For many cities, this will be a case of enhancing existing structures, rather than creating a new forum.

Each Compact must have a business plan, with clear and measurable aims, and publish a report on progress annually.



## Recommendation 1: Cultural City Compact

**Recommendation:** Cities to establish Compacts with financial support from national governments

**Purpose:** to co-create and co-deliver a holistic vision for culture in cities

**Compacts will determine and drive the contribution of culture to local industrial strategies** and other local economic and social development plans, according to local priorities, including:

- Development of Creative and Digital Clusters
- Local skills strategies – growing, attracting and retaining talent
- Tourism and destination management plans
- Other local priorities such as health strategies, where appropriate

The Compact will support collective, coordinated action to grow and sustain the cultural ecosystem in the city, aligning activity and funding, and leveraging additional human, financial and property resources.

**The Compact will be the primary vehicle for discussion between local partners and with government about how best to deploy culture for the city.**

**Each city's Compact will have a distinctive and locally agreed purpose**

### Geographical scope and strategic partners

Each Compact's geographical scope (e.g. City/City Region) and strategic partners will be locally determined.

**Partners must represent the range of stakeholders with a key interest in maximising value from culture, including:**

- Business, including creative industries • Education • Local authorities • Culture sector • LEPs

**Partners may also include:**

- Cultural education partnerships • NHS • Police • Housing associations • Social services • Land owners
- Business Improvement Districts

**The strategic partners will define a business plan to deliver agreed priorities**

### Business plan and outcomes

The plan will outline local priorities, reflecting the aspirations of local people and communities. It will deliver measurable progress against the defined purpose over 3 – 5 years. Priorities could include:

- Developing a creative cluster and local talent pipeline • Developing the city's income from tourists and attracting international students • High street/city centre regeneration • Social issues such as crime or homelessness
- Establishing cultural property portfolios, Corporate Social Venture Fund and/or creative apprenticeships programme

The plan will help drive coordinated action across local economic development plans, skills strategies, planning, licensing and business rate policies. The Compact will ensure greater interplay between existing relevant local structures, and won't necessarily involve the development of a new forum.

**Measures of success could include:**

- Culture and creative sectors GVA / employment numbers • Visitor numbers / spend • Diversity in the culture and creative sector workforces (especially leadership) and audience engagement • £ invested in regeneration schemes / % of high street units occupied / footfall • Skills – number of apprentices, retention of graduates

### Establishing a successful compact

£20k per city from government, matched locally:

Compact initiated by Council

Define purpose & priorities

Engage strategic partners

Define business plan

Seek resources to sustain

### Sustained development

- Annual, published report on progress against business plan and outcomes
- Peer learning, supported by Arts Councils and Core / Key City networks

# Investment



**There is a great opportunity to increase investment in culture, by linking cultural projects to civic outcomes, including urban regeneration and growth of the creative and digital industries, health and wellbeing, and tourism. Culture can create compelling investment propositions delivering cultural, social, economic and financial returns for the city.**

We propose a range of solutions to increase investment into cultural organisations and projects of all sizes across the UK:

- City Compacts and funders can support cultural organisations in ‘enterprise development’ – building organisational strength and financial resilience through greater collaboration and diversified income streams
- Corporate Social Venture funds can attract new investment into culture from city partners including business, public investors (such as universities and housing associations) and charitable foundations
- Contactless donation technology can enable more visitors to give back to cultural organisations and city festivals
- Increasing the impact of tax reliefs through supporting smaller organisations to access the existing scheme, and extending reliefs to literature and popular music
- Exploring new fiscal measures such as Business Improvement Districts + (BIDS+) or Tourist Levies, as a means to incentivise investment in culture and enable cities to capture and reinvest value from tourism.

## **Bloomberg Philanthropies’ Arts Innovation and Management (AIM) programme:**

Bloomberg Philanthropies has invested over \$100m in supporting more than 500 small and midsize cultural organisations in the US, in order to maximise the beneficial impact of this cohort on metropolitan communities and economies. The programme provides recipients with two years of unrestricted operating funding, alongside an arts-management training programme. Support is structured around intra-city clusters of grantees which share a locale, creating a network effect and strengthening collegiality. Data capture around key metrics allows the AIM programme to pinpoint the ways in which grantee organisations are able to manage towards better outcomes – for example, longer planning windows are consistently linked with a positive effect on marketing.

## The case for enterprise development partnerships

The success of individual cultural enterprises is closely linked to their internal organisational strength and resilience, and particularly to financial resilience and an adaptable and sustainable business model. In this respect, the development of stronger and more diverse revenue streams providing greater levels of earned or contributed income, will provide cultural enterprises with greater predictability over income and greater flexibility over how they spend it – alongside improved prospects to secure social investment.

A key constraint on enterprise development in the cultural sector is access to commercial and professional skills amongst the many small and medium sized organisations that make up the sector, including temporary project-based enterprises. Developing **shared access to skills**, and supporting **shared investment in infrastructure**, through collaborative partnerships of cultural organisations, offers an efficient and sustainable way to build capacity in the sector.

A number of collaborative ventures exist in the sector, and have proven to be a successful and efficient means to build capacity. These include ‘place-based’ structures such as Sunderland Culture Company, or Birmingham’s Culture Central, which has supported cultural organisations in the city to invest in a shared database to maximise collective opportunities from marketing data. There are also collaborations between groups of theatres, galleries or museums – such as the PlusTate network of 35 visual arts institutions, which shares professional skills, develops reciprocal marketing strategies and joint funding proposals.

City Compacts can build capacity within city cultural eco-systems, supporting collaborative ventures between cultural organisations, including cultural property asset portfolios, where appropriate. Funders can support these efforts, as part of activity to promote enterprise development in the sector. Funders can also help organisations to maximise contributed income through providing toolkits of practical advice on issues such as adopting contactless giving technology or compliance with Gift Aid policy.



## Recommendation 2: Enterprise development partnerships



**Recommendation:** Establish and enhance collaborative networks of cultural organisations to share professional expertise and support joint investment in shared infrastructure.

**Purpose:** To build capacity and organisational resilience within the cultural and creative sector.

**Outcomes:** To build out collaborative partnerships of cultural and creative organisations within cities and between 'families' of theatres, galleries or museums. These should provide shared access to specialist skills, including project finance, financial planning, intellectual property expertise, estates management, procurement, digital marketing and communications. They should also support shared investment in common infrastructure, especially digital infrastructure. Wherever possible, the aim should be to build capacity within the sector, rather than providing access to external providers of support.

### The role for Cultural City Compacts

Support development of collaborative partnerships between organisations in a city's cultural eco-system. To help secure resources for development of shared capacity.

### The role for Cultural Organisations

Cultural organisations should engage with enterprise development programmes, and actively seek to enter into partnership arrangements to share resources, skills and support co-investment.

### The role for Funders

Prioritise development of long-term organisational resilience, and collaborative partnerships – including building capacity within portfolio organisations in hub/spoke models or as centres of excellence.

Funders should provide high quality business support and challenge to portfolio grantees as a key element of relationship management, and expand funding schemes that build capacity and support or incentivise development of earned or contributed income.

This could include making grants contingent upon matched funding from investment or enterprise revenues.



## Recommendation 3: Contactless donations

**Recommendation:** Cultural organisations and cities should make it easier for people to give more by offering contactless giving, to improve donor experience and increase donations.

**Purpose:** 3 in 4 UK charities don't offer contactless donations, so are already missing out on potential income – valued at £80m missed income a year. This trend will increase as contactless becomes the norm – already, 2 in 3 UK adults carries less than £10 cash. Enabling visitors to give contactless donations will provide additive income now, and avoid a decline in donations in the future.

### The role for Cultural organisations

Install contactless giving terminals, either held by staff or unmanned around the venue. This could be facilitated by existing payment service providers or specialists in contactless giving devices.

### The role for Cultural City Compacts

- a) Purchase portable contactless devices for use at city festivals or outdoor performances, and support collective procurement for cultural organisations.
- b) Champion the need for fast, reliable mobile/wifi network to support contactless payments.

### The role for Arts Councils

Arts Councils should offer guidance on how to build a business case for investment in contactless giving technology, including how to choose a provider for secure, cost-effective contactless giving. They should share data and best practice on contactless fundraising.

### The role for Government

Encourage greater innovation and adoption of contactless giving to reduce installation and service costs. Significant uptake in contactless giving may prompt a requirement to review the Gift Aid system. The current system caps eligible contactless donations at £8k per year, limiting the potential value of contactless donations.

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## The case for social investment

**Greater use of borrowing in the cultural sector could help cultural and creative organisations to grow their operations. Recent focus on development of social investment funds for the cultural sector is very welcome. Further enterprise development within the sector will increase the number of cultural organisations able to take on loan finance. Alongside this, we can extend the supply of social investment funds through city-based Corporate Social Venture (CSV) funds. Initiated by City Compacts, CSVs can leverage investment from local partners, and offer sustainable and affordable loan finance to a wider range of cultural organisations.**

Take up of loan finance by the cultural sector has historically been low. In a sector more used to grant funding, demand for repayable finance, and appetite for risk amongst at both executive and board level, have been limited. However, enterprise development programmes have demonstrated that business support can help to increase both awareness of and capacity for loan finance. A recent study has estimated demand for repayable finance to exceed £300m over the next five years, with over half of demand coming from organisations outside London.

This Enquiry has focussed on opportunities to leverage new social investment funds for a city's cultural and creative organisations from local partners, who share an interest in the city's thriving cultural and creative ecosystem, and the social and economic benefits that flow from that.

**The Hackney Arts Centre** is a new performing arts venue in the heart of East London. The multi-arts venue will attract world-class performing artists. The new Arts Centre gives Village Underground the opportunity to formalise its long-term working relationship with local charity Community Music, which provides creative opportunities for local residents with a focus on young people and those from disadvantaged backgrounds. Community Music will have dedicated space and facilities within the new venue, giving the charity's young people the benefit of the highest quality equipment, training opportunities and access to creative professional networks. The Arts Centre opened in Autumn 2018 with financial support from Big Issue Invest, the Arts Impact Fund and Triodos Bank.

Corporate Social Venture Funds (CSVs) are a model for investing in and assisting early-stage ventures achieving positive and sustainable social impact, through a mix of loan funding and business support. CSVs have been successfully deployed in the UK, demonstrating high returns on investment in terms of the long-term social value created. Financial returns are delivered to investors or revolved into the fund, providing a sustainable basis for delivering investment to social enterprises.

CSVs are distinctive in that the corporates investing into the fund are closely involved in the administration of the fund, and go on to mentor successful investees. Providing commercial skills increases the chances of achieving the investment goals. This format is attractive to corporates (and others who have participated in these structures, such as social investors, universities and housing associations) because it offers measurable social impact on projects closely aligned with business purpose, alongside high quality staff engagement and skills development. They're tax efficient too.

City Compacts can help to establish place-based CSVs, focussing on investment into creative and cultural social enterprises, and cultural organisations demonstrating clear social impact. By focussing on a local area, with investors and investees linked by shared relationships to that place, there is an opportunity to attract investment from wide range of organisations, and develop meaningful, mutually beneficial and long-term partnerships between investor and investees.

**Experimental Experience CIC** is a social enterprise that produces mainstream performance shows with a cast drawn from the sex industry. The social enterprise gives opportunities to individuals outside of their daily experience, whilst challenging audience perceptions of those working in the industry.

Big Issue Invest provided the CIC with a £60k unsecured loan in 2017 and brokered external support for the team to help with financial forecasting and planning. The investment was structured as a loan and used as up-front risk capital to develop the 2017 show, the "Sex Workers Opera". Loan repayments were structured in a flexible manner to align with ticket revenues, and enabling them to repay fully within 9 months. The show was a huge success and eventually went onto an international tour.



## Recommendation 4: Corporate Social Venture Funds

**Recommendation:** Establish place-based Corporate Social Venture Funds (CSVs) with investment from local business, city institutions and social investors, to provide repayable finance and business support to grow local social enterprises with a cultural or creative focus.

**Purpose:** to increase the supply of repayable finance for cultural and creative organisations. Place-based Corporate Social Venture Funds (CSVs) with investment from local business, city institutions and social investors, can provide repayable finance and business support to grow local social enterprises with a cultural or creative focus.

### Local investors in a city/region

Businesses (likely national organisations with a local presence) contribute investment funds of £25k or more to CSV. Universities, social investors, HNWIs, trusts and foundations can also contribute.

Investments are EIS/SEIS eligible so tax efficient for investors. CSV Funds are administered by Social Investment Finance Intermediaries (SIFIs).

Many investors provide expertise alongside funds, to maximise the potential of their investment and provide a rich development opportunity for future leaders.

Business

University

Housing  
association

Community  
foundation

Funds will be pooled to spread risk. Investors are hands-on in selecting which projects to fund

### Local cultural and creative social enterprises

CSVs provide affordable and flexible loan finance to local social enterprises in the creative and cultural sectors within the city. Loans tend to be small scale, sub £150k.

Social enterprises (SE) who are successful in their bid for funding will be paired with experts from one of the investors, to partner with them over a number of years as they grow their proposition.

Business

Business

Business

University

Cultural SE

Cultural SE

Creative SE

Creative SE

Cultural, social, economic and financial returns are measured over time

### A win-win for city partnerships

Place based funds allow for development of meaningful long term and sustainable mentoring relationships between businesses and the social enterprises investees, and amplify the civic value of culture.

Businesses and other city stakeholders can make a measurable social impact, contribute to local growth, and benefit from high quality staff engagement

Returns are recycled into the fund, increasing sustainability of this funding approach

Social enterprises receive access to funding, networks and business support, optimising conditions for growth

**The role for City Compacts:** consider demand for social investment from local cultural and creative social enterprises, or cultural organisations with clear social outcomes. Where there is local demand, to help establish a city CSV, operated by a SIFI, bringing together local partners as co-investors.

