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Contribution of the arts and culture industry to the UK economy

A Cebr report for Arts Council England

May 2020

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London, May 2020

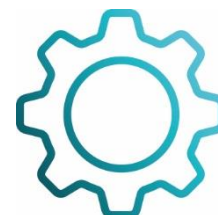
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Executive Summary

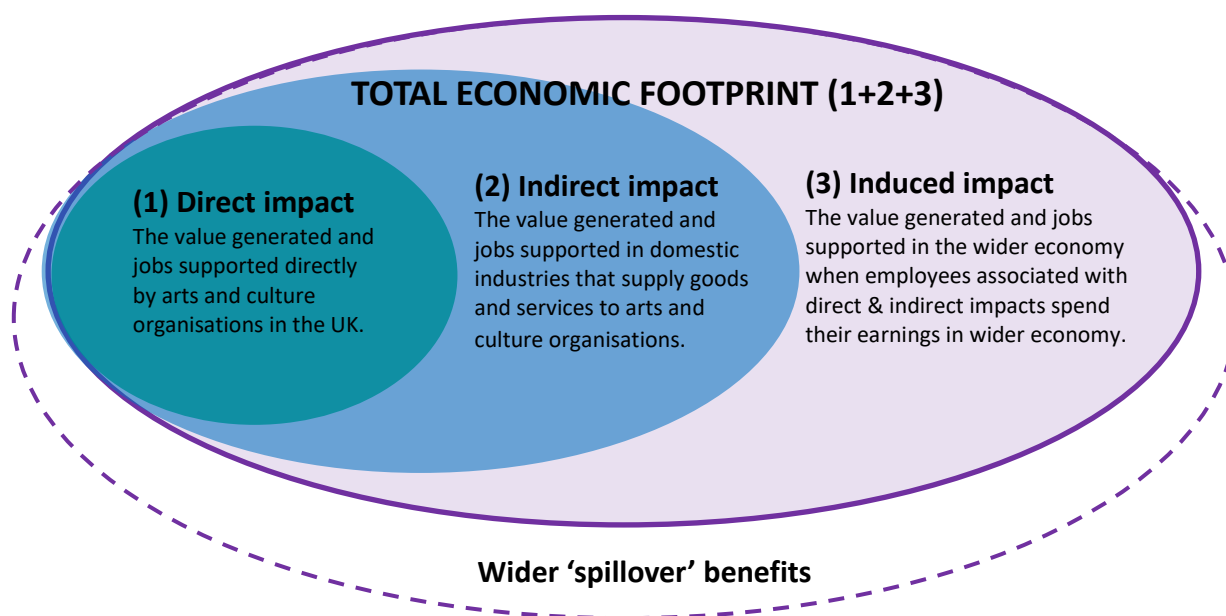
The Centre for Economics and Business Research (Cebr) is pleased to present this report to Arts Council England, outlining the economic and social contributions made by the arts and culture industry. This is the fifth iteration of a study first undertaken in 2013, albeit with numerous additions since then.



Scope and methodology

- This report defines the arts and culture industry using 11 Standard Industrial Classification (SIC) codes. This is a slightly reformulated definition in comparison to previous Cebr reports and aims to provide greater clarity on how Cebr's definition of the arts and culture industry maps to the DCMS subsectors. Given this, even results for the same years are not comparable with previous Cebr reports for Arts Council England.
- A full list of the SIC codes used is available in [Section 2](#) of the report.
- This report is based largely on official data provided by the ONS. Since Cebr's last report in 2018 two further years of data have become available, for 2017 and 2018.
- Cebr estimates the wider multiplier impacts of the arts and culture industry using a bespoke UK input-output model, which traces the industry's economic footprint through its supply chain relationships (indirect effect) and calculates the increase in demand supported when employees associated with the direct and indirect layers spend their earnings in the wider economy. Figure A below summarises the key impacts considered:

Figure A: Diagram illustrating total economic footprint



Source: Cebr analysis

- Additionally, this report contains an overview of a subset of the arts and culture industry by considering National Portfolio Organisations (NPOs). A bottom up approach is taken, using survey data from NPOs to estimate their direct and wider economic impacts as well as wider 'spillover' benefits, for example, the training and development provided to volunteers.

Summary of key impacts

Table A: Direct and aggregate economic footprint of the arts and culture industry, 2018

| Metric | Arts and Culture Industry | |
|-----------------------------|---------------------------|------------------|
| | Direct Impact | Aggregate Impact |
| Turnover (£bn) | 28.3 | 64.2 |
| GVA (£bn) | 13.5 | 29.4 |
| Employment (FTE) | 187,458 | 461,307 |
| Employee Compensation (£bn) | 7.3 | 16.4 |

Source: ONS, Cebr analysis

Table B: Direct and aggregate economic footprint of the NPOs, financial year 2018/19

| Metric | NPO Impacts | |
|------------------------|---------------|------------------|
| | Direct Impact | Aggregate Impact |
| Turnover (£bn) | 2.1 | 4.1 |
| GVA (£bn) | 1.6 | 3.1 |
| Employment (Headcount) | 27,807 | 58,550 |

Source: ACE, ONS, Cebr analysis

Direct impacts


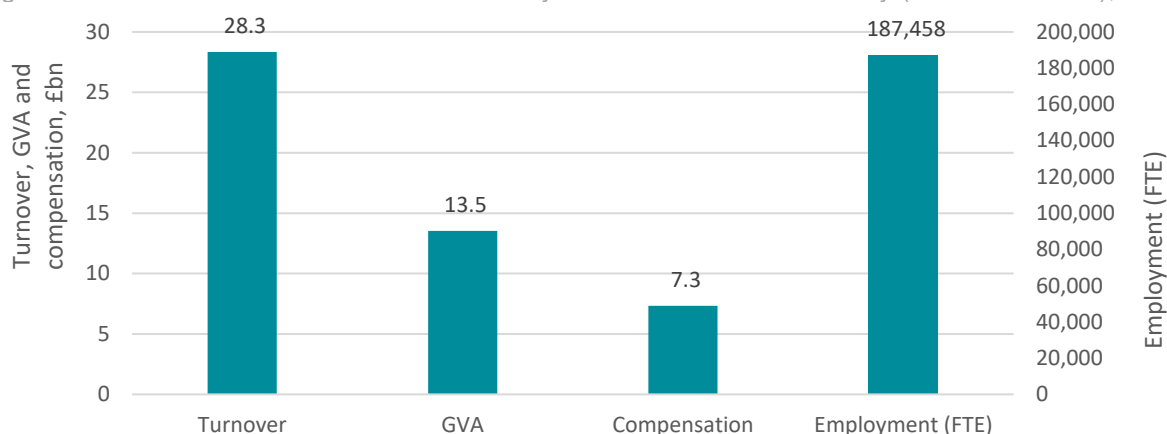
- Using official data sources, this report quantifies the direct economic contributions made by the arts and culture industry using four key metrics: 
- Turnover** – defined as the total revenue generated (excl. non-commercial sources such as grants).
- Gross Value Added (GVA)** - is a measure of the value from production used in the national accounts and can be thought of as the value of gross domestic output less the value of inputs used to produce that output.
- Employment** – which refers to the number of people working in the industry. Much of this report uses the concept of Full Time Equivalent (FTE) workers to standardise for differences in part-time working between industries.
- Employee compensation** - the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done.
- In 2018, the arts and culture industry **directly generated £28.3bn in turnover, £13.5bn in GVA, 190,000 FTE jobs and £7.3bn in employee compensation.**

