

Arts Council response to the DCLG consultation, “The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years”

Arts Council England is the national development agency for the arts, museums and libraries. It champions, develops and invests in artistic and cultural experiences that enrich people's lives. We support a range of activities across the arts, museums and libraries - from theatre to digital art, reading to dance, music to literature, and crafts to collections. Great art and culture inspires us, brings us together and teaches us about ourselves and the world around us. In short, it makes life better. Between 2015 and 2018, we will invest £1.1 billion of public money from government and an estimated £700 million from the National Lottery to help create these experiences for as many people as possible across the country. Government funding is received from the Department for Culture, Media and Sport and requirements are laid out in our funding agreement¹ with them.

Local government is the Arts Council's most important strategic and delivery partner. Without this partnership England's world class cultural sector would not be able to have the impact that it does. Our partnership with local government allows us, a national and expert development agency, to work with councils who have local reach, knowledge and democratic legitimacy. Local government's support for culture is vital and comes in the form of investment, leadership and partnership. The local government finance settlement will determine the extent to which councils can support culture in this way. The extent to which local government can support culture will inform our own investment decisions – both those we are taking at the moment, and our planning for those organisations for which we will provide revenue funding in the period 2018-21.

We are grateful for the opportunity to contribute to this consultation, and below we set out our responses. If you would like to follow this up, please contact Paul Bristow, Director, Strategic Partnerships, paul.bristow@artscouncil.org.uk

Question 3. Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?

We note that in Annex A of the draft Local Government Finance Report (England) 2016-17 that assumptions have been made around which services are provided by

¹ http://www.artscouncil.org.uk/media/uploads/pdf/DCMS_funding_agreement.pdf

the upper and lower tiers in two tier areas – and that two categories of services that relate to our responsibilities (museums and galleries, and performing arts) are included in the lower tier category.

We would like to know more about the rationale for this and whether there will be any implications? Our concern arises because museums and galleries and performing arts are not currently solely the responsibilities of lower tier councils. Many county councils invest directly into arts and culture, as evidenced by DCLG's Revenue Outturn Statistics. We would not want the division of services as indicated in Annex A to indicate that the government considers financial support for culture to be exclusively a function of district councils in two tier areas. County councils are vital for the health of the cultural sector in a number of locations, and we would not want to see resources denied to them on the basis that it is considered to be a district responsibility. Similarly, we would want to ask if this has any implications for the reporting of revenue expenditure by local authorities to DCLG in the future. Does this mean that expenditure in these categories will only be reported for councils in either top or lower tier?

If there are implications for funding allocations and/or reporting then we would suggest that the categories of “performing arts” and “museums and galleries” are included in the consideration of revenue expenditure by both tiers of councils. This would enable the allocation of resources to take full account of the services being provided across local government, and the key role of district and county councils in supporting culture, which varies across the country.

Question 16: Do you have any alternative suggestions for how to secure the required overall level of spending reductions to settlement core funding over the life of the parliament?

Better co-ordination between local government and funding agencies will help local government – and indeed the public sector as a whole – deliver further spending reductions through a more efficient and place based approach to investment decisions. The Arts Council welcomes moves to put in place four year funding settlements for local authorities that request them. We would suggest that where councils are seeking to take up this option that they are encouraged to have early dialogues with funding partners such as the Arts Council. This would enable both sides to consider effectively the needs and aspirations of places, and to put in place appropriate investment strategies. The Arts Council invests on a three-yearly basis – providing regular revenue support

grants for arts organisations and museums, many of which are also in receipt of grants from local authorities and other partners. Our next investment round is in 2018-21, and we are thinking about how our investments will align with those of local government at the moment. A move to four year funding arrangements provides greater certainty to the Arts Council as a co-investor with local government. We would encourage local authorities to take up this four year option and to work with us on developing longer term investment strategies. In this way the Arts Council could collaborate directly with local councils to drive efficiencies, while still providing a stable financial environment for the cultural sector. This could help underpin changes within local areas as the cultural sector, the local authority and the Arts Council work together to make savings and plan for sustainability. We make multi-year commitments to the organisations that we fund, and we hope that this enables local government to do the same. This could be of great value to the cultural sector in England. We would appreciate it if the government could emphasise the advantages of this approach.

Investing in arts and culture brings social and economic returns, and we would want to minimise any unintended consequences arising from the local government financial settlement which might lead to costs and restricted capacity of the sector to help drive local growth. We are concerned around the future of discretionary business rate relief. We do not want to see reductions in rate relief potentially creating further revenue demands from local government or the Arts Council.

Cultural organisations are very often charitable bodies, and many councils are putting existing direct provision into arms-length arrangements, again often charitable bodies. We recognise that there are significant resource pressures on local authorities but the removal of discretionary reliefs only passes this pressure onto local cultural organisations. Evidence is emerging that this is having an impact upon the sustainability of the local cultural sector. A recent survey by the Association of Independent Museums found that 21% of their membership had seen their discretionary reliefs reduced while a further 21% found that their reliefs had been withdrawn altogether. We want to work with the government to consider what the implications of any changes to rate relief might be and to consider with government and local government as to what can be done to mitigate this.

We would also like to open a dialogue with the Government about the possibility of reclassifying museums and galleries as educational hereditaments for the purposes of the rating valuation of such organisations. We think that there is a

strong case to be made in terms of the purpose and function of museums and galleries, and which would see them subject to a lower decapitalisation rate. This would reduce the liabilities upon this part of the cultural sector. We recommend that the issues of rate reliefs and the impact of changes to them is taken into account and considered as part of the consultation on business rate retentions that is due to take place this summer.