**The role for Governments:** provide a toolkit for City Compacts wishing to establish a CSV, including help in assessing local demand, choosing a SIFI to operate the fund, and best practice in optimising the success of the fund through development of sustainable mentoring relationships. Fund pathfinder cultural/creative CSVs in 3 Compact Cities, providing £100k each towards operational costs and/or as anchor investment funds.

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## The case for fiscal reform

**The introduction of tax reliefs for the creative industries has been a welcome stimulus for the sector, increasing profitability and creating a valuable new income stream. But not all eligible cultural organisations apply for tax reliefs because of the administrative cost of participating, and the scheme does not cover all art forms. The impact of the existing tax reliefs can be deepened by supporting smaller organisations to access the scheme. Literature and popular music remain outside the scope of the tax reliefs; by extending the scheme to include these two vital pillars of our creative industries we could create a universal provision for the sector. Alongside this, BIDS+ and a Tourist Levy are new fiscal measures which could offer opportunities to incentivise investment in culture and capture and recycle greater value at city level.**

**Making Music** (a charity and UK wide body for leisure-time music groups) have successfully launched a scheme offering an affordable service to make compliant claims for orchestra tax reliefs on behalf of their 3500 members. The service was developed with HMRC and is paid for by a service charge, with members receiving a net benefit averaging 15% of their annual production costs.

**National Theatre of Scotland** has benefited from tax credits of £1.4m since theatre tax reliefs were introduced. This included £293k for the award winning trilogy 'The James Plays', equating to 10% of the production costs. Tax credits were critical in enabling National Theatre of Scotland to put on this ambitious production and are a vital part of their funding mix for making ambitious, collaborative theatre in Scotland, the rest of the UK and beyond.



## Creative Industry Tax Reliefs

Creative Industry Tax Reliefs were extended to theatres in 2014, to orchestras in 2016 and museums and galleries in 2017. The latest data shows these tax reliefs were worth a combined £77m to theatres and orchestras in the last year. But not all eligible organisations are making claims – particularly the smaller ones – given the constraints on administrative capacity and costs of external support.

Collaborative approaches to access the resources required to process claims would be an efficient way for more organisations to benefit from the tax credit regime. This could be delivered via membership bodies, or via shared resource between networks of cultural organisations. Arts Councils can also help by providing best practice guidance and signposting to available support.

## New fiscal measures: BIDS+ and Tourist Levy

New fiscal measures could present opportunities to stimulate local investment in culture. The BIDS+ model expands the existing remit of Business Improvement Districts, to provide a means for local businesses to share in the fiscal returns of new cultural investment.

Where businesses put additional resources into culture in order to improve urban environments – for example in a culture-led city centre regeneration programme – government would agree to share additional tax returns, either through allowing a portion of the tax uplift to be retained locally, or returning it to the area as match-funding to be reinvested into culture. This model is intended to stimulate additional business investment into culture, with benefits to cities in improving urban environments and business rate income, and to government through additional tax returns.

Tourist levies are widely used internationally, and follow a variety of different models. Scotland has launched a national conversation on the viability of a tourist levy, and many cities across the UK are actively considering this approach as a means to increase local funds for investment in culture. However, there are concerns about the potential impact of a levy on the tourism and hospitality sector. A UK-wide review of the merits of a tourist levy is required in order to provide greater shared understanding of the opportunities and challenges of this option for the UK.



## Recommendation 5: Tax Reliefs

**Recommendation:** Support smaller organisations to access existing creative tax reliefs and extend the remit of the scheme to cover literature and popular music.

**Purpose:** deepen and broaden impact of tax credits across the cultural sector

### 5a: Support to access tax reliefs

Not all cultural organisations whose activities qualify for tax reliefs are making claims, primarily due to lack of organisational capacity.

Networked support to cultural organisations could help cultural organisations understand and claim tax reliefs.

### The role for Arts Councils and other funders

Provide best practice guidance and signposting to available support. Support shared access to expert administrative capacity via hub/spoke models and sub-sectoral groups of cultural organisations.

### The role for City Compacts

Help all eligible cultural organisations in the city to apply for tax reliefs by brokering access to the necessary administrative capacity across organisations or from external partners.

### 5b: Universal offer for creative tax reliefs

Extending Cultural Industries Tax reliefs to literature and to popular music would create a universal cultural offer.

### The role for Government

Assess the economic impact of extending Creative Industries Tax Reliefs to literature and popular music.



## Recommendation 6: BIDs+ and Tourist Levy

**Recommendation:** Establish a pilot BIDs+ scheme. Establish a UK wide review of the merits of a tourist levy.

**Purpose:** explore and test the potential of new fiscal measures to incentivise investment in culture and capture greater value at city level for reinvestment into local cultural assets.

### The BIDs+ model

Businesses put additional resources into culture in order to improve urban environments and in return government would share additional tax returns, either through allowing a portion of the tax uplift to be retained locally, or returning it to the area as match-funding to be reinvested into culture.

### The role for Government

Establish a pilot BIDs+ scheme in at least one major urban regeneration area, within a Compact city.

### The role for City Compacts

Ensure city centre BIDs are strategic partners on City Compacts, and prioritise opportunities for business-led investment in culture through existing BID frameworks.

### Tourist Levy

A national tourist levy, or a devolved power to cities to establish a levy, with income ring-fenced for cultural investment.

### The role for Government

Extend a national conversation on a tourist levy across the UK (already underway in Scotland), with the aim of:

- Developing greater shared understanding of the evidence, opportunities and challenges of a levy
- Establishing the potential impact of a tourist levy on investment in culture.

# Talent

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**Perhaps the greatest civic role of culture is to unlock creative potential in all people; to see creative thinking permeate every organisation, to support innovation, economic growth and job creation. If our cities are to deliver on this promise, then driving greater diversity of creative talent is key.**

Through the City Compact, there is an opportunity for cities to drive greater relevance of cultural offer, and to ensure that more communities are able to access culture. Alongside this, the Compact can coordinate a creative talent development plan for the city, identifying future creative skills needs and bringing together city and external partners to deliver those skills through talent development, attraction and retention.

## The case for diversity

Culture is all about people, but the profile of people engaging with publically-funded culture does not always reflect the rich diversity of people in our cities – in terms of ethnicity, socio-economic background, disability, age and gender. This can mean one of two things (or sometimes both): that publically funded culture is not always perceived by all communities as relevant or accessible, or that the culture of some communities is not receiving public investment. This must be addressed, for the benefit of citizens, the richness of our cultural product and the strength of the talent pipeline for our creative industries. Diversity fuels creativity.

Across the UK disabled people and those from a Black and minority ethnic (BAME) background are under-represented in publicly funded arts organisations. Data in England shows that women are underrepresented in some senior roles. In the creative industries, workers are 40% more likely to be from higher socio-economic backgrounds than the UK average. To achieve the greatest public dividend, the cultural offer must be relevant to all our cities' communities. The people creating it must therefore reflect the whole of society.

Through the city lens, we have an opportunity to more clearly define who it is, in a local context, that our cultural organisations are serving, and ensure that their workforces align with this, top down.

**Self-set and publicly monitored diversity targets** can be a catalyst to increasing the pace of progress in cultural workforce diversity. Diversity in other sectors has been advanced through judicious use of targets. Where this has been applied in the creative industries, there has also been notable success. Broadcaster Sky has reported improvements in progress towards self-set targets of 20% significant on-screen and writing roles filled by people from BAME backgrounds.

We propose that organisations should set themselves stretching diversity targets for their Boards and leadership teams, as a minimum. Ambitious targets will be set within the context of local demographics and the organisation's unique purpose. For example, a theatre with a mission focussed on youth engagement should have young people on its Board – an approach adopted by London's live performance centre Roundhouse.

Targets and annual updates will be published, so that the City Compact, funders and the public can celebrate progress and ensure this is sustained. What's important is that the targets will be self-set, according to local context – ensuring that progress is made in reflecting local demographics.

The City Compact can also provide an opportunity for leaders to seek and share learnings from coordinated engagement initiatives, to increase the demand for more diverse programming, bottom up. This will multiply the impact of place-based programmes funded by Arts Councils, which have worked with communities in building personal relationships between artists and residents to co-create meaningful creative experiences.

City Compacts should proactively map cultural engagement and participation across the city, and identify priorities accordingly. This might include helping to channel investment into under-funded areas of community or grassroots cultural activity, ensuring that city-level cultural programming reflects all communities, and identifying opportunities for collaboration between larger cultural organisations and the city's cultural fringe.

City Compacts can also help ensure that a city's cultural engagement strategy deploys all available tools, including, for example, facilitating transport for target groups where that is a barrier to access.



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‘If you take a look at our country and see which cities are flourishing they will be those that take their culture seriously. We have a great opportunity to release a huge reservoir of potential and ideas through being strategic about including all people in to our work forces, by fostering young talent and celebrating diversity as an essential ingredient of successful cities.’

**Marcus Davey OBE,**  
Chief Executive and  
Artistic Director,  
The Roundhouse

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credit: Nici Eberl

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## The case for city skills strategies for creative talent

Cities with ambitions to grow their creative industries have an opportunity to use City Compacts to help establish city-wide creative talent development plans, across education, business and cultural sectors, and align resources to increase the supply of training opportunities, including through apprenticeships.

The Creative Industries are growing twice as fast as the overall economy. The *Bazalgette report into Growth in the Creative Industries* estimated that these industries could contribute £128.4bn by 2025, with roughly one million new jobs.

City Compacts can help cities to take advantage of this opportunity through supporting city-wide creative talent development strategies, encompassing growth, attraction and retention of key skills.

Culture plays a key role in inspiring people to consider creative training pathways, and can contribute to the supply of relevant opportunities to engage, participate, learn, train, and work, often acting as a gateway to other carers in the creative industries. This is why improved **relevance of cultural offering and diversity within cultural workforces** has implications for inclusive growth of a city's cultural industries.

City Compacts can also play an important role in developing **city wide creative talent development plans**. At present, the creative industries do not support enough talent development opportunities to fuel projected growth potential. Career pathways into the creative industries are narrower than most, and existing vocational skills development structures – particularly apprenticeships and T-Levels – are not well suited to the inherent characteristics of the sector, where organisations tend to be SMEs.

### City Compacts can help to boost local creative talent development by coordinating activity to:

- Establish future creative skills requirements for the city
- Set out a comprehensive plan to meet the city's creative skills needs through coordinated activity to develop local talent, and attract and retain creative talent from elsewhere – securing and aligning resource as appropriate
- Bring together local strategic partners from the cultural sector, business and education to design and build collaborative city platforms for creative talent development
- Ensure that young people from all city communities are able to access local creative talent development programmes.

Government can support this activity through allowing greater flexibility in the use of Apprenticeship Levies and structuring of Apprenticeship Programmes. This would allow more city organisations paying the Apprenticeship Levy to contribute funds towards the development of transferrable creative skills.

The government could also help through funding pathfinder projects that support coordinated city action to develop creative skills in line with local skills requirements.



# Recommendation 7: Diversity targets and talent pathways



**Recommendation:** Cultural organisations to set diversity targets for leadership and boards, and publish progress. City Compacts to support city-wide plans for development of creative talent pathways.

**Purpose:** to increase the diversity of people who benefit from investment in culture and fuel the talent pipeline for cities’ creative industries.

Cities have a social and economic need for creativity now and in the future, to propel growth in the creative industries and stimulate innovation in business. The culture sector has a key role to play in inspiring a more diverse mix of people to develop their creativity, and in opening up talent pathways into the creative industries. Yet many cultural and creative organisations lack capacity to coordinate or resource vocational training that would support this.

We propose that cities should define a city-wide talent development plan for transferrable creative skills relevant to the creative industries and other sectors. There are two key ways of driving progress:

Firstly, setting diversity targets for the leadership of cultural organisations, to influence greater diversity in workforce, relevance of cultural offer and those who engage with it – to drive greater diversity in the demand for creative talent development.

Secondly, city-wide coordination of talent development opportunities, for example through an Apprenticeship Training Association, to enable more cultural and creative organisations to engage with talent development.

**Creative talent development plan, defined by the City Compact in conjunction with cultural, creative industry, public, private and education sectors – aligned with local industrial strategy**

**7a. Diversity targets**

<p><b>The role for Cultural City Compacts:</b></p> <ul style="list-style-type: none"> <li>• Provide challenge to cultural organisations’ diversity targets, action plans and progress</li> <li>• Facilitate sharing of best-practice</li> </ul>	<p><b>The role for cultural organisations:</b></p> <ul style="list-style-type: none"> <li>• Self-determine targets for leadership diversity, within the context of local demographics and their artistic mission</li> <li>• Create and drive a plan for annual progress</li> <li>• Publish annual progress against targets</li> </ul>
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**Over time, apply this approach for the whole workforce, volunteers, participants and audiences.**

**7b. Talent pathways**

<p><b>The role for Cultural City Compacts:</b> support establishment of a talent development agency with dedicated, skilled administration, e.g. an Apprenticeship Training Association (ATA)</p>	<p><b>The role for creative and cultural organisations:</b></p> <ul style="list-style-type: none"> <li>• Contribute apprenticeship levies to the talent development agency</li> <li>• Host apprenticeship placements</li> <li>• Procure staff training at preferential rates from the talent development agency</li> </ul>
<p><b>The role for a Talent Development Agency (with ATA status)</b></p> <ul style="list-style-type: none"> <li>• Pool apprenticeship levies</li> <li>• Run 12 month programmes with multiple placements and study periods</li> <li>• Generate income from delivering creative training, to subsidise salaries or seed-fund new enterprises</li> </ul>	<p><b>The role for businesses:</b></p> <ul style="list-style-type: none"> <li>• Transfer &lt;50% apprenticeship levies to the talent development agency</li> <li>• Procure creative skills training for staff from the talent development agency</li> </ul>
<p><b>The role for Government:</b> enable more flexible use of levies and structuring of apprenticeships, via ATAs</p>	<p><b>The role for Arts Councils:</b> encourage cultural organisations to engage with apprenticeships and broader talent development.</p>



**Cultural activity has a powerful capacity to catalyse economic development in a locality, and is particularly important in supporting the growth of the wider creative and digital industries. Publically-owned cultural properties can be strategic assets for cities looking to drive regeneration. But culture can be vulnerable to displacement following urban regeneration, and returns on public assets are not always optimised.**

A portfolio approach to management of cultural property assets can help sustain and enhance a city's cultural ecosystem, in which the value that culture helps to drive can be better captured and recycled into the sector, the city and its communities. City Compacts can facilitate a coordinated approach to publically-owned cultural property assets in order to enhance the city's cultural estate and the social and economic dividend derived from it.