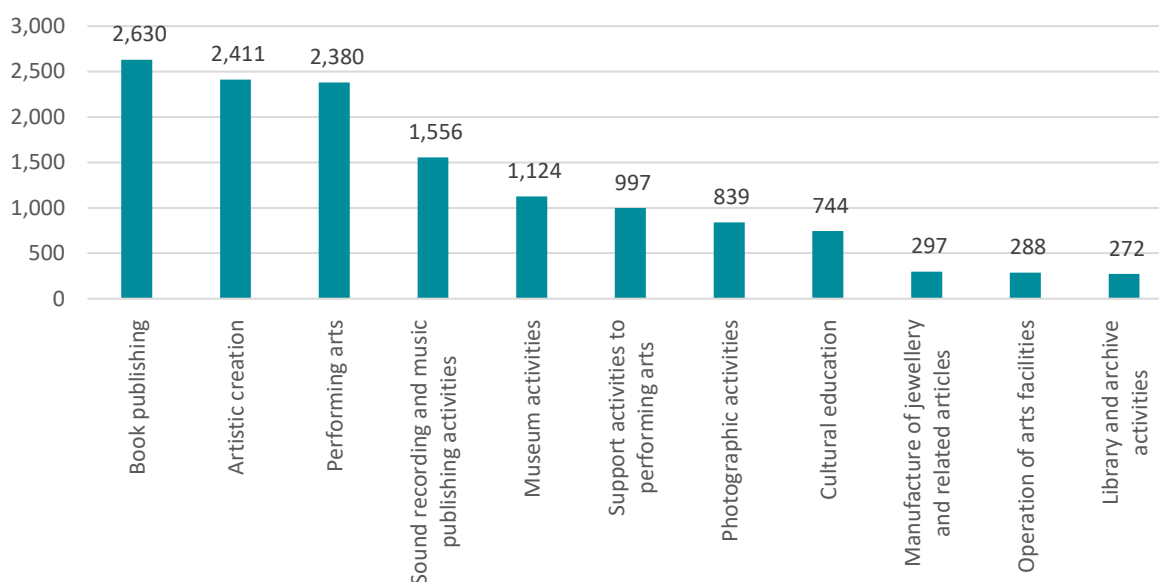
Figure B: Direct economic contributions made by the arts and culture industry (incl. non-market), 2018



Source: ONS, Cebr analysis

- Generally, these contributions have increased over time. In the period 2015 to 2018, the nominal turnover, GVA, FTE employment and compensation generated by the arts and culture industry has risen by 19%, 8%, 3% and 9% respectively.
- Even after accounting for inflation effects, turnover, GVA and employee compensation have increased by 10%, 2% and 2% respectively.
- Figure C illustrates the GVA generated by arts and culture subindustries in 2018. Book publishing generated the largest GVA (approximately £2.6bn). This was followed by Artistic creation.

Figure C: GVA generated by arts and culture subindustries, 2018. £m



Source: ONS, Cebr analysis

- This report also finds that the arts and culture industry **is a highly productive sector**. On average between 2015 and 2018, it produced an annual GVA per FTE worker of £69,000, compared to £57,000 for the non-financial UK economy as a whole.
- Although the arts and culture industry is a recipient of public funding, it also pays a significant amount to the exchequer through taxation. This report calculates that in 2018,

a total of £3.4bn was paid by the industry in VAT, corporation tax, income tax and national insurance. This compares to approximately £440m that these organisations received in funding from Arts Council England¹.

Aggregate economic footprint

- The wider footprint supported by the arts and culture industry is not limited to these direct impacts alone. This report also considers the demand supported through supply-chain purchases (the indirect impact) and through the wider spending of employees (the induced impact).
- It calculates that:
 - For every **£1 of turnover** directly generated by the arts and culture industry, an additional **£1.23 worth of turnover** is supported in the wider economy through indirect and induced effects.
 - For every **£1 in GVA** generated by the arts and culture industry, a further **£1.17 worth of GVA** is supported in the wider economy.
 - For every **1 FTE job** directly generated by the arts and culture industry, a further **1.46 FTE jobs** are supported in the wider economy due to the indirect and induced effects.
 - For every **£1 in employee compensation** directly paid to workers in the arts and culture industry, a further **£1.24 of employee compensation** is supported throughout the economy.
- By combining these multipliers with the direct economic contributions made by the arts and culture industry, the aggregate footprint is calculated. In 2018, the arts and culture industry supported **£64bn of turnover, £29bn of GVA, 461,000 FTE jobs and £16bn of employee compensation in the UK economy.**



Figure D: Aggregate impacts supported by the arts and culture industry (incl. non-market), 2018



Source: ONS, Cebr analysis

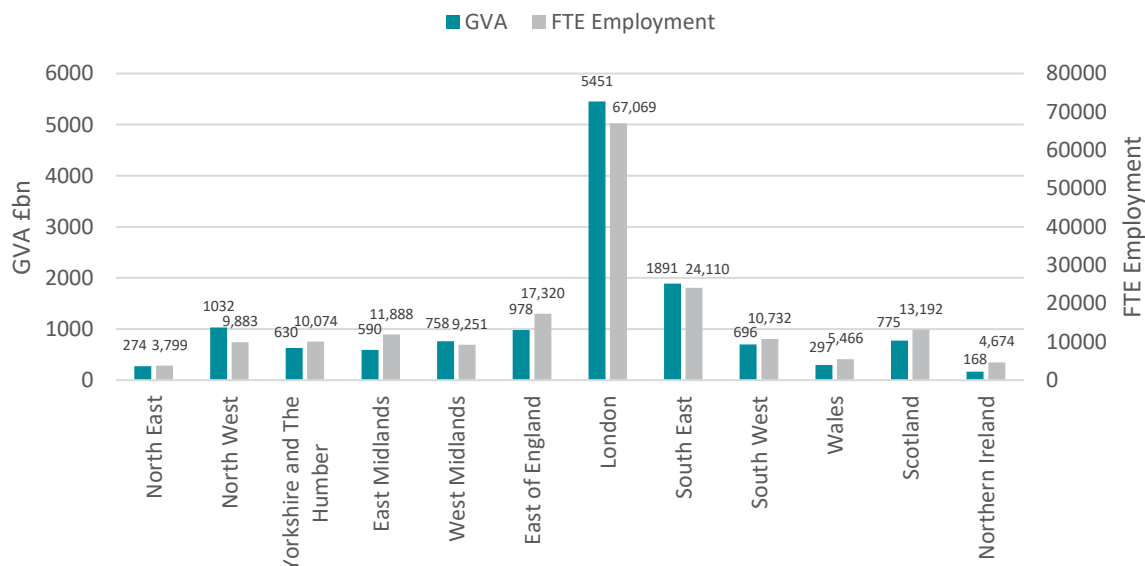
¹ This only includes the funding paid by ACE to National Portfolio Organisations (NPOs). The sector also receives other subsidies and grants from government which are not included in this figure.

Economic impacts of the arts and culture industry by region

- This report also considers the how the economic impacts (direct and aggregate) supported are geographically distributed across the UK.
- Figure E illustrates the results for direct impacts.



Figure E: Regional distribution of direct impacts, 2018



Source: ONS, Cebr analysis

- In both the case of GVA and employment, London accounted for the largest proportion of contributions. This was followed by the South East.
- The report also calculates bespoke multipliers for the arts and culture industry in each region. This involves augmenting the national multipliers to consider the ability of each region to supply the arts and culture industry with the supply-chain inputs needed.
- Table C details the multipliers attributed to each region.

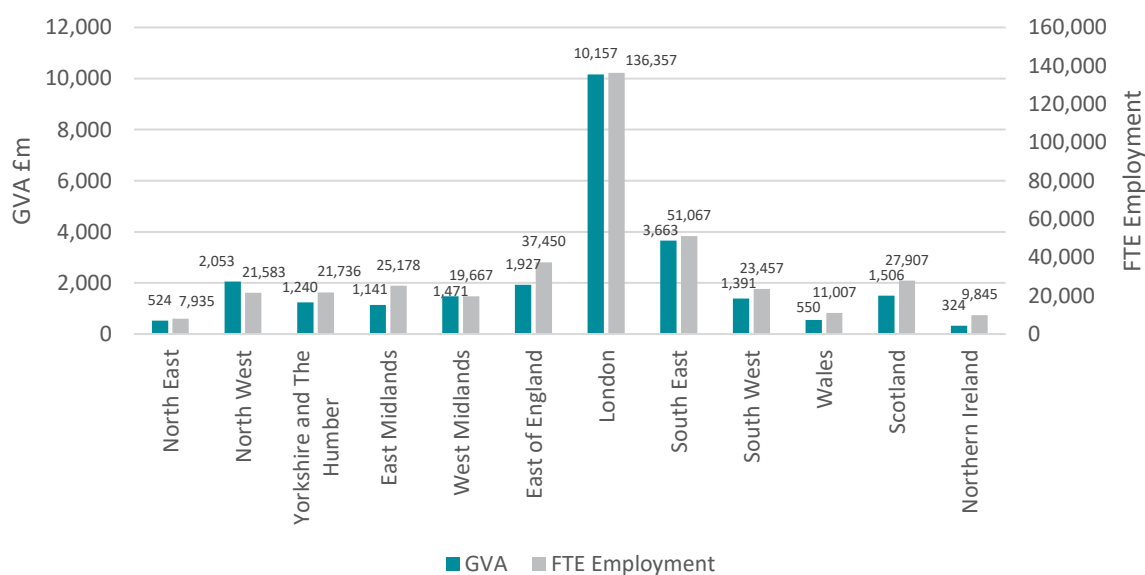
Table C: Bespoke arts and culture industry multipliers by region

| Region | Aggregate GVA Multiplier | Aggregate Employment Multiplier |
|--------------------------|--------------------------|---------------------------------|
| North East | 1.91 | 2.09 |
| North West | 1.99 | 2.18 |
| Yorkshire and The Humber | 1.97 | 2.16 |
| East Midlands | 1.93 | 2.12 |
| West Midlands | 1.94 | 2.13 |
| East of England | 1.97 | 2.16 |
| London | 1.86 | 2.03 |
| South East | 1.94 | 2.12 |
| South West | 2.00 | 2.19 |
| Wales | 1.85 | 2.01 |
| Scotland | 1.94 | 2.12 |
| Northern Ireland | 1.93 | 2.11 |

Source: ONS, Cebr analysis

- By applying these multipliers to the direct impacts, Figure F illustrates the aggregate local impact supported in each region.

Figure F: Aggregate footprint supported in each region by the arts and culture industry



Source: ONS, Cebr analysis

The economic impact of National Portfolio Organisations (NPOs)

- NPOs are a subset of the arts and culture industry and refer to organisations that are receive substantial funding from Arts Council England.
- Using data from Arts Council England's survey of NPOs, this report calculates that NPOs directly contributed **£2.1bn of turnover (incl. grants and subsidies), £1.6bn of GVA and 28,000 jobs** to the UK economy in the financial year 2018/19.
- It also calculates the aggregate footprint supported through supply-chains (indirect) and wider employee spending (induced) effects. This involved augmenting the multipliers calculated for the arts and culture industry as a whole, to account for the structural differences associated with NPOs.
- In all, NPOs supported **£4.0bn of turnover, £3.1bn of GVA and 57,000 jobs** in the financial year 2018/19.
- NPOs also have a significant international presence. It is calculated that **6 percent of all performances, exhibitions, broadcasts and festivals were outside the UK in 2017/18**. This is broadly consistent with the **6.3% of all NPO earned income that comes from international sources**.

Static spillovers associated with the arts and culture industry

Spillover impacts of the NPOs and the wider arts and culture industry

- The evidence from our primary research demonstrates the importance of volunteering in the arts and culture sector and its role in improving community wellbeing and regeneration.
- Volunteer work for arts and culture organisation provides benefits to both the volunteer and the organisation. The volunteer benefits through access to work experience they may otherwise not get and the organisation benefits through the additional staff working on things the organisation may not otherwise be able to provide.
- Arts and culture organisation offer a significant amount of training to staff. Indeed, 48% of organisation offer this training to volunteers too.
- Arts and culture organisations benefit significantly from creative clusters and partnerships. 28% of organisations are in partnership with another create business and 23% are part of a creative cluster.
- 75% of organisations agree that being part of a creative cluster has had a beneficial effect on overall productivity. The reasons for this are cited as new ideas, pooling of resources and a common strategy.
- These organisations also support the wider creative community: 49% of organisations organise cultural events, 43% offer lectures, classes or workshops and 38% provide the community with a supply of talent.
- 48% of organisation have been involved in or currently are still involved in local regeneration projects around their communities and 52% occupy previously unused or regenerated buildings.
- Arts and culture organisations are anxious about how Brexit may affect their industry. 86% stated that there will be a negative impact on their business following the departure, reasoning that their relationship with the EU will become more complicated

and that their international profiles have been reduced. No respondent stated that there would be any positive impact.