**WASPS in Glasgow** provides affordable artists' space to 900 tenants in Scotland. To meet demand, they manage 19 buildings, 12 of which they own and 7 of which they rent on long-term leases and sub-let studio spaces for artists that want to be in a connected, collaborating community. WASPS is based in The Briggait, a £6.5 million redevelopment of Glasgow's historic Fish Market. They run this as a mixed-used cultural asset, providing 75 affordable workspaces for artists and creative start-ups, three exhibition spaces, meeting rooms, a public courtyard area and 4 retail units.

## The case for strategic use of cultural property assets

Displacement of cultural activity following urban regeneration, and associated land value uplift, is a common pattern in cities across the UK. This reflects a natural process of urban renewal, but presents real issues of sustainability for cities' cultural ecosystems. Cultural activity that has contributed to increased 'desirability' of an area is often then priced out by consequential rises in rents and rates. Better 'value capture' mechanisms to enable reinvestment in the city's cultural asset base, would promote enhancement rather than erosion of the city's cultural estate.

Alongside this, civic returns (whether cultural, social, economic or financial) on publically-owned cultural property assets are not always optimised, owing to constraints on asset management capacity, which can be exacerbated by lack of alignment between individual assets or between asset owners and tenants.

Some cities and cultural collectives have already adopted successful models to address these issues. These range from studio space collectives, community-owned heritage organisations and creative workspace, to parks trusts. These varying models have a number of common success factors: a portfolio approach to managing assets to aid sustainability; deploying private sector asset-management and regeneration expertise for civic gain; and civic, community or cultural sector ownership of property assets, supported by robust governance, which enables returns to be recycled.

These models enable cities to better generate, capture and recycle real estate value created by cultural activity, and over time, as housing associations have in their sector, can become powerful drivers for regeneration and a sustainable route for investment into the cultural and creative sector. This presents a real opportunity for cities looking to reanimate city centres and high streets, and revive post-industrial quarters.

City Compacts will bring together strategic partners to implement projects along these lines, where local conditions would support a viable business case for doing so. They can help to structure projects, leveraging public grant equity alongside private subscription and philanthropic and impact investment. Governments can support this through developing best practice toolkits and funding pathfinder projects.



## Recommendation 8: Asset Portfolio approaches

**Recommendation:** Establish portfolio approaches to cultural property assets, maintaining civic/community/cultural sector ownership to recycle returns.

**Purpose:** to support cities to sustainably deploy cultural assets to drive regeneration

### Many cities experience two key challenges with space

- 1 – **Displacement of cultural activity** following urban regeneration and consequential land value uplift, increased rates and rents
- 2 – **Limited returns on publically owned cultural property assets** due to constraints on asset management capacity, exacerbated by lack of alignment across the public estate or between asset owner and tenant

### There are a number models to address these challenges

- **Studio space collectives** – WASPS in Glasgow manages portfolios of studio space for over 900 tenants across Scotland, including publicly owned cultural property assets. Similar models include SPACE in London and Colchester; East Street Arts in Leeds, and Vault Artist Studios in Belfast.
- **London’s Creative Land Trust** – based on San Francisco’s Community Arts Stabilisation Trust, this will deploy public funds, philanthropy and social investment to build a portfolio of affordable creative workspace.
- **Community Heritage Organisations** – Coventry Council had approved the transfer of 22 heritage assets to Historic Coventry Trust in the largest ever transfer of historic buildings from a local authority to a community heritage organisation. The Trust will restore and reuse the buildings, cross-subsidising across the portfolio.
- **Community-owned creative workspace** – Baltic Creative is the fastest growing creative and digital cluster outside London. As a community interest company, profits from commercial rents are returned to the city’s creative sector.
- **Parks Trusts** – Milton Keynes Parks Trust manages a £120m estate, leased on a long term basis from the council and operating as a self-financing charity. A similar model was established last year in Newcastle.

### Common success factors

**Private sector expertise** in regeneration and property asset management deployed for civic gain

**Collective management** of property assets, to increase efficiency, cross-subsidy, and long-term financial viability

**Civic / community / cultural ownership** of property assets to recycle returns, alongside robust governance

### Recommendations















#### The role for City Compacts

- Map the public estate of cultural buildings and consider the viability of portfolio approaches, bringing together interested parties including public sector owners of cultural property assets and other interested landowners.
- Consider opportunities to support and enhance the city’s wider cultural estate (including non-publically owned buildings). This could include providing support to evaluate and/or establish portfolio approaches or potential acquisitions to secure long-term security for cultural activity.
- Ensure cultural activity is prioritised within city spatial plans, supported by planning policy, licensing and business rates. Take a proactive approach to cultural meanwhile use and Compulsory Purchase Orders, especially for assets of community value.

#### The role for Governments

- Provide a toolkit to support Compacts in assessing viability of options for portfolio management of cultural assets, bringing together public bodies and other agencies with an active interest in this field, including Historic England, Heritage Lottery Fund, Arts Councils, Local Government Association, Architectural Heritage Foundation and National Trust.
- Fund pathfinder projects in Compact cities with high impact proposals.
- Review the National Planning Policy Framework to ensure it supports and incentivises this activity.

# Putting words into action

DELIVERY AGENT		ACTION
<b>Governments</b>		Endorse the Cultural City Compact framework and provide matched funding to establish Compacts in 10 early adopter cities
		Support the development of place-based Corporate Social Venture funds through providing funding to establish cultural CSV pilots in 2 Compact cities
		Extend Creative Industries Tax Reliefs to literature and popular music
		Establish a nation-wide review of the viability of a tourist levy as a means of raising investment for culture, and pilot a BIDS+ scheme in a Compact city
		Allow flexibilities in the use of apprenticeship levies, and support the establishment of cultural and creative Apprenticeship Training Associations
	Fund pathfinder projects for cities with impactful proposals to establish portfolio management of cultural assets	
<b>Funders / Arts Councils</b>		Support the development of Cultural City Compacts, and establish a Compact network to share best practice
		Prioritise enterprise development of cultural organisations and promote partnership arrangements to support networked access to skills and resources
		Support cultural organisations with guidance on adopting and optimising contactless giving
	Prioritise relevance of cultural offering, and diversity in cultural leadership. Share and monitor data on diversity in cultural workforce, participants and audiences	
<b>Cities</b>		Initiate establishment of Cultural City Compacts
		Support establishment of cultural and creative sector Corporate Social Venture funds
		Adopt contactless giving and promote contactless to visitors for city cultural events
		Prioritise relevance of cultural offering, and share and monitor data on diversity in cultural workforce, participants and audiences
		Establish cultural and creative Apprenticeship Training Associations, funded by city stakeholders through gifting of apprenticeship levies
	Establish portfolio approaches to cultural property assets, where viable	
<b>Cultural organisations</b>		Participate in the establishment of Cultural City Compacts
		Adopt contactless giving
		Enhance relevance of cultural offering and drive a greater pace of progress on diversity of workforces, particularly at leadership level

# Conclusions

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The purpose of this Enquiry was to provide a set of practical proposals to support cities in increasing cultural investment, and the social, economic and cultural returns on that investment.

Through our evidence gathering, we were inspired to see the breadth of innovative ways in which cultural organisations are rising to the challenge of becoming more sustainable and maximising their social returns – there is much to celebrate.

For the most part, we have focussed on recommendations that cities can adopt and implement via existing powers and resources. We have identified where governments and funders can incentivise and stimulate this activity through targeted interventions.

Success should be measured through a range of tangible outcomes, including:

- An increase in total investment in culture in a city, from a more diverse range of public and private sources, through deeper cross-sector partnerships.
- An increase in local authorities' income from business rates, reflecting a thriving local retail, hospitality and business economy, with more high street units occupied, higher footfall, more tourists and visitors, and a vibrant 24 hour economy.

- More rapid progress in increasing the diversity of leadership in cultural organisations, and consequently the diversity of cultural workforces and audiences.
- The creation of new jobs in the creative and cultural sectors, and the development of transferrable creative skills to meet expanding demand for talent in the creative economy and in the wider business sector.

These are outcomes that will not materialise overnight, and will be the result of careful planning, coordination and implementation of a range of activities, over a number of years. This is why strong leadership is so fundamental to our recommendations, bringing culture to the heart of city priorities in a sustained and systematic way.

In a year's time, we hope to see a network of early adopter City Compacts established in at least 10 cities across all four nations, with support from Arts Councils and national governments. In the next decade, we hope to see creative potential flow throughout our cities, transforming lives in the places where we love to work and live.

We look forward to watching developments in our cities and are confident that these will stimulate an even more vibrant cultural life in cities and towns across the nation, in the years ahead.



A set of practical proposals to support cities in increasing cultural investment, and social, economic and cultural returns on that investment.

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“ The creative industries is the fastest growing sector of the UK economy. We have the legacy, the talent and the opportunity to do more, and to use culture to unite communities, encourage investment and accelerate economic growth. ”

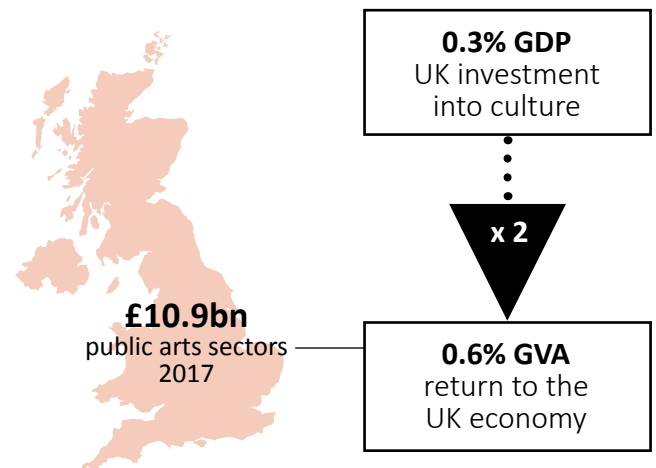
**Dame Jayne-Anne Gadhia**

# Investment in culture today

- The UK's cultural sector is growing at a rate of 57% GVA a year.
- Public investment in culture is falling – down 11% in the 4 years from 2012/13 to 2016/17. This is driven primarily by a 19% fall in local authority funding, the mainstay of cultural investment in the UK, reflecting the continuing pressures on council budgets.
- Cultural organisations have compensated by increasing private investment and earned income – but this has proven easier for larger organisations in London and the South East and those in the centre of wealthier cities.
- Given the huge potential of culture to drive inclusive growth in our cities, we need to make sure that all our cities and communities can benefit from cultural investment, and that we are investing in the R&D end of our cultural economy

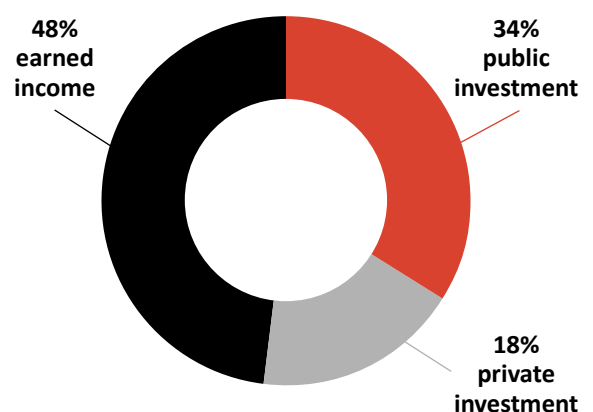
## Culture delivers a growing part of the UK's economic output, with a strong return on investment

- The UK's cultural sectors, subsectors of the Creative Industries, were worth £10.9bn GVA in 2017. That's an increase of 57% since 2010, and 0.6% of total UK GVA.<sup>16</sup>
- UK invests less on culture than EU counterparts, spending around 0.3% of GDP, under half of the equivalent in France or Denmark (0.8% and 0.7%) and lower than the EU average of 0.5%.<sup>17</sup>



## The income mix for culture is changing

- Cultural organisations generate income from three main sources: public funding (government, Arts Councils and local authorities); earned income (ticket sales, merchandise etc), and private investment (donations from individuals and businesses, and grants from trusts and foundations).
- In the past, cultural organisations have relied heavily on public funding, with around half of income from public sources.
- More recently, cultural organisations have sought to rebalance falls in public investment with income from other sources.
- Overall, public funding for cultural organisations represents 34% of income, with 48% from earned income and 18% from private investment (2014/15 data, the latest available).<sup>18</sup>



Investment in culture, 2014/15

Source: Private investment in culture survey, published by Arts Council England, November 2016

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## UK public investment in culture is falling overall

- UK public investment in culture has fallen by over £0.5bn over the past 4 years, from £4.4bn in 2012/13 to £3.9bn in 2016/17, a reduction of 11%.
- Local authorities are still the biggest funders of culture across the UK, but this income stream has seen the largest contraction – 80% of the net loss in funding. This is the context of a fall in Government funding to local authorities by almost 50% since 2010.<sup>19</sup>
- Alongside this, there's been a downward trend in Lottery funding distributed by Arts Councils and Heritage Lottery funds, but an increase in funding from the Big Lottery Fund.<sup>20</sup> Investment from and income to the National Lottery varies from year to year and has decreased in a number of recent years. This is a further reason why the current economy underpinning our cultural sector, based as it is on grant funding for revenue and capital purposes, needs to be revisited to make it fit for the future.
- Tax relief has partially offset the reduction in other funding streams for some of the larger cultural organisations, with the introduction of theatre tax credits in 2014, orchestra tax credits in 2016 and museum and galleries tax credits in 2017.
- Data for Arts Council England shows that EU funding to the cultural sector in England has averaged £22.3m annually, in recent years.<sup>21</sup>



↓ **£0.5bn**  
public funding  
for culture  
over 4 years

## Cultural organisations have increased private income, but this has been more challenging for smaller organisations

- Cultural organisations have responded to reductions in public funds by increasing income from private sources. Private investment in culture grew by 20% across the UK over the period 2012 – 2015.
- Private investment accounted for 18% of cultural organisations' total income in 2014/15. The smallest organisations are almost twice as reliant on private investment as major organisations. Private investment accounts for 29% of total income for those with a total income under £100,000.
- But size matters when growing private income: the increase in private investment has been primarily driven by high value donations to the largest recipients. Overall, private investment grew by 21% from 2012 to 2015, but just 50 organisations received 60% of total private funding across the UK.
- Smaller organisations found it harder to catalyse private investment, and grew their private funding portfolio by just 8% a year.
- Funding models also vary substantially by region, reflecting proximity to sources of private income. Cultural organisations in London, the East and the South East have greater proportions of private investment than those in the North. London-based organisations account for 66% of total private investment.