The impact of public funding cuts on arts and culture organisations

- Our survey results found that 87% of respondents had been affected by public funding cuts over the past decade.
- These organisations reported issues in outreach programmes, staffing and artistic output as some of the main areas affected.
- 41% of organisations reported that they were unable to recuperate their lost funds. Of those that did, they did so primarily through a combination of private donations, the cultural tax relief and corporate sponsorship.

Dynamic spillovers associated with the arts and culture industry

- Across the UK, creative and cultural organisations tend to cluster in certain areas. This is no surprise. Indeed, creative and cultural organisations have similar needs. For instance, they need a creative workforce, tourists and visitors as well as avenues through which they can collaborate with other creative enterprises.
- The stronger the concentration of creative and cultural firms, the easier firms find accessing their needs. In this sense, creative and cultural clusters can be thought of as ‘incubators’ which encourage the growth of other creative and cultural firms in the area. This in turn strengthens the cluster even further and the cycle continues.
- This report considers this dynamic cycle by considering five case studies (Brighton, Bristol, Lincoln, Salford and South London).



1. Introduction

The Centre for Economics and Business Research (Cebr) is pleased to present this report to Arts Council England, outlining the economic and social contributions made by the arts and culture industry. This is the fifth iteration of a study first undertaken in 2013, albeit with numerous additions since then.

1.1 Background and aims of the study

The purpose of this report is to provide an up-to-date picture of the contributions that the arts and culture industry makes to the UK economy.

Arts Council England is a public body that supports a range of activities across the arts, museums and libraries. Its remit includes a wide range of visual, performing and literary art forms. It has funding responsibilities for regional museums and a development role across libraries and the wider museums sector. Arts Council England works with its parent government department - the Department for Digital, Culture, Media and Sport (DCMS) - to make the arts and the wider culture of museums and libraries an integral part of everyday public life, accessible to all, and understood as essential to the national economy and to the health and happiness of society.

This report is focused on analysing how the arts and culture industry contributes to and impacts on the UK economy. Contributions to macroeconomic indicators such as gross value added (GVA) contributions to GDP, employment and household incomes are assessed. The report also examines the indirect and induced multiplier impacts that can be associated with the arts and culture industry, through its supply chain linkages and through the activities stimulated when employees spend their earnings in the wider economy.

In addition, this report uses survey data to consider a subset of the arts and culture industry (National Portfolio Organisations of ACE) and their economic contributions to the wider economy. This involves computing separate economic contribution impacts for NPOs as well as considering the broader spillovers they exhibit. The latter is done through an extensive survey designed by Cebr which covers topics including developing skills, nurturing innovation and contributing to and fostering growth in the commercial creative industries.

The report also seeks to consider the dynamic role that arts and culture organisations play in acting as incubators and contributing to local area regeneration. We do this by considering five case studies.

2. Scope and methodology

This section covers the new definition of the arts and culture industry used in this report, and the overall methodology employed.

2.1 Scope of the study

This report continues to use a definition of the arts and culture industry that is based on Standard Industrial Classification (SIC) codes. The SIC system provides the underlying data collection framework for much of the economic data produced by the ONS. This includes the UK business economy and national accounting frameworks, which are the foundation of Cebr's macroeconomic models.

As part of this update, Cebr has re-examined and re-specified the specific SICs included within the arts and culture industry. This was done in conjunction with DCMS and Arts Council England. The purpose of this exercise was to ensure that the sector is captured as holistically as possible and to provide greater clarity on how Cebr's definition of the arts and culture industry maps to the DCMS subsectors.

Table 1 illustrates the SIC codes that are included within Cebr's definition of the arts and culture industry. The sectors highlighted in grey have been included within the definition for the first time. The vast majority of SICs included combine to form four key DCMS subindustries. While the DCMS creative and cultural estimates include other subindustries (e.g. Architecture), these are excluded from this study as they don't fall under the remit of Arts Council England.

Book publishing (SIC 58.11) is the only SIC sector included that does not map neatly to DCMS subindustries. While this SIC does appear as part of the DMCS 'Publishing' subindustry, this group also includes numerous activities (e.g. translation services) that do not fall under the remit of Arts Council England. Given the importance of book publishing in the creative sector, excluding it entirely would omit a large proportion of the industry's economic activity from our figures. As such, Cebr's definition includes book publishing even though the additional SICs in the DCMS publishing sub-industry are excluded.

Table 1: Cebr definition of the arts and culture industry

| DCMS Industry | DCMS Subindustry | SIC Code | Description |
|-----------------|-----------------------------------|----------|---|
| Creative Sector | Music, performing and visual arts | 59.2 | Sound recording and music publishing activities |
| | | 85.52 | Cultural education |
| | | 90.01 | Performing arts |
| | | 90.02 | Support activities to performing arts |
| | | 90.03 | Artistic creation |
| | | 90.04 | Operation of arts facilities |
| | Museums, galleries and libraries | 91.01 | Library and archive activities |
| | | 91.02 | Museum activities |
| Cultural Sector | Crafts | 32.12 | Manufacture of jewellery and related articles |
| | Photography | 74.2 | Photographic activities |
| N/A | N/A | 58.11 | Book publishing |

Source: Arts Council England, DCMS, Cebr analysis

In defining the arts and culture industry under this framework, the objective is to capture the value to the economy of the six artistic disciplines that are funded by Arts Council England - theatre, dance, literature, visual arts, music and combined arts. It is additionally worth noting that this is the first iteration of this study that includes museums and libraries within the overall definition of arts and culture industry.

2.2 Overview of approach and methodology

To undertake the required analysis of the macroeconomic contributions and impacts of the arts and culture industry, official data provided by the ONS is used. Since the last report in 2019, which presented data up to 2016, two further years of data have become available, for 2017 and 2018².

The first stage in our analysis involves the computation of direct impacts. Our report presents these in terms of four key macroeconomic indicators, namely;

- **Turnover** – defined as the total revenue generated (incl. from non-commercial sources such as grants).
- **Gross Value Added (GVA)** - is a measure of the value from production used in the national accounts and can be thought of as the value of output less the value of inputs used to produce that output.
- **Employment** – which refers to the number of people working in an industry. Much of this report uses the concept of Full Time Equivalent (FTE) workers to standardise for differences in the amount of part-time working between industries.
- **Employee compensation** - the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done.