**60%**  
of private funds  
received by  
**50**  
organisations

## Earned income has also grown strongly, and represents a greater share of income in larger organisations and those in London

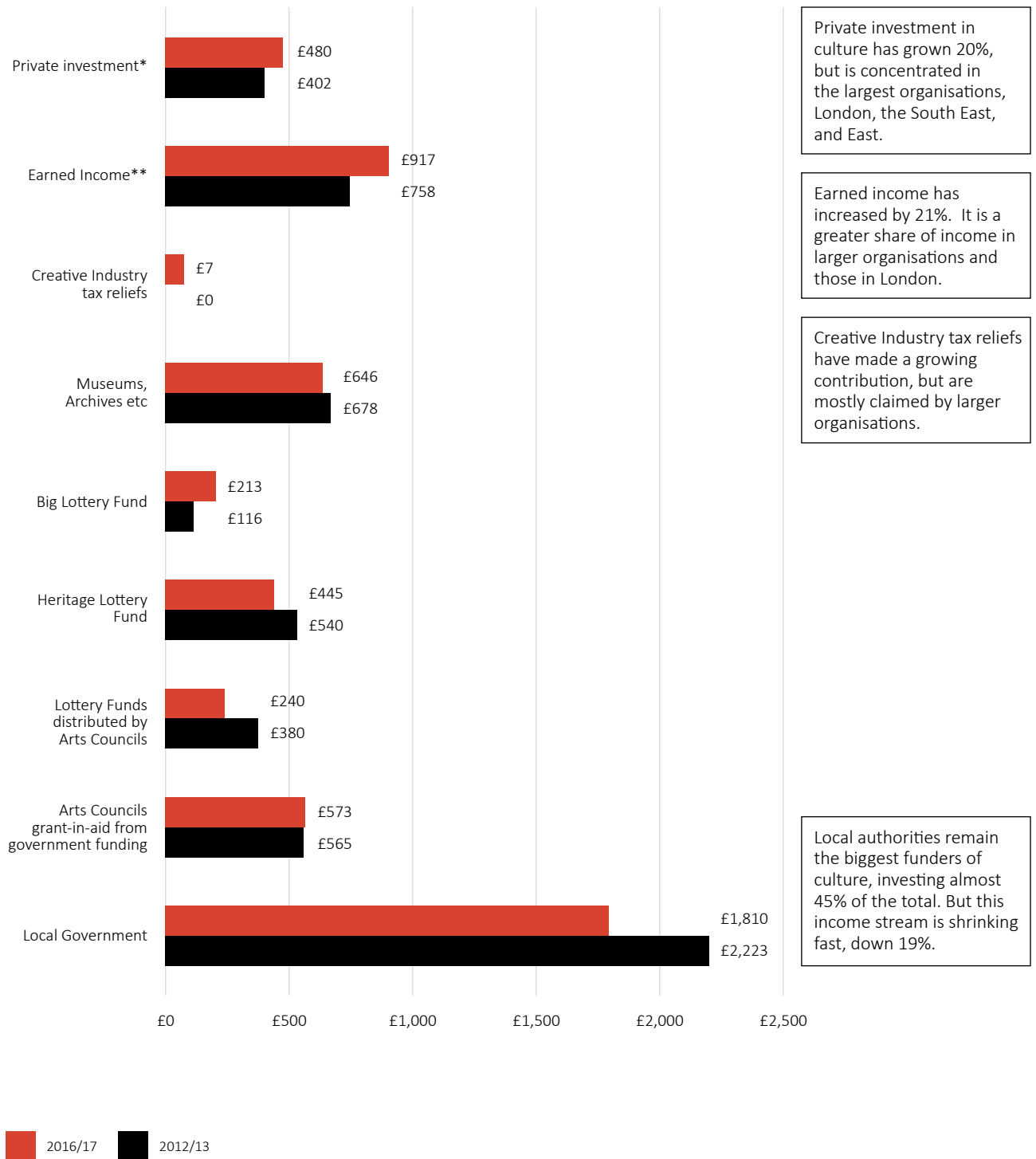
- Cultural organisations have also increased their earned income. Data from UK Arts Councils' National Portfolio Organisations (excluding Creative Scotland) suggests that earned income has grown by 21% between 2012/13 and 2016/17, representing 95% of income growth for these organisations.
- Earned income represents 54% of income for large organisations, while only 30% of income for small organisations.



↑ **21%**  
earned income  
growth



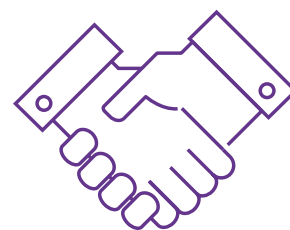
## Investment in culture – £million value of funding sources, 2012/13 vs 2016/17



\*Private investment data is for 2012/13 vs 2014/15

\*\*Earned income data is for UK Arts Councils' National Portfolio Organisations (excluding Creative Scotland)

# Leadership



## Recommendation

1. Cultural City Compacts should be created as a strategic framework with local and national status across the UK.
  - All the UK's governments should explicitly recognise the Compact and, where a Compact is in place, endorse it as the primary platform for local and national dialogue on cultural issues.
  - Governments should provide match-funding to help establish Compacts on a needs basis, initially supporting a first wave of 'early adopter' Compact cities.
  - Cities should come forward with clear proposals for Compacts, endorsed by relevant local partners and with some matched resource. City networks, including Core Cities UK and Key Cities, should work with Arts Councils to create a forum to support the first wave of Compacts, capture learning and use this to support further waves.

## Leadership through strategic city partnerships

The experience of hosting major cultural programmes is often a transformational moment in the life of cities, with far-reaching economic and social benefits. Cities that have hosted UK City and EU Capital of Culture, the Commonwealth, Olympic or Student Games – or sometimes just bid for them – have established locally-led city-wide partnerships that can build civic pride, identity and wellbeing, giving a place and its people the belief that they can be and do more. Such partnerships get the best from cultural resources, making the whole far greater than the sum of its parts.

A Compact is a locally determined strategic partnership to create 'whole place leadership' for culture. It is designed to create a sustainable local framework to replicate the impact of a major cultural programme. It will significantly raise levels of ambition and align investment and resources toward shared priorities. It should enhance the creative eco-system of a city, nurturing an environment where innovation, creativity and cultural participation is the norm. The Compact is also a platform for dialogue and negotiation with governments and funding agencies, helping, for example a 'City Deal' style approach to culture. The Compact must have a close relationship to other local delivery bodies and strategies such as Local Enterprise Partnerships and similar bodies in the Devolved Administrations. It should be the go-to body when discussing the cultural component of a Local Industrial Strategy, health strategy, or spatial and economic plans.

**Liverpool Creative Communities** ran between 2003 and 2010 and provided the community programme element of Liverpool's year as European Capital of Culture 2008. The programme brought together the City Council, with the cultural sector, police, health and other agencies to place community-led cultural activity at the heart of a long-term regeneration programme. It increased access to and interest in the arts, created new, lasting partnerships, promoted diversity and integration between communities, whilst engaging people in the wider regeneration programme. The legacy of the programme can be seen in numerous cultural interventions in areas such as health or housing. The experience of this programme has helped position culture as a strategic priority through the city region's devolution process, including the establishment of Liverpool City Region's Culture Partnership in 2016, Culture and Creativity Strategy in 2018 and the Combined Authority's commitment to 1% for art from the devolution funding.



## The Purpose of a Compact

A city's cultural resources – be those institutions, buildings, customs or people – are a core component of citizens' and visitors' experience of a place, and can be powerful assets in propelling investment, innovation, jobs and prosperity. But the cultural resources of a city are usually dispersed, and in order to be deployed effectively, must be better connected to the sectors that benefit from culture – and could gain more through closer strategic partnerships. That could include health, business, schools, universities, housing, tourism, transport and more.

The purpose of a Compact is to bring together local partners to co-create and co-deliver a holistic vision for culture in cities.

Compacts will determine and drive the contribution of culture to local economic and social development strategies. This might include the development of Creative and Digital Clusters, and associated local skills strategies to grow, attract and retain creative talent, or the delivery of tourism and destination management plans.

At a time in which many of our cities are urgently considering the future shape of urban centres and high streets, a Compact would facilitate a coordinated approach to deploy cultural assets in support of a local plan to reanimate urban centres. Cities may also look at how culture can help tackle social priorities such as unemployment, loneliness or knife crime.

The Compact will support collective, coordinated action to grow and sustain the cultural ecosystem in a city, aligning activity and funding, and leveraging additional human, financial and property resources, in support of agreed local objectives. The Compact will be the primary vehicle for discussion between local partners and with government about how best to deploy culture for the city.

## The Principles and Values of a Compact

Compacts must be built bottom up, reflecting local priorities. Some cities will already have existing and well established partnership structures which could be used to gain similar recognition from Government, others will be at an earlier stage. For example, London's scale, diversity and unique governance arrangements means that a different approach is needed in the capital, involving both tiers of government within London (the Boroughs and the Greater London Authority).

There will therefore be some variation in how Compacts operate or are structured, but all should apply the following principles and values.

- **'Whole city' partnership:** A voluntary partnership agreement across a locally-defined geography led by and for the whole city and its people, with clear, long-term support from the cities' democratic leadership.
- **Valuing culture:** recognising the intrinsic merits of culture alongside its instrumental value.
- **Clear and measurable aims:** A set of co-produced aims and objectives to create a step change in local cultural development and participation, based on distinctive local need and opportunity, and with measurable outcomes.
- **Vision and strategy:** Achieving a deep and broad consensus on these aims and how they will be achieved, vested in a vision and a strategy to deliver them with buy in across the public, private and voluntary sector, and support and recognition from other public agencies e.g. Arts Councils, Local Enterprise Partnerships, NHS.
- **Strategic alignment:** A commitment and demonstrable ability to embed the strategy across all other relevant strategies for the city, including: planning and regeneration; health; transport; employment; education and skills; tourism; and economic development.
- **Local and national influence:** Aligning relevant local and national resources, assets and investment toward the achievement of the strategy, including from national funding bodies.

Local consortia of key public and private investors should develop place-based strategies for their future investments that are more responsive to local cultural and creative needs and demographics, to developing talent and opportunity across the nation and to natural organic growth in the creative and economic vibrancy of our towns and cities.

Report by the Warwick Commission on the Future of Cultural Value, 2015<sup>22</sup>

- **Added value:** The opportunity to access additional resources and/or freedoms in support of the strategy, particularly through negotiation with government and its agencies, to increase local impact.

## The Benefits of a Compact

The significant benefits of a Compact for cities and governments, set out below, can only be fully realised if local and national partners actively engage with the Compact. This cannot be a business as usual approach. Demands will be made upon partners, and local and national agents, to create the transformational shift a Compact is designed to bring about. For example, understanding the full picture of cultural funding and activity in a city is a critical first step to deploying resource more efficiently, and government as well as local agencies will need to share data to achieve that.

### *Why this helps cities*

- **Confidence:** A powerful symbol within and beyond the city about how confidently it values its culture and its people, raising ambitions for culture led economic and social development.
- **Resource and innovation:** Bringing together available resources and leveraging new ones to stimulate regeneration and encourage innovation.
- **Clarity:** Agreeing what funders want from organisations as a contribution to wider city targets, and what the city as a whole wants from other sectors in return for the value they derive from cultural investment.
- **Influence:** Influencing national strategies and implementing ambitious local transformation programmes including those for industry and economy, the built environment, health, education and social cohesion.
- **Platform for negotiation:** A demonstration of local capacity through which to negotiate for freedoms and resources from governments and their agencies.
- **Incentivising business:** Increasing the role of business in civic cultural life, helping cities to address challenges such as the decline in city centres and high streets, sustaining night time economies and reinvention of urban spaces for contemporary living.
- **Unlocking potential:** Tackling deprivation, linking community development programmes with economic development plans, Local Industrial Strategies and creative industries strategies.

- **Valuing diversity:** To drive the relevance of a city's cultural life to its citizens and align resources accordingly, with significant outcomes for cultural participation.

### *Why this helps Governments*

- **Dialogue:** Re-energising local-national dialogue about the future of a city and the role culture plays in this.
- **Coherence:** Space for a coherent and structured 'whole city' conversation between local and national partners.
- **Talent:** Increasing the talent pool available to fuel the expanding cultural and creative industries sector across the UK's cities (working with BIDs, LEPs and LDPs).
- **Results:** A coherent body for discussion on how city-wide resources and strategies are best used collectively to drive outcomes, for example on creative apprenticeships, development of specific industrial sectors, or improved health of older people.
- **Delivery:** Assurance that improved socio-economic outcomes are being delivered and tracked, for example contributing to productivity and GVA, tourism growth, jobs, sectoral development.
- **Efficiency:** Assurance that resources will be used in the most strategic and efficient way toward specific results.