The Annual Business Survey discloses economic indicators, including revenues, costs of production and value-added, across hundreds of disaggregated industries. These are broken down according to the SIC framework, as discussed above. For the most part, this allows for the computation of direct impacts for the ‘business economy’ elements of the arts and culture industry. Supply-use tables can then be used to establish the additional contributions made by arts and culture activities provided directly by government and by Non-Profit Institutions Serving Households (NPISH).

The case of museums and libraries deserves a special mention. One approach to calculating the associated economic impacts would be to utilise official data from the Office for National Statistics (ONS) by SIC code. SIC sector 91.01 refers to the activities of libraries and archives while SIC sector 91.02 refers to the activities of museums.

The problem with such an approach, for the purpose of this study, is that it fails to take into account many of the commercial activities that form a core part of museum and library businesses but are not included within the relevant SIC code. For example, a café or restaurant within a museum may fall under the SIC category 56³, for food and beverage

² All figures in this report are expressed in nominal prices unless explicitly stated otherwise.

³ The extent to which café/shops would be included under the museum SIC code depends on their legal status. If they are owned by the museum then they are likely to be included within the museum SIC 91.02 (national

serving activities, but should clearly be considered within the museum's economic impact. Given the likely scale of such institutions, this is problematic.

Additionally, the real social value provided by these institutions, which are often free at the point of use, may not be fully reflected in the monetary values constituting the national accounts. This can lead to negative GVA figures, as the 'profit-making' elements of museums and libraries are entirely excluded from our analysis and the entire social value delivered by the free service may not be fully captured. As such using the SIC codes 91.01 and 91.02 alone would not suffice. Therefore, this report follows the DCMS approach and uses the turnover to GVA ratio of the wider SIC 91 sector to estimate GVA in the case of museums and libraries.

In addition to these direct impacts, this report estimates the wider footprint supported by the arts and culture industry using a bespoke input-output model, which again draw on the ONS' national accounting framework. The input-output models use data on the sectors from which the arts and culture industry purchases its inputs to trace the industry's economic footprint through its supply chain relationships. They also consider the demand supported through the wider spending of arts and culture employees (and employees along the supply chains).

The focus of Sections 7 and 8 is on a subset of the arts and culture industry, namely the organisations contained in Arts Council England's National Portfolio (NPOs). By focusing on a smaller number of organisations it is possible to use a bottom-up approach to calculate economic impacts. This report relies on survey data from the Annual Data Survey of NPOs to calculate employment and income. Industry-wide productivity data is then used to estimate GVA contributions made by NPOs to the UK economy. Section 8 presents the results of a survey undertaken by Cebr, seeking to identify the broader spillovers associated with NPOs.

Finally, Section 9 considers creative and cultural clusters in the UK. It explores how the requirements of arts and culture enterprises (and particularly their reliance on creative/cultural networks) mean that new organisations are most likely to set up within these clusters. This strengthens the network further and the cycle continues.

accounts include the entire operations of a company within a given SIC if over 50% of the company's activities fall under that SIC). If they form a separate legal entity, then they are more likely to fall under the food and beverage/retail SIC.

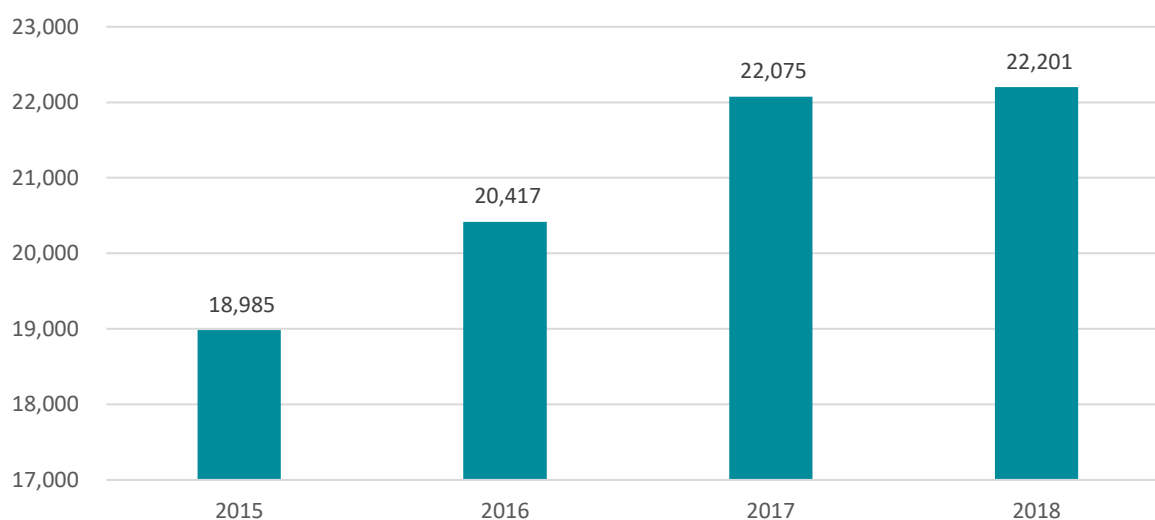
3. The direct economic contributions of the arts and culture industry

This section provides an assessment of the importance of the arts and culture industry to the UK economy in terms of turnover, GVA, employment and employee compensation. It examines the performance of these indicators over the period 2015–18.

3.1 Turnover contributions of arts and culture enterprises

Figure 1 illustrates the turnover generated by the arts and culture industry since 2015. The figures are based on the Annual Business Survey (ABS) and hence only account for the turnover generated by commercial enterprises within industry. Additionally, these figures only include revenues generated from commercial sources (as such, they exclude any grant or subsidy income).

Figure 1: Turnover of the arts and culture industry (market only), 2015-18, £m



Source: Annual Business Survey, Cebr analysis

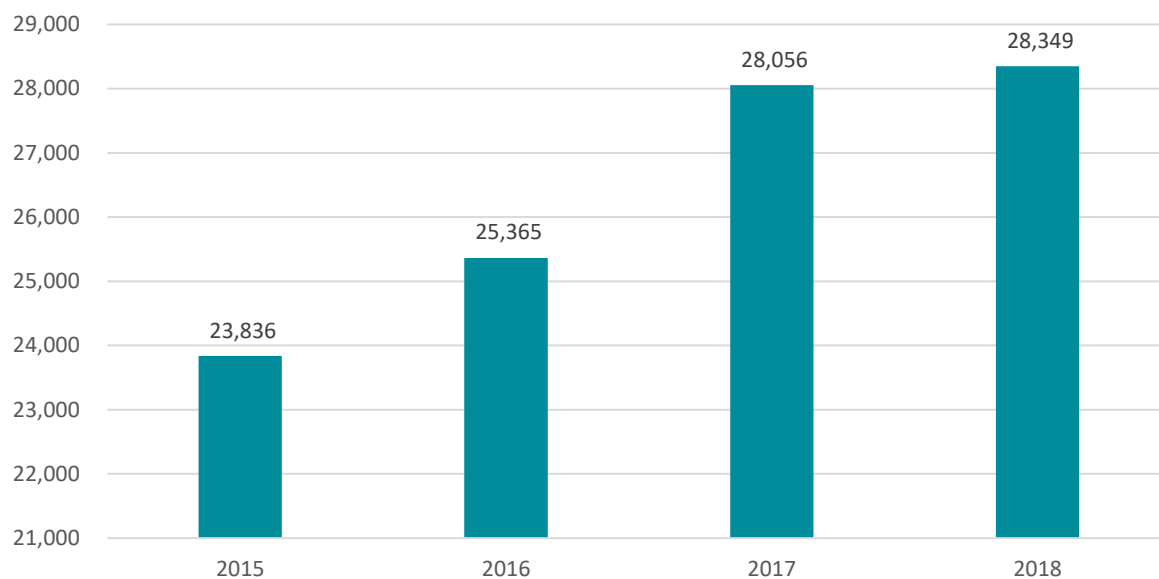
In nominal terms, the turnover contributions generated have increased every year since 2015. The largest increase occurred between 2016 and 2017, where turnover increased by 8.1%. Turnover was largely stagnant between 2017 and 2018, where it only grew by 0.6%.

After accounting for inflation effects, turnover increased by 10.4% over the period as a whole.

The analysis is also extended to consider the turnover generated by non-commercial arts and culture firms⁴. Figure 2 illustrates the results. The broad trends remain, but the absolute level of turnover is higher, with an estimated £28.3bn of turnover being generated in 2018.

⁴ This non-commercial revenue can essentially be thought of as 'shadow revenue' (i.e. the commercial revenue that would have been earned by government enterprises and NPISH had they been in the private sector). It is

Figure 2: Turnover of the arts and culture industry (incl. non-market), 2015-18, £m



Source: Annual Business Survey, ONS National Accounts, Cebr analysis

Table 2 details the overall disaggregation of turnover by organisation type for 2018.

Table 2: Breakdown of turnover by organisation type, 2018, £m

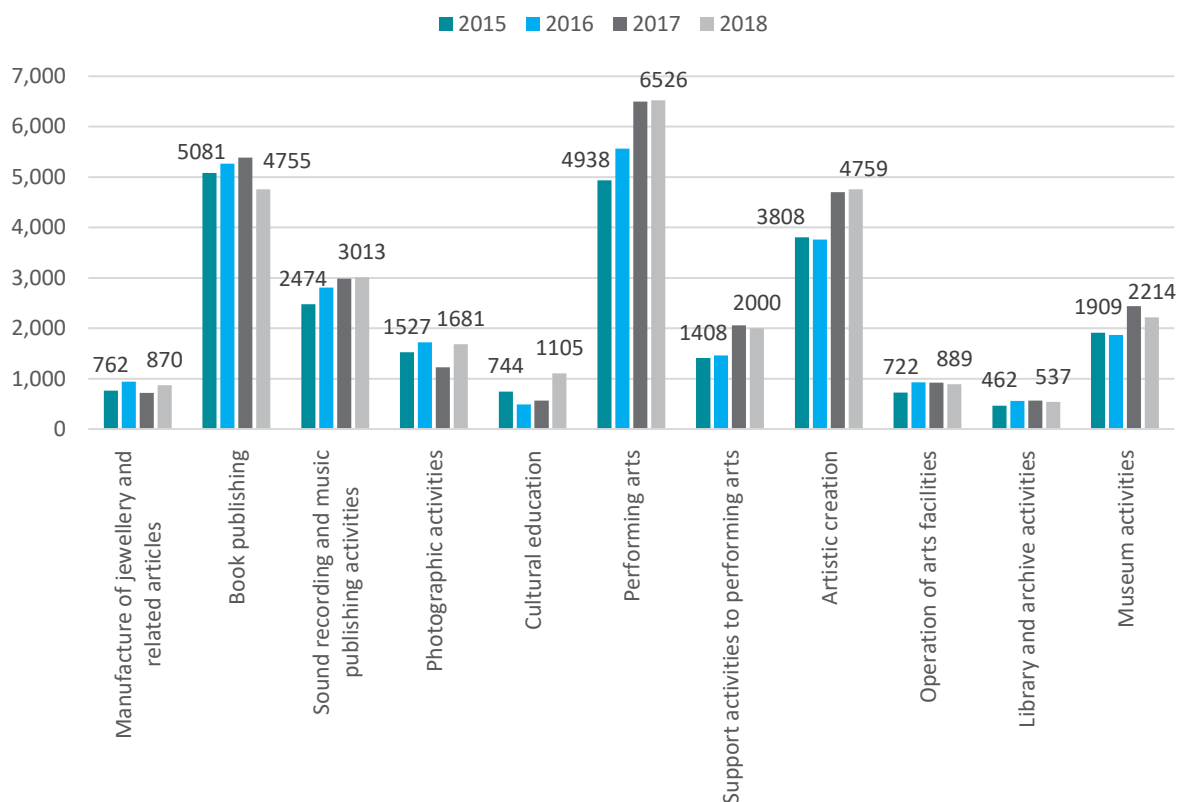
| Organisation Type | Turnover (£m) | Percentage of total |
|--|---------------|---------------------|
| Market | 22,201 | 78.3% |
| Government | 2,050 | 7.2% |
| Non-Profit Institutions Serving Households (NPISH) | 4,099 | 14.5% |

Source: Annual Business Survey, ONS National Accounts, Cebr analysis

However, the general increase in turnover masks a degree of variation in the patterns experienced by individual arts and culture subsectors. Figure 3 illustrates this graphically.

important to note that this shadow revenue still only includes commercial revenue sources (and hence excludes any income that would have been generated through subsidies or grants).