## How a Compact Works

### *The Leadership and partners*

The specific form of governance for each Compact should be defined locally. It should have an independent chair, but initially be established by the local authority or Combined Authority as the accountable body, using their convening power. Over time, other governance arrangements might emerge, for example incorporating a Compact as a legal entity, or transferring accountability to a different agency.

Cultural organisations and funding agencies must be involved, but also a wide range of public, private and third sector bodies, including but not limited to local and / or Combined Authorities; NHS Trusts; schools, Further Education and Universities; LEPs or equivalent planning partnerships, Chambers of Commerce and BIDs; Housing Associations; Councils for Voluntary Organisations and



their members; community groups; artists groups and collectives; businesses, landowners and developers.

Cities will need to convene local leadership to agree local priorities, build a strategy for delivery, and obtain pledges of specific kinds of support from each partner.

Governments should recognise Compacts as the primary local agency for dialogue on cultural issues, engaging with them on their priorities. Governments should provide small amounts of match funding according to need, to help establish Compacts, endorsing their ambitions, and clearly signalling that there will be an open door to discussion and / or negotiation with relevant government departments and agencies. A further round of the Cultural Development Fund might support Compacts and their business plans.

### **The Geography**

The geographic reach of a Compact should be a matter for local decision, based on what works best for that place. In some cities this will be the urban core, in others it might be the whole city region.

Where identified City Compact geographies have two tiered governance or democratic leadership, then the model may need to be adapted. For example, in London, a Compact based at Borough level, or around clusters or neighbouring Boroughs or those sharing a specific set of common issues is likely to be more appropriate than a 'whole London' Compact.

Cities will need to convene local leadership to: agree local priorities; build a strategy for delivery; and pledge specific kinds of support from each partner.

### **Business Plan: Delivery and Outcomes**

Compacts should aim to develop a strategic business plan, which might have a five-year life cycle, evaluated each year. This would include a clear set of outcomes relating to the particular focus of a Compact over the cycle of its Plan. As examples, it might seek to coordinate the following kinds of delivery.

- **Strategic outcomes:** agreeing outcomes to be delivered through cultural activity in relation to the distinct needs of the city, e.g. for health, economy, education and skills, tourism etc.
- **Strategic alignment:** of the contribution of members of the Compact toward these outcomes, through collective agreements.
- **Strategic oversight:** of strategies relating to culture, for example for health, or for skills development in the cultural and creative industries.
- **Local Plans and planning gain:** reflecting the Compact's priorities within Local Plans and using planning gain in a coordinated manner to resource culture and the Compacts' Plan. This could include securing space for cultural production and performance and a proactive 'meanwhile use' policy for disused buildings.
- **Business rates exemptions:** influencing how these are applied to the cultural sector across a city.
- **Licensing:** Aligning licensing policy to Compact priorities.
- **Oversight of value capture:** for example, for a BIDs+ arrangement, which would also need statutory support.
- **Cultural property assets:** Assessing viability of portfolio approaches for publically-owned cultural property assets, bringing together landowners, tenants, and other interested parties.
- **Corporate Social Venture Fund:** Establishment of a local corporate social venture fund, and aligning the focus of investments with the Compact priorities. Providing a platform for place based philanthropy into culture.
- **Overview of performance:** Understanding and evaluating the economic and social contributions of the Compact's business plan, working with local and national institutions, e.g. Universities, the Centre for Cultural Value and the Creative Industries Policy and Evidence Centre.

# Investment



## Recommendations

2. Enterprise Development Partnerships
3. Streamlined Giving through Contactless Technology
4. Corporate Social Venture Funds and other city-wide philanthropy platforms
5. Fiscal Measures: Creative Industries Tax Reliefs
6. Fiscal Measures: BIDs+ model and Tourist Levy

**There are many opportunities to access new and enhanced sources of investment in culture, if cultural organisations and projects can offer compelling investment propositions to a wider range of public and private investors. For this, they must show how they will deliver cultural, social and financial returns, by through contributing to and catalysing:**

- Urban regeneration
- Place-making and brand building to attract and retain talent, investment and tourism
- Innovation in the creative and digital industries
- Health and wellbeing
- Creative skills development, and opening career pathways into creative industries

## We can do this by developing:

- Collaborative city leadership structures to set and drive cultural priorities – the City Compact
- More ambitious approaches to use city or community owned property assets to capture value accruing from culture-led urban regeneration.
- New place-based platforms for social investment in culture – Corporate Social Venture Funds
- Making it easier for people to give more to culture through contactless giving
- Better means of measuring the social and economic value of cultural activity
- New fiscal freedoms and flexibilities, including a tourist levy and BIDs+

Current public and philanthropic funding mechanisms tend to pit cultural organisations (and sometimes cities) into competition with one another. Given the cost of applying for funding, this can be inefficient and drain capital from the sector. It can also risk screening out smaller organisations with fewer internal resources or experience of previous applications. Future investment models should reduce the net costs of applications, promote greater collaboration and focus on driving benefits across cultural and creative city ecosystems and other networks.

Ensuring that cultural propositions can better articulate social and economic impact will be important here. To this end, we welcome the announcement of the new Centre for Cultural Value<sup>23</sup>, which must facilitate wider and more effective use of the existing evidence base, promote knowledge about the value of arts and culture in the UK, and develop approaches to capturing and sharing this value.

“As a social investor, we are seeing a growing appetite for investment into cultural and creative organisations, with very positive social and financial returns.”

**John Montague**  
Big Issue Invest



## Recommendations

### 2. Enterprise Development Partnerships

- Funders and cities should encourage and incentivise partnerships between cultural organisations to enable more efficient back-office functions, collective purchasing and economies of scale. This could be achieved via formal networks, or temporary partnerships, and organised along geographic or sub-sectoral lines. Hub and spoke models are particularly effective in supporting networked access to professional and commercial skills. Funders should develop programmes of support for such working practices, and incentivise partnership activity through funding agreements. Where City Compacts exist, cultural partnerships should be a principal objective.
- Funders should place a greater focus on developing long-term organisational resilience within long term funding of portfolio organisations, and other schemes, including further programmes of enterprise development support for the sector as a whole. Funders should provide high quality business support and challenge to all grantees as a key element of relationship management. This should encompass access to specialist and technical commercial and professional skills, including project finance, intellectual property and financial planning experts that can provide support to cultural clients. Funders can encourage cultural organisations in developing new revenue lines and dispel misconceptions over perceived penalties from commercial success through providing grant funding matched to increases in trading income.

### 3. Streamlined Giving through Contactless Technology

- Cities and cultural organisations should adopt contactless giving at scale via mobile and/ or static terminals at built heritage and cultural assets as well as festivals and city events. Arts Councils should create a valuable dataset on the success factors around contactless giving installation and donor experience, to accelerate deployment of contactless giving. Compacts can enable local adoption through supporting procurement and promoting the availability of contactless across the city.

### 4. Corporate Social Venture Funds and other city-wide philanthropy platforms

- Cities should establish place-based Corporate Social Venture Funds (CSVs) with investment from businesses, city institutions, social investors, and philanthropists, to provide repayable finance and business support to grow local social enterprises with a cultural or creative focus.
- Government should provide £200,000 to pilot place-based Corporate Social Venture funds focused on the cultural and creative sectors in two cities or city regions.
- Compacts should support place-based philanthropy into the cultural sector and coordinate place-based campaigns that celebrate and raise awareness of local philanthropy. They can also broker and extend relationships with local community foundations, and coordinate the establishment of Corporate Social Venture Funds. Where these do not already exist, Compacts should ensure that there is a widely accessible small grants fund available for grassroots and community level cultural activity.

### 5. Creative Industries Tax Reliefs

- Support smaller organisations to access existing Creative Industries Tax Reliefs and extend the remit of the scheme to cover literature and popular music.

#### 6a. Fiscal Measures: BIDs+ model

- Government should establish a pilot BIDs+ scheme in at least one major urban regeneration area, as a first step to testing and implementing a new model of value capture for cultural investment.

#### 6b. Fiscal Measures: Tourist Levy

The national conversation currently being held in Scotland on a tourist levy should be expanded across the UK with the aim of:

- developing a greater shared acknowledgement and understanding of the evidence, opportunities and challenges around introduction of a levy
- establishing the potential impact of a tourist levy on investment in culture.

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## Enterprise Development

The foundation for all efforts to develop new sources of investment for culture, and in improving the quality of investment propositions for cultural activity in cities, must be work to build the organisational strength and resilience of cultural institutions.

In particular, the development of stronger and more diverse revenue streams will provide greater levels of earned income, and reduce reliance on grant funding. Higher levels of earned income will provide cultural organisations with greater agency over their income, greater flexibilities over how they spend it, and improved prospects to secure social investment to fuel further expansion. However, there is caution within cultural organisations that financial success will reduce prospects of future grant funds, which funders will need to address.

A major review of publically-funded investment and contract readiness support for charities and social enterprises carried out by Social Investment Business (SIB) in found that resilience was key to success:<sup>25</sup>

*“We soon understood that the attribute that made a truly successful social sector organisation was resilience. And key to resilience were three other linked traits: Adaptability, Flexibility and Sustainability....The emphasis should be on introducing a commercial approach to an organisation’s development, equipping it with the ability to adjust how it works and its business model according to the external environment.”*

“ New models of support and partnership, particularly at a local level need to be developed that pool financial and other administrative resources to maximise access and engagement in mixed investment opportunities. Well-resourced organisations in receipt of public investment should be required to work together with LEPs and local government and to partner, mentor and support smaller local creative and cultural businesses and enterprises. ”

**Report by the Warwick Commission on the Future of Cultural Value, 2015<sup>24</sup>.**

The SIB review concluded that investment and growth are consequences of increased resilience, and recommended a shift in focus away from growth, investment or contract readiness, as ends in themselves. Instead, there should be a clearer emphasis on supporting organisations to develop and diversify their income. This is the best way to develop a larger pipeline of investment ready organisations. The review underlined that for organisations to develop sustainable business models, they require support from a combination of interventions across different aspects of their operations, and that the impact is greater if support is provided over a longer period of time.

As a sector, cultural organisations have tended not to access mainstream business support offers as much as most – whether this is directed at small businesses, or at charities and social enterprises.

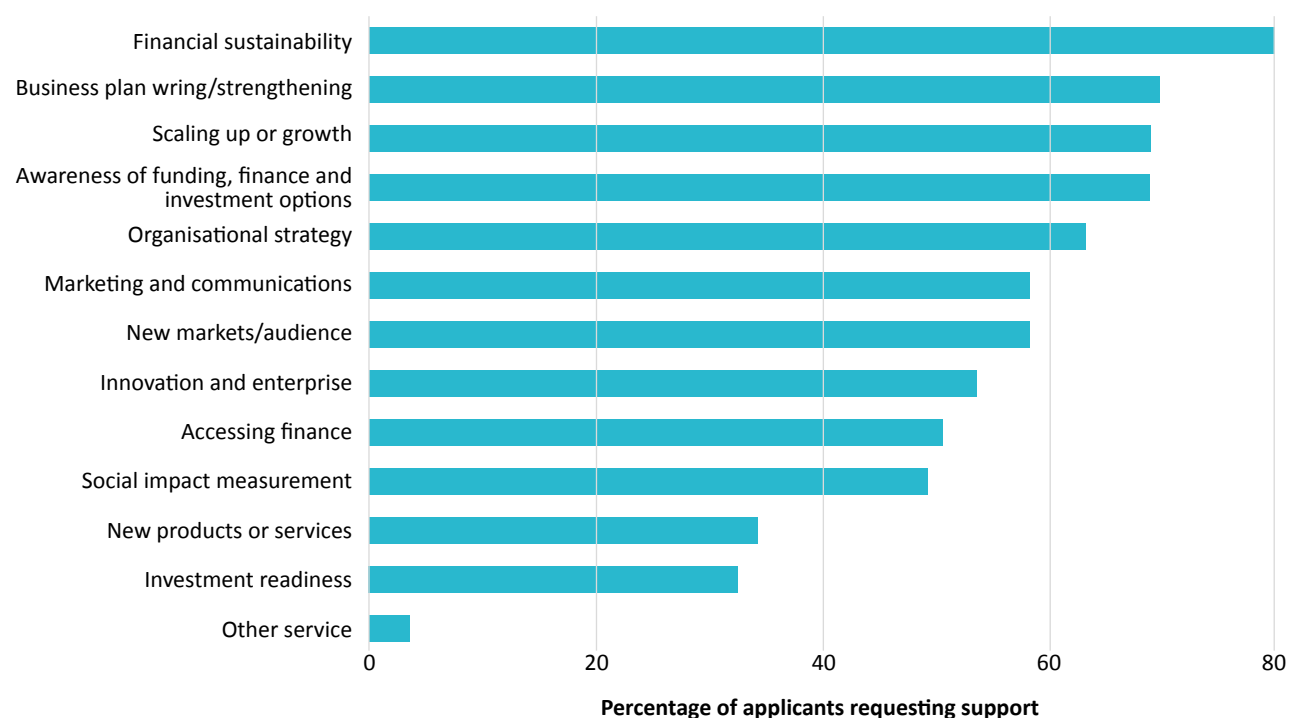
The recent Prosper Business Support Programme<sup>26</sup>, funded by Arts Council England and other partners, delivered capacity building information and advice specifically to the arts, museums and libraries sector. An evaluation of the programme highlighted the need for business support within the sector. Participating businesses demonstrated greater commerciality, resilience, and positive moves towards greater diversity of funding. Over the two year period of support, 18% of participants had launched new products or services over the 2 year period of support, and a further 50% planned to do so. In addition, 17% had diversified their funding over the period, and a further 67% planned to do so.