Figure 3: Turnover generated by arts and culture subindustries (incl. non-market), 2015-18, £m



Source: Annual Business Survey, ONS National Accounts, Cebr analysis

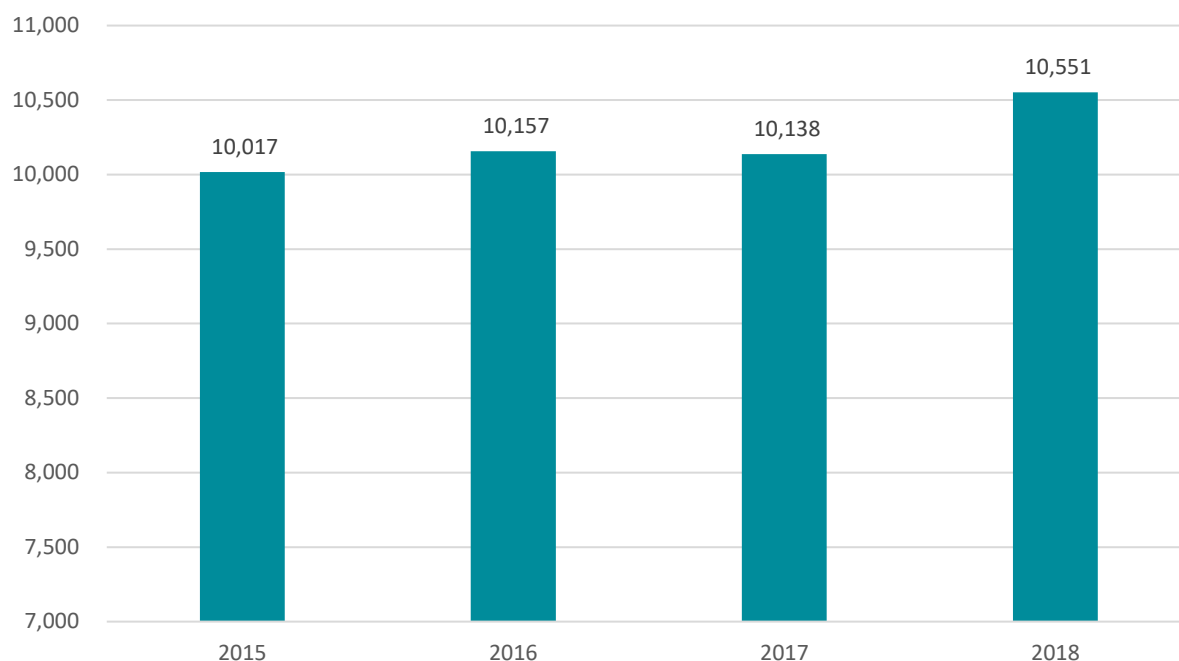
All subindustries apart from book publishing have experienced a growth in turnover over the period 2015 and 2018 as a whole. The largest turnover increases (nominally) are attributed to cultural education and support activities to performing arts, which grew by 49% and 42% respectively. The performing arts, which generates a higher turnover than any other subsector, experienced impressive growth too with turnover increasing by 32% over the period.

3.2 Gross Value Added (GVA) contributions of arts and culture enterprises

This section examines the economic contribution of the arts and culture industry in terms of the gross value added (GVA) contributions. GVA excludes any intermediate consumption and hence refers to the additional value added by the arts and culture industry.

Figure 4 illustrates the GVA contributions made by the market arts and culture industry. Unlike turnover, GVA has experienced a very volatile trend. Nominal GVA remained roughly stagnant between 2015 and 2017, before increasing by approximately 4% between 2017 and 2018.

Figure 4: GVA generated by market arts and culture industry, 2015-18, £m



Source: Annual Business Survey, ONS National Accounts, Cebr analysis

Table 3 illustrates the distribution of GVA by market, government and Non-profit (NPISH) organisations. Much like the case of turnover, market organisations contribute the vast majority of GVA.

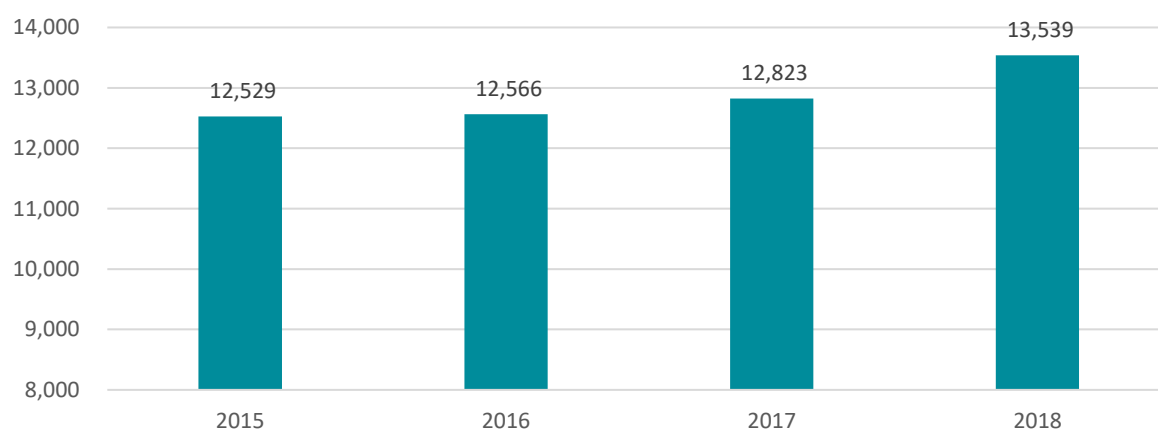
Table 3: GVA by organisation type, 2018

| Organisation Type | GVA (£m) | Percentage of total |
|-------------------|----------|---------------------|
| Market | 10,551 | 77.9% |
| Government | 1,093 | 8.1% |
| NPISH | 1,895 | 14.0% |

Source: Annual Business Survey, ONS National Accounts, Cebr analysis

Summing the GVA produced by market, government and NPISH organisations provides the total GVA produced by the arts and culture industry (incl. non-market elements). The overall trend is similar to that of market GVA. It is estimated that in 2018, a total GVA of £13.5bn was generated by the arts and culture industry when market and non-market provision are considered together. Over the period as a whole nominal GVA grew by 8.1% in the industry. Even after controlling from inflation effects, GVA in the arts and culture industry grew by approximately 2% between 2015 and 2018 (real GVA growth).