The evaluation of the Prosper programme also indicated why the sector has been so underrepresented in accessing mainstream business support programmes – there is no aversion to the activities of business support, but rather to its language. Like the SIB review, which recommended that providers of business support should develop sector specialisms, the Prosper programme concluded that there is evidence of national demand for *tailored* business support within the cultural sector.





## Prosper Business Support Project; Business Support: Stated Areas of Most Potential Benefit



### Partnerships and networked access to business skills

The fragmented nature of the cultural sector, with many small and medium sized organisations, and transient project based organisations, operating on tight budgets, means that in-house professional and commercial skills can be unaffordable. We have therefore considered how to provide better networked access to business skills, in which a number of organisations could share these resources. The Warwick Commission on the Future of Cultural Value recommended that “Cultural organisations need to do a better job at coming together locally to share resources, devise partnerships that will unlock financial savings and generate income benefits”<sup>27</sup>. This is in line with the recommendation of the SIB review that business support programmes should prioritise peer-to-peer support, to build resilience and reduce dependency on specialists and third parties. A recent review into how arts organisations in Northern Ireland could become more financially resilient also highlighted the value of partnerships, saying “the promotion of collaboration should be an important element of any new initiative designed to help arts organisations to become more financially resilient...much might be achieved

through collective action, for example on ticketing and on audience development....The sharing of expert staff, such as fundraisers, finance directors or business development professionals, could also be highly beneficial.”<sup>28</sup>

Greater collaboration could be achieved through a number of different ways, including:

- Sectoral networks, such as UK Theatre or PlusTate’s network of galleries
- Hub and spoke networks, such as National Theatre’s partnership with regional theatres, through the Strategic Touring Programme.
- Place-based networks of local organisations, such as Birmingham Culture Central’s shared marketing database.
- Specific networks offering access to a particular service, such as orchestra tax credit services.

Funders could support these measures through developing resource hubs, and helping to structure and broker access to resource sharing arrangements. If needed, funders could also subsidise costs to access this shared resource.

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The advantage of such partnership arrangements is that business support would be specialist, sustained, and would help to **build capacity within the sector**. These partnerships could also support co-investment in shared infrastructure and innovation, especially digital infrastructure, such as marketing and ticketing systems, or digital co-production and co-commissioning.

Where access to particular specialist and technical skills are required, it may be cost effective for funders to invest in a network of specialists that is available to the sector as a whole. However, we would recommend focussing on building internal capacity where possible, rather than extending reliance on external advice.

New funding mechanisms can incentivise commercial trading activity, and also serve to dispel misconceptions over penalties attached to commercial success. These approaches have been shown to work well in the social enterprise sector, notably the School for Social Entrepreneurs' Match Trading grants.

**The School for Social Entrepreneurs'** Match Trading scheme provides grant funding matched pound-for-pound to any increase in income from trading. By rewarding sales growth, Match Trading incentivises social organisations to develop their trading base, so they can build stronger futures. The community businesses that received the Match Trading grants generated £1.7m from trading over the course of the year, £591,000 higher than their trading income from the previous 12 months. They achieved a typical 92% increase in income from trading, compared with a typical increase of 19% amongst a control group.

### **Repayable Finance in the Cultural Sector: Key Findings from MTM research**

£29m worth of repayable finance was received by survey respondents in 2016

£309m of repayable finance is expected to be sought over the next five years (£62m per year on average)

41% of organisations considering taking out repayable finance in the next five years would take out less than £150,000

54% of this future demand is expected to come from outside London

64% of organisations that have previously sought or taken out repayable finance say that it is a good tool to support their activities.

### **The role of repayable finance, including social investment**

Take up of repayable finance by the cultural sector has thus far been relatively low. This arises from constraints on both the demand and supply sides, but progress is now being made on both fronts. We have looked at how we might take advantage of this momentum to broaden access to repayable finance, focussing on opportunities offered by a 'place-based' approach to secure investment from a wider range of locally involved partners.

On the demand side, the cultural sector has historically been wary of loan finance. Organisations are more used to grant funding and there has been a widespread view that use of loans is risky. There is concern about repayments, limited resources to manage the process, and little appetite for risk at executive and board level – especially where boards are made up exclusively of non-executives. Enterprise development programmes such as Prosper have shown that business support can help to increase both awareness of and capacity for repayable finance.

Current demand for repayable finance is concentrated among a small proportion of organisations, which are typically larger and based in London. However, recent projects – including Prosper – have demonstrated an increasing interest amongst the cultural sector in receiving support to access finance. Earlier this year, a study commissioned by Nesta found that there is significant growth potential for repayable finance, and projected a demand for over £300m in repayable finance over the next five years<sup>29</sup>. The study also showed that attitudes towards repayable finance are positively linked to organisations using it: those that have used repayable finance are mostly keen to do so again.

On the supply side, sources of existing funding are for the most part linked to high growth, scalability or a geographic region. And where cultural organisations have received loan finance from social investors, this has hitherto been mostly for capital investment projects such as new buildings or facilities, rather than for revenue based projects. Nesta's study showed that there are key gaps in the supply of affordable, low level finance suitable for micro and SME creative businesses and for non-profit arts and cultural organisations – in particular, **there is an unmet need for loans below £150,000**.



New social investment funding platforms, including the Northern Cultural Regeneration Fund's Social Investment Fund, and Nesta's Cultural Impact Development Fund, can help to meet these needs.

In this Enquiry, we have considered how to scale up access to repayable finance for the cultural sector, and in particular:

- How city platforms could lever social investment funds from local partners, via Compacts.
- How to broaden the range of cultural and creative organisations able to secure social investment, through funding platforms investing in 'profit-with-purpose' organisations. Such organisations will have a clear local social impact, but may not be able to meet the requirements of measurable impact for 'impact-first' investments.

#### **Northern Cultural Regeneration Fund Social Investment Fund:**

a £3m DCMS supported fund due to launch in 2019, and to be run by Key Fund, offering grants and repayable finance of £25,000 to £150,000 to charities, social enterprises and creative businesses in the North, for capital and revenue funding.

#### **Cultural Impact Development Fund:**

a £3.7m fund run by Nesta, offering repayable finance between £25,000 to £150,000 to mission-driven arts, culture and creative industries organisations in England. Supported by the Growth Fund programme through Access Foundation for Social Investment, with grants from Big Lottery Fund and a loan from Big Society Capital, this fund will help borrowers innovate, become more financially resilient and more adept at monitoring, evaluating and communicating their social impact.

## **Improved giving propositions**

Place-based giving, especially to the arts and culture, used to be a cornerstone of civic life, and helped to establish many of our cities' major arts institutions. Over time, civic philanthropy has declined.

Corporate and individual donors are increasingly looking for relevant giving opportunities aligned to their interests and principles; this could be provided by more opportunities to give locally. Donors want to see a greater focus on social impact. Some are also looking for an opportunity to give their time and skills alongside cash, to the mutual benefit of the donor and recipient. Moreover, changes in technology and the growth of the alternative finance sector are creating opportunities to change philanthropic giving relating to place.

## **Evolving giving trends present new opportunities**

The total amount given to charity in the UK increased to £10.3billion in 2017<sup>30</sup>. The increase was as a result of fewer people giving more. With a few exceptions, in England, giving by High Net Worth Individuals (HNWI) to arts and cultural organisations tends to focus on artform not place.

The growth of community foundations is enabling philanthropists to give to social causes that benefit a particular locale, but relatively few arts and cultural organisations are accessing this form of support. We need to map community foundations' reach into the arts and cultural community nationally and to raise awareness of the cultural sector's 'offer' to them. Other platforms to enable place-based giving are limited, although the success of well-marketed local campaigns indicates the potential of this approach.

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## Corporate Social Venture Funds – Next-generation corporate giving

In recent years, corporate giving to culture has declined<sup>31</sup>, in line with reductions in the value of corporate philanthropy overall<sup>32</sup>. Companies are placing greater emphasis on social and environmental impact through their giving and as a means of communicating corporate purpose and values. The cultural sector will need to act to evolve its offer to corporates in order to keep up with these changing expectations, which create an opportunity for the sector to capture more corporate giving where it can offer a compelling local proposition. Those who do not evolve may miss out.

Corporate Social Venturing (CSV) is a model for investing in and assisting early-stage ventures achieving positive and sustainable social impact, through a mix of loan funding and business support. CSVs have been successfully deployed in the UK, demonstrating high returns on investment in terms of the long-term social value created. Financial returns are delivered to investors or revolved into the fund, providing a sustainable basis for delivering investment to social enterprises. To date, CSV investors have included Barclays, Experian, PWC and other corporates, plus universities, social investors and housing associations.

CSVs are distinctive in that the corporates investing into the fund are closely involved in the administration of the fund, selecting an investment shortlist, coaching candidates, manning the investment committee and then coaching successful investees. The investments tend to be made on a 10 year basis, with returns often recycled into the fund. The principal motivator for corporate involvement is high quality staff engagement and skills development. CSVs are a tax efficient vehicle, with investments qualifying for SEIS, EIS, reducing the financial risk for investors.

A proportion of the funds for CSVs tend to be in the form of grants, usually provided by the government partner and/or the lead corporate sponsor. This blended finance aids the sustainability of the fund. It would also be possible to build in grants from philanthropists, trusts and foundations and other funders.

Our research suggests that there is strong argument for establishing place-based CSVs, with funds devoted to creative and culturally-focussed social enterprises and/or cultural organisations that can demonstrate clear social impact. The particular value of the CSV model for the cultural sector is not only in leveraging new streams of income, and scaling up the availability of repayable finance for the sector nationwide, but also in providing an injection of commercial skills, increasing the chances of successfully achieving the goals of investment.

The potential added value of place-based CSV models for the cultural sector is:

- New sources of investment into the sector through a more sophisticated relationship with corporate and other local partners, based on mutual interest.
- An opportunity for strategic actors within a city – corporates, universities, community foundations, housing associations to co-invest through a ‘next-generation’ philanthropy model.
- An injection of commercial skills into the cultural sector, increasing the chances of successfully achieving goals – whether that be financial sustainability and/or growth.

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Businesses will increasingly need to develop a strong rationale to support their charitable giving. Many companies are already choosing to demonstrate how charitable giving plays a vital role in developing purpose, building trust, encouraging employee engagement, enhancing corporate reputation and delivering critical social value. By doing so, they are able to ensure long-term commitment and develop a sustainable model.

Charities Aid Foundation’s report  
Corporate Giving by the  
FTSE100, Jan 2018  
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## Streamlined solutions to maximise high volume/low value giving

To become more financially resilient, organisations must diversify their sources of funds, and pursue these efficiently. At the high volume, low value end of the giving scale, cultural organisations tend to focus on cash donations. This is inefficient in terms of processing costs, and limits who can give: 2 in 3 adults already carry less than £10 in cash<sup>33</sup>, yet 3 in 4 UK charities don't offer contactless giving, so are missing out on a potential £80m a year<sup>34</sup>. Research from the Institute of Fundraising found that 70% of members had already seen a decrease in cash donations<sup>35</sup>. We can do more to exploit technology-enabled opportunities to increase donations from a greater diversity of cultural participants and audiences, by catching up with the consumer trend towards cashless payments.

Contactless giving is emerging on our high streets, with Big Issue sellers using contactless to ensure they do not miss any sales and Edinburgh Fringe festival providing a 'tap to tip' service to enable spectators to give to street performers. There could be more opportunities for place-based giving, via contactless giving points in cultural quarters or city festivals, for example. However, perceptions around the cost and complexity of contactless remains a barrier to some organisations, particularly smaller charities.

Some cultural organisations have successfully implemented contactless donation boxes, including BALTIC Centre for Contemporary Art, in Gateshead. Others are experimenting with contactless hand-held devices, to enable welcomers and tour guides to take donations, with some great learnings from National Museums Scotland on how to optimise the interactive and agile nature of this technology. National Museums Liverpool's experience demonstrated that contactless donations were 70% cheaper to process than cash donations.

Alongside this, the Gift Aid scheme may need reform to keep up with consumer spending preferences. The current system encourages cultural charities to focus on cash donations and it can be resource intensive for organisations to administer, especially smaller organisations.

Claiming Gift Aid on contactless donations under the Small Donations Scheme is efficient, but is capped at £8k a year. To drive better adoption of efficient payment methods, and drive greater efficiency in the way Gift Aid is distributed, it may be necessary to lift the cap on contactless donations, and to review the efficiency and efficacy of the wider system, to remove barriers to smaller organisations participating, and make it easier for more donors to participate.

### **Cardiff Giving Wall** for homelessness charities.

Cardiff's Business Improvement District (BID) funded a screen and contactless service in the city centre to raise funds. Funds were matched by a local charitable trust and funds raised were managed and distributed via grants to local homelessness charities via the Community Foundation in Wales.<sup>36</sup>

**National Museums Liverpool** collected £280,000 from visitors in donations last year. They note: "This significant source of income will be greatly enhanced in 2019 by the introduction of new contactless donation boxes to all our venues; this will increase average gift amounts and reduce costs for cash handling as well as improving security and visitor experience. We currently operate Gift Aid using envelopes but this is time consuming and costly both for our staff and for HMRC to collect, store and process the evidence. We would love to see greater efficiencies in the Gift Aid system so that costs to HMRC and charities can be reduced and more of each donation spent on the amazing things we do for our 3 million annual visitors."

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## Fiscal measures

Public investment into culture stimulates tourism and other local economic activity. Overseas visitors generated £6.7bn in tax from overseas visitors in 2013<sup>37</sup>, and the contribution of the arts and culture industry to the Exchequer was over £2.6bn in 2015.<sup>38</sup> This creates value for businesses and additional tax receipts for government.

- **Direct impacts** – economic output and jobs created by the culture and tourism industries, such as venues, hotels and travel agents.
- **Indirect impacts** – economic output and jobs created by businesses that supply those that are involved in these industries, e.g. construction, catering or office supplies.
- **Induced impacts** – economic benefits created by people directly or indirectly employed by these industries, i.e. their household expenditure in the local economy, supporting more jobs.

Cultural investment also makes a place more desirable to live, pushing up property prices from which homeowners and developers gain. It plays a particularly strong role in urban regeneration, stimulating development in run down areas, increasing land values and delivering social and economic benefits.

But public investment is declining, and over 90% of all local tax receipts return to the Exchequer, with relatively little returning to be reinvested into culture locally. Where local investment in culture can be shown to create additional returns to the Exchequer, there is a strong case for some of that value to be kept and reinvested locally. There is also a case to be made for additional local investment into culture from businesses that benefit directly from public investment.

This Enquiry has explored two types of tax-related models that have the potential to incentivise local investment in culture, and to capture and reinvest value into sustaining local cultural resources.

### Business Improvement Districts 'Plus' (BIDs+)

Although BIDs have been in existence for some time, BIDs+ is a new model intended to stimulate additional business investment into culture, incentivised by government. Businesses would agree to put additional resources into an area – for example a culturally-led regeneration programme – which will in time deliver additional tax returns to the Exchequer, as well as benefits to business.

In return, Government could share the dividends it receives, allowing a portion of the tax uplift to be retained locally, or returning it to the area as match funding to be reinvested into culture, further benefitting business and generating further returns.

The potential benefit to Government is that additional resources are found for culture and regeneration that do not come from the public purse, and additional tax returns are created as a result. There are strong indications that this model would be supported by the hospitality sector, because it will improve urban environments and create additional footfall.

A BIDs+ model could be established by extending an existing BID, subject to a business vote, or by putting in place a new BID which might, for example, focus on a regeneration area.

BIDs currently generate in excess of £110 million a year<sup>39</sup>, the median level of income for a BID is £246,000, the lowest is £18,500, the highest just under £4m. Therefore, if BIDs+ was adopted, it would be likely to have a geographically mixed, but potentially significant impact through providing further incentive to business investment.

Calculating and agreeing what tax levels are truly additional can be complex, but not impossible. There are several precedents that calculate the revenue implications of locally-focussed policies including, New Homes Bonus, Enterprise Zones, and Business Rates Retention.

### Tourist Levy

Many other countries generate additional local investment into culture through tourist levies. In the UK, this model has provoked strong arguments both for and against.

A tourist levy has the potential to make a significant impact on investment in culture. The ten UK Core Cities estimate that a £1 per night levy could generate in excess of £30million per annum, not including their city region areas<sup>40</sup>. Oxford estimates the same levy could raise £5million a year, and Edinburgh that a £2 levy could raise £2.5million during the Festival. However, the impacts would be lower in places without major tourism. The hospitality sector is not in favour of a hotel levy, and argues there could be negative impacts on tourism, which has shown to be cost sensitive.



Hackney and the Lake District have a voluntary levy, and others are considering this, including Birmingham's plans for the forthcoming Commonwealth Games. A mandatory tourist levy would require primary legislation and if a levy were supported, it could take two to three years to introduce.

Scotland has looked at a levy and concluded that a national conversation should take place to consider the merits of the proposal. The Enquiry believes that extending this to a UK-wide review is the right thing to do, allowing cases to be made for and against different models of a levy.



**Edinburgh Fringe piloted contactless 'tap to tip' with street performers in 2018:**  
Street performer Wilf Keys Magic (Matthew Keys),  
Edinburgh Festival Fringe Society



## Recommendation

### 7a. Diversity in the cultural sector:

- Cultural organisations should set self-determined targets for diversity of their leadership teams and boards, within the context of local demographics and their artistic mission. They should publish these ambitions, and annual progress towards them.
- Compacts should prioritise diversity within the cultural sector and relevance of cultural offering within their business plans. They should monitor progress, providing support and challenge to cultural organisations.
- Arts councils and other funders can support this by collecting and disseminating relevant data on diversity sharing best practice. They should also make funding for core funded organisations conditional on commitment and progress towards greater diversity.

### 7b. Talent pathways for creative skills

- Compacts should prioritise the development of creative talent pathways within business plans. They should support the development of city-wide creative skills strategies, bringing together the cultural sector, education and business partners. Creative talent development agencies could include an Apprenticeship Training Association to run cultural and creative apprenticeship programmes across the city.
- Governments can support this process by enabling more flexible use of Apprenticeship Levies, and structuring of apprenticeships.

## Diversity Matters

The Enquiry begins with the conviction that cultural opportunity helps people lead enriched, fulfilled lives. Culture enables people to find their place in the world, to understand and realise their potential, be part of their communities and society, and provides enjoyment at all stages of life. Cultural opportunity can help build neighbourhoods and cities which are tolerant, inclusive, healthy and prosperous.

Our cities are fundamental to providing these opportunities, and they benefit in turn from the cultural, social and economic value that is created. Enhancing this value is particularly important in the context of the ambitions of the Industrial Strategy and the Creative Industries Sector Deal. However, despite the strengths of the UK cultural sector, and the vibrancy and potential of culture in our cities, cultural opportunity is still not accessible to all. This restricts culture's potential to contribute to the life of our cities, and it limits the extent to which people benefit from investment in culture.



Music in the Round's Bridge 2018 Residential  
Photo © Chris Saunders / Fraser Wilson (as in image title)  
Courtesy of Music in the Round





A more representative cultural sector, reflecting the strength inherent in our cities' diverse populations, will promote cultural innovation, engage more audiences, and better connect people with each other and the places in which they live, study, work and visit. In addition, it will strengthen the talent pipeline into our creative industries, helping them grow, while enabling people from all backgrounds to share in the benefits of that growth.

To unlock the potential of the cultural sector for all people and communities, we need to:

- Ensure that the cultural sector is representative of the diversity of our cities and of our country as a whole
- Embed diversity and inclusivity in strategy and governance of city culture, including monitoring diversity within the workforce, leadership and in the provision and take up of cultural opportunity
- Widen access to careers and employment in the cultural sector, so that people from every background can benefit from growth in our cities' creative industries and ensure that sufficient local talent is available to power that growth

### **Putting diversity at the heart of cultural organisations**

A cultural sector and cultural opportunities that are truly representative of our society is not just a question of equity and social justice. It is the foundation of growth and quality in our cities' cultural life. As Sir Brian McMaster noted a decade ago: *"The diverse nature of 21st century Britain is the perfect catalyst for ever greater innovation in culture and I would like to see diversity put at the heart of everything cultural. We live in one of the most diverse societies the world has ever seen, yet this is not reflected in the culture we produce or who is producing it. Out of this society the greatest culture could grow"*<sup>41</sup>. The challenge, and the opportunity inherent in it, remain, and we must achieve a greater rate of progress.

### **The cultural sectors' leadership and workforce should be representative of our society and able to promote diversity and access.**

Cultural organisations should put inclusivity and diversity at the heart of staff development and recruitment. They should set themselves stretching diversity targets for their boards and leadership teams at a minimum, and publish progress towards these ambitions.

### **Funders should incentivise organisations to take account of diversity.**

UK arts councils and local government should make funding conditional on organisations developing and implementing diversity, equality and inclusivity plans. Smaller organisations may lack capacity to do this effectively, and Compacts and the arts councils should consider how to overcome these challenges through city and nation-wide programmes.

### **Cultural organisations should seek out opportunities for co-creating cultural product with all communities in their city,**

especially where communities have been underrepresented in a city's cultural offer. This meaningfully engages new people and communities in the organisation and the city's approach to cultural opportunity. The Calouste Gulbenkian Foundation's recent work on the Civic Role of Culture highlighted the need for 'relevance' of cultural content, which can be enhanced by co-production with communities.<sup>42</sup> Ways to achieve this include working in a place-based approach (such as those sponsored by the UK arts councils<sup>43</sup>) or learning from where these approaches have been adopted; considering the work of cultural organisations already working in partnership with communities to develop product and to inform their whole practice, such as London's Roundhouse and Bristol's Acta community theatre.

### **Adopting a city-wide approach to diversity and the cultural sector**

**Compacts should lead renewed city-level focus on diversity in the cultural sector.** Compact business plans should monitor local data relating to the diversity of boards, leadership, staff and audiences in the cultural sector, should set aspirational targets for improvement over time, and actions to achieve them. Data should take account of all protected characteristics and well as socio-economic status and age – inclusion of young people and older people should also be prioritised. Compacts, bringing together the cultural sector and its partners, and community groups, can play a challenge role, as well as brokering partnerships across the city to deliver action.

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## A talent pipeline supporting inclusive local growth

As part of the creative industries, the growth potential of culture is recognised by the UK government<sup>44</sup> and the devolved administrations<sup>45</sup>. The relationship between publicly supported culture and the commercial sector is symbiotic, with careers straddling both, and public investment stimulating innovation and partnerships with commercial potential<sup>46</sup>. Creative industries growth will benefit, and depend on, growth in the cultural sector. Stewarded well, this growth will create more jobs in a sector where people can find rewarding careers that are at less risk of automation than in the rest of the economy<sup>47</sup>. Yet current paths into cultural and creative industries are narrow, and this is reflected in the workforce.

The cultural sector workforce is unrepresentative of our society. In England, in comparison with the whole working age population, people from a BAME background and disabled people are under-represented across the arts and culture workforce and leadership and women are under-represented in certain leadership roles<sup>48</sup>. In Scotland, people from a BAME background make up less than 2% of the workforce in Creative Scotland Regularly Funded Organisations<sup>49</sup>. Disabled people and people from a Black and minority ethnic background are underrepresented in the workforce of Arts Portfolio Wales<sup>50</sup>.

Higher level qualifications are still characteristic of employment in this sector, with 60.5% of creative industry workers being graduates compared to 31.8% in the UK economy as a whole – this indicates in part the sector’s highly skilled nature, but access to qualifications is unequal. That it can militate against career entry from those from less advantaged backgrounds is evidenced by the fact that 92.1% of creative industry workers are from higher socio-economic backgrounds<sup>51</sup>.

Often, as the Bazalgette review of the creative industries highlighted, young people are unaware of the range and potential of career opportunities<sup>52</sup>.

The scale and nature of the cultural sector makes it difficult to take advantage of policies and programmes designed to support growth. The creative industries as a whole average 3.3 FTE per business<sup>53</sup>. This is a sector whose growth will be driven by micro-businesses and SMEs, but where business size means they cannot always benefit from skills and workforce programmes such as the Apprenticeship Levy. This could be a restriction on both the effectiveness of the talent pipeline in this sector and to it being open to people from all backgrounds.

The Bazalgette review noted that whilst the creative industries sector welcomes the opportunities provided by the Government’s new approach to apprenticeships, it has “compelling reasons” why this opportunity is unlikely to be optimised without modification and adaptation.<sup>54</sup> This enquiry’s recommendations will help deliver some of those necessary changes.

**The cultural sector acts as a gateway into other careers in the creative industries**, so the lack of diversity across culture has implications for whether growth in the sector as whole will be inclusive. Yet, this also creates an opportunity. Given the ability of public agencies to direct and influence investment in culture, public programmes have and can further increase the sector’s diversity, and drive change in the broader creative industries sector.

There have been a number of successful interventions to open up pathways into employment in the creative sector for people from backgrounds who are under-represented in it. A report for the Museum of East Anglian Life estimates that £4.30 of social value is generated by every £1 invested in its work-based learning programme for the long-term unemployed<sup>55</sup>.

UK’s cities are increasingly taking responsibility for the development of their economies and promoting inclusive growth. City deals, devolution deals and local industrial strategies provide a framework for a flexible approach. Cities will have a responsibility for leadership to increase productivity, which the Industrial Strategy recognises as a key challenge to be tackled through effective investment in education, training and skills<sup>56</sup>.

Apprenticeships are a major opportunity for the cultural sector to secure and diversify its talent pipeline. The Creative Employment Programme, run in partnership between Creative and Cultural Skills and Arts Council England suggested that apprenticeships added significant benefits to creative firms – in terms of productivity and diversifying the workforce<sup>57</sup>.

Yet cultural organisations are not well placed to exploit the opportunity of the apprenticeship levy. Creative businesses raise up to £75 million per year through the levy<sup>58</sup>, but they are unable to spend this on apprenticeships and thus subsidise other sectors. This is in part because 95% of UK creative businesses have fewer than 10 employees, often working on short term projects. This makes it difficult to meet some apprenticeship requirements, such as a minimum 12-month contract and 20% off the job learning<sup>59</sup>.



We propose targeted interventions to current talent development schemes, providing the skilled workforce that growth in the cultural and creative sector needs, and doing so in a way that opens up opportunities to people from every background. This will involve cultural organisations, the creative industries sector, Further and Higher Education providers, schools and skills bodies.

Compacts can have a vital role in boosting local creative talent development by providing strategic leadership to help establish future creative skills requirements for the city and developing a comprehensive plan to meet creative skills needs through coordinated activity to develop local talent – securing and aligning resource as appropriate. They can provide local co-ordination and a locus for partnership with other sectors and agencies engaged in the development of activity within the Local Industrial Strategy context.

#### **Creative apprenticeship consortiums:**

Through Compact leadership (or other appropriate local partnership), cities should adopt a consortium model to increase the number and quality of apprenticeships. Consortiums would be led by cultural organisations, creative industries, local authorities and the HE and FE sector with the cultural sector operating as the “shop window” for apprenticeships across the broader creative industries sector – providing the necessary scale and linking the cultural sector into local plans for growth in the creative industries.

To enable this, Government should enhance the ambitions of the apprenticeship levy by giving corporates freedom to invest more than 25% of the levy in the provision of apprenticeships, within and beyond their direct supply chain, in places seeking to grow the cultural and creative sectors.

**Stiwdio Frân Wen**<sup>60</sup> worked with young people from 16 to 18 who were not otherwise in employment, training or education, putting them in a team operating as a normal graphic design or media studio with real clients and commissions. Several participants have gone on to employment in the sector.

**Ffilm Cymru’s Foot in the Door**<sup>61</sup> programme worked with housing associations to give their residents access to training to enable them to secure employment in the growing Welsh broadcast sector, and develop skills with broader application across the whole cultural and creative industries.

Participating cultural organisations would use resources from this to provide a structured programme of apprenticeship opportunities across their organisations and in the city’s creative industry sector. This would enable smaller organisations to take part in apprenticeship programmes and would ensure apprentices were exposed to a variety of workplaces and experiences.

#### **Apprenticeship Training Agencies (ATAs):**

Some cities may wish to develop their creative apprenticeship consortium via an ATA. This would create critical mass and capacity to overcome some of the barriers to the apprenticeship opportunity being fully realised in the cultural sector. ATAs could make a contribution in the following ways:

- o Co-ordinating 12 month apprenticeships made up of a sequence of shorter placements and study periods, which would overcome the challenge to small creative businesses and cultural organisations which will struggle to balance the demands of year long apprenticeships with a business model dependent upon fixed term projects.
- o Some cultural organisations will find it difficult to pay a standard minimum wage over the lifetime of the apprenticeship – ATAs could be allowed to pay salaries during study periods or explore how to subsidise salaries using social enterprise models.
- o ATAs can bring together a range of cultural organisations each offering distinct elements of a training programme, but without the individual capacity to deliver a programme on their own.
- o Government should permit levies to be pooled locally in the ATA to support growth and access to careers in the sector, recognising that cultural organisations’ own supply chains may not generate sufficient levy in their own right.

#### **Work experience:**

Compacts should bring together cultural organisations, along with other creative industry sector bodies, to identify and provide high quality work experience opportunities. These should be delivered in partnership with HE and FE to improve awareness of the opportunities provided by cultural and creative sector careers, especially to young people from backgrounds underrepresented in them. In England, this should support the roll out of the Creative and Design T-Levels in all pathways from 2021.

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## International collaboration and exchange

The UK's cultural sector is world class; our creative talent commands an international reputation, and our great cultural institutions are respected worldwide. It is also very dependent on international collaboration and the exchange of creative people, practice and ideas. Our cultural sector is highly networked, open to international collaboration, using this as a springboard for creative innovation and new markets. It is no surprise that UK cultural organisations tour internationally, share their collections with institutions around the world, and host some of the most exciting artists and exhibitions back in the UK. Our cultural sector brings the best of the UK to the world, and the best of the world to the UK.

Our cities know the value of this, and make use of their cultural offers as part of their international marketing and inward investment strategies.

In a very real sense this helps our cities become more prosperous. There is an export opportunity to be seized. Already, the creative industries are vital – they made up 9% of total UK exports in 2014<sup>62</sup>. Culture can be at the heart of a creative industries export drive by our cities – in its own right through the creation and sale of cultural product, cultural tourism and touring, and as part of marketing strategies for the broader creative sectors, and also through the stimulation of growth of local creative clusters, growing them and increasing their export potential.

Yet to realise this we must ensure that our cities and their cultural sectors remain open to international collaboration and exchange. Creatives know that international exchange is a powerful factor driving innovation – research with cultural professionals and artists in England found that 89% saw artistic development as the main reason to work internationally<sup>63</sup>.

As we leave the European Union, and frame new international relationships, the UK government must work with our cities, and with the cultural sector to ensure that we maintain the international exchange which has made our cultural sector world class, and has helped our creative industries become a growing, export led sector.



## Recommendation 8:

- City Compacts should support the establishment of portfolio approaches to cultural property assets, where local conditions present a sound business case for doing so. These asset portfolios should maintain civic, community or cultural sector ownership of property to enable returns to be recycled.
- Governments should support the more widespread establishment of portfolio approaches by providing a toolkit to support Compacts in assessing viability of options, bringing together public bodies and other agencies with an active interest in this field, including Historic England, Heritage Lottery Fund, National Trust, Arts Councils, the Local Government Authority and Architectural Heritage Foundation.
- Governments should also support cities by funding viability studies to establish portfolio asset management approaches in Compact cities, and make available funds for implementation of projects, on a needs basis. We recommend that £200,000 is made available for this purpose.
- Compacts should also ensure that cultural activity is prioritised within city spatial plans, and that planning policy, licensing and business rates are in alignment to help enhance the cultural estate.

**The role of culture in urban regeneration presents a huge opportunity for cities. As an ‘industry’, culture has a disproportionately powerful capacity to catalyse wider economic development in a locality, and is particularly important in supporting the growth of the wider creative and digital industries, through its role in attracting talent. However, cultural activity is often vulnerable to displacement following urban redevelopment, and returns on publically-owned cultural assets are not always optimised.**

There is an opportunity for cities to make more strategic use of their cultural and heritage property assets, and those owned by other public sector parties, in support of local economic development plans. This will enable cities to capture greater value from regeneration for reinvestment into the city, and better insulate the cultural sector from land value rises.

The cultural sector within cities comprises an ecosystem of small, medium and larger organisations, plus project-based or transient activity. Cultural activity promotes increased land values, through supporting economic regeneration, and stimulating the visitor economy. But much of the value created through regeneration flows out of the city to landowners, investors and the Exchequer. Where cultural activity is displaced in this way, there is a risk of eroding the cultural asset base of a city, which is itself an important condition for continued success.



Home. Photo © Paul Karalius / HOME

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The Enquiry found that availability and affordability of space for cultural performance (such as theatres) and production (such as artists' studios) were central concerns for many cultural organisations in cities, especially for grassroots or community level cultural activity. Cultural organisations that do not own the buildings they inhabit can be priced out following increases in business rates or rents, or evicted by landlords in favour of a more profitable use of the building or underlying land. The extent of this displacement differs from city to city, but it was identified in our research as a priority issue on a near-universal basis.

We also found that in many cities, the 'public estate' of cultural and heritage buildings is extensive, with many of the larger or longer-established cultural organisations inhabiting buildings owned by city councils, which are typically leased on long-term peppercorn rates. However, the cultural, economic, social and financial returns on these publically-owned cultural property assets can be limited due to constraints on asset management capacity (amongst both the asset owner and the tenant). This can be exacerbated by lack of alignment across the public estate or between the asset owner and tenant.



The Enquiry found that availability and affordability of space for cultural performance and production were central concerns for many cultural organisations in cities.

## Asset portfolio approaches

There exist a number of models based on portfolio approaches to asset management of cultural property which have successfully addressed – or at least mitigated – these issues, and are generating valuable civic returns on a sustainable long-term basis. These range from studio space collectives such as SPACE in London, East Street Arts in Leeds and WASPS in Glasgow, to Community Heritage Organisations such as Historic Coventry Trust, and community-owned creative workspace such as Baltic Creative in Liverpool.

We have examined new thinking around the future management of cities' parks, including Rethinking Parks programme led by Nesta<sup>64</sup>, with support from Heritage Lottery Fund, the National Trust and Big Lottery Fund, noting the continued success of Milton Keynes Parks Trust, and the establishment of a new charitable trust to manage Newcastle's parks. We have also considered the work of the Architectural Heritage Fund and new approaches under development in London to protect creative workspace and cultivate creative activity in the context of high land values – the Creative Land Trust and Creative Enterprise Zones.

It is important to note that many cities already manage their creative and leisure services via trusts. In the main, these trusts have been created in response to budget pressures, and they tend not to be asset-backed. Whilst some of them, such as Glasgow Life, have been very successful in improving management of cultural provision, the model has not always led to significant local benefits. Our focus has been on portfolio approaches to managing cultural property, and the strategic advantages this can afford.



## Common success factors

These varying models of portfolio asset management set out above have a number of common success factors:

- Collective asset management, which increases efficiency, enables cross-subsidy and promotes long-term financial viability.
- Private sector expertise in regeneration, and property asset management, deployed in building and managing an income-generating asset base, for civic gain.
- Civic, community or cultural sector ownership of property assets (or part-ownership), supported by strong governance arrangements, enabling returns to be recycled, maximising civic benefits.

Portfolio asset management approaches along these lines enable cities to better generate, capture and recycle real estate value created by cultural activity. Over time, they also have the potential to become powerful drivers for regeneration and a sustainable route for investment into the cultural and creative sector – as housing associations have in their sector. This presents a compelling opportunity for cities looking to reanimate city centres and high streets, and revive post-industrial quarters.

Compacts can bring together strategic partners to assess and implement projects to establish such portfolio asset management approaches, where local conditions would support a viable business case for doing so. By taking a collective view of the public estate of cultural buildings, Compacts can help to realise more ambitious projects to invest in the cultural estate that would have a significant impact on the extent, quality and sustainability of a city's cultural endowment. They can also ensure that cultural activity is prioritised within city spatial plans, and drive alignment across planning policy, licensing and business rates. Compacts may also want to consider the opportunity for Councils to make Compulsory Purchase Orders, especially for assets of community value, and take a proactive approach to cultural meanwhile use of buildings and spaces.

Governments can support the more widespread establishment of these models through developing best practice toolkits to support Compacts in assessing options and implementing projects, and by funding viability studies and pathfinder projects, on a needs basis.

## Relevant models and case studies:

### Milton Keynes Parks Trust:

MKPT was set up with £20m of assets (largely parks and property) in 1992, which has since grown to a value of £120m through sound professional management. The trust generates £1m a year from commercial activities, and is entirely self-sustaining, receiving no grants from the council. The land is owned by the council and leased on a 999 year basis. The leaseholder agreement sets out main tenants of the relationship: the trust must maintain free access to parks and maintain to high standard, and must not buy/sell/award significant contracts without council's permission. The trust is operated as a charity, with some subsidiary trading companies.

### Newcastle Parks Trust:

In 2017, Newcastle City Council announced that a new charitable trust would manage the city's parks and allotments, as a means to secure the long term viability of the city's green estate – with support from National Trust and Heritage Lottery Fund. The intention is for the trust to become self-sustaining over a ten year period. The land will remain in public ownership, but the trust will be able to establish new income streams not available to the Council, using its resources in ways that the Council cannot, and will recycle income back into the estate.

### London's creative land trust:

London is establishing a Creative Land Trust, inspired by San Francisco's Community Arts Stabilisation Trust, to safeguard affordable creative workspace in the capital. Supported by the GLA and Arts Council England, it will acquire or secure long-term leases on creative workspaces to create a network of sustainable, permanent spaces. The business model includes three options for asset acquisition: a property fund to purchase property outright and provide long-term secure leases and/or transition to asset ownership; shared ownership, through provision of upfront capital to co-purchase property with a workspace operator; property repository – the receipt of properties from public bodies and developers through ownership transfers and long leases. The Trust will operate as a charity, and will pursue a blended funding model by leveraging grant funding to attract impact investment structured as debt.

### Creative Enterprise Zones, London:

Creative Enterprise Zones are a new initiative to designate small areas of London where artists can put down roots and creative activity is supported. 11 boroughs each received a £50K GLA grant to develop their CEZ proposals. The core principals of CEZs are to provide: **Space** – secure permanent, affordable, creative workspace, and live-work spaces at well below market rents, and ensure no net loss of affordable workspace through new developments in the area. **Skills and support** – build entrepreneurial skills and offer affordable business support to artists, start-ups, sole traders and small businesses as well as create jobs. **Policy** – develop Local Plans with pro-culture policies in planning, housing, business development, technology, super-fast broadband and infrastructure, and support local business rates relief policies. **Community** – create socially-inclusive places and strengthen links with marginalised communities and education providers so that young and local people can access new jobs within the CEZ.

### Baltic Creative, Liverpool:

Baltic Creative is the fastest growing creative and digital cluster outside London, hosting theatre companies alongside gaming software developers and creative and advertising agencies. The Baltic was created with a £4.5m grant from European Reconstruction and Development Fund and North West Development Agency to fund the purchase and refurbishment of 18 warehouses in a semi-derelict area of the city. The Baltic has since tripled its footprint through a second fundraising that was just 30% grant funded, with the rest provided in loan capital from Charity Bank. It currently generates £400,000 surplus per year.

Baltic Creative has a 5 year plan to deliver 750,000sqft of creative space worth £50m, generating £2m profit per year for reinvestment into the city's creative sector. As a community interest company, all profit is retained and recycled into the city's creative sector. The property is asset-locked so it can only be used to invest in and underpin the growth of the creative and digital industries in Liverpool. Co-location supports innovation, with 70% of businesses collaborating in some form.

### Galeri Caernarfon Cyf, Gwynedd and Anglesey:

Galeri Caernarfon is a not for profit community enterprise operating as a Development Trust. The company was established in 1992, to improve the image of Caernarfon town centre by purchasing derelict buildings (shops, offices and housing) within the walled town. To date, the Trust has refurbished and re-developed 20 previously vacant and run down properties in Caernarfon. The company contributes almost £2.5m to the Gwynedd and Anglesey economy.

### Historic Coventry Trust:

Coventry City Council are transferring 22 heritage buildings, including a row of shops in a conservation area, into a social enterprise as a key plank of the city centre regeneration plan. The portfolio includes some deficit and some revenue generating assets, and collective management will allow cross subsidy across the portfolio. The social enterprise is allowed to borrow against the value of the assets in order to realise investment funds to supplement grant and donations for building restoration, with a cap of 50% maximum leverage on the property value of each asset. Several new build projects are also planned as enabling development.

### Vault Artist Studios, Belfast:

Established in 2017, Vault Artist Studios is a collective of artists providing affordable art studios and work spaces for creatives in disused commercial and industrial buildings in Belfast. The not-for-profit charity takes temporary leases on buildings, and is expanding its portfolio of studio, rehearsal and performance spaces across the city, often working with developers to take up the opportunity of meanwhile use of buildings, whilst promoting the regeneration of an area.



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Chris Murray and Will Mapplebeck – Core Cities

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