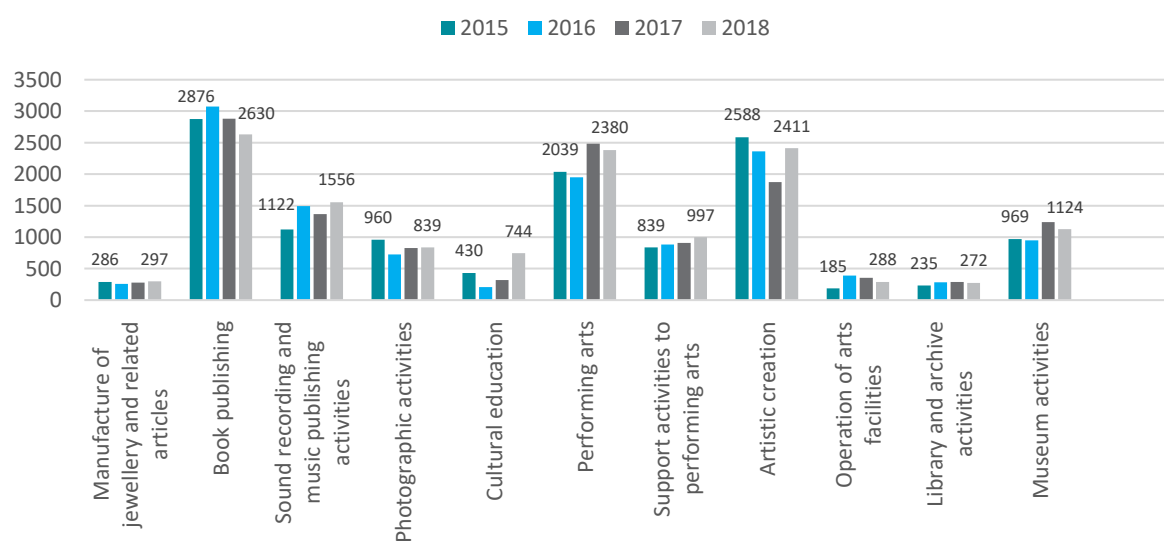
Figure 5: GVA generated by the arts and culture industry (incl. market and non-market provision), 2015-18, £m



Source: Annual Business Survey, ONS National Accounts, Cebr analysis

Once again, there is significant volatility between different subindustries. Photographic activities and book publishing have both seen a decline in their GVA contributions over the period as a whole. All other subsectors have seen an increase. The operation of art facilities has seen the largest nominal GVA increase (56%).

Figure 6: GVA generated by arts and culture subindustries, 2015-18, £m⁵



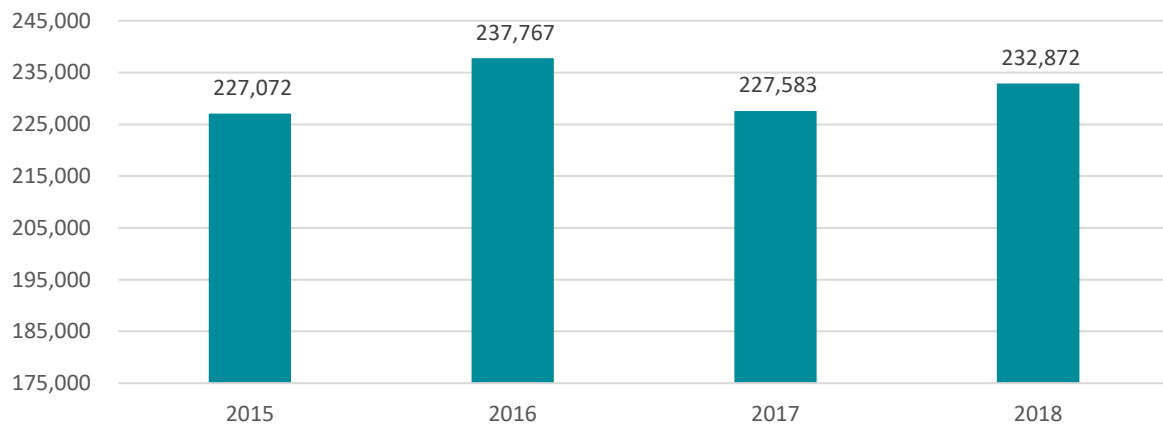
⁵ Both the 'cultural education' and 'artistic creation' have highly volatile GVA figures according to the ABS. In the case of the former, the relatively small size of the sector is likely to cause this, given that the ABS is based on surveying. It is more difficult to explain the volatility in the case of artistic creation. Our best guess is that, given that artistic creation covers a wide variety of firms, there are once again significant errors that occur in some years due to the sampling process. Given that artistic creation is a relatively large subsector, we use a rolling average approach to try and reduce the volatility experienced in the overall figures.

Source: Annual Business Survey, ONS National Accounts, Cebr analysis

3.3 Employment

Figure 7 illustrates the headcount employment attributed to the arts and culture industry since 2015.

Figure 7: Headcount employment (incl. non-market) attributed to the arts and culture sector, 2015-18

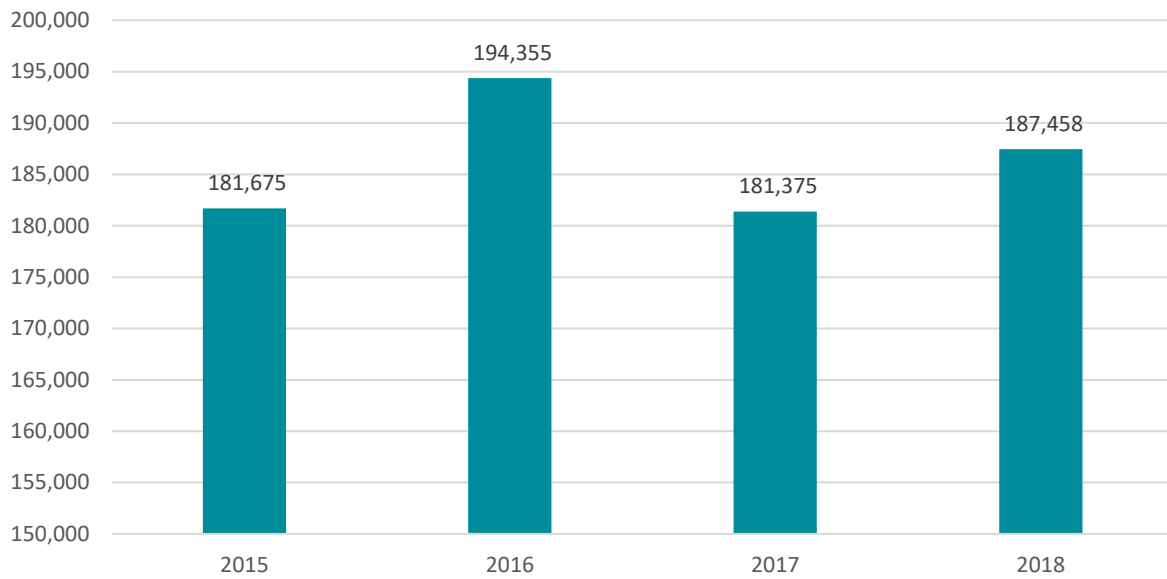


Source: ONS Business Register and Employment Survey, Cebr analysis

In comparison to turnover and GVA, employment has broadly stagnated over the period as a whole. It increased significantly from 2015 to 2016 (by approximately 5%). It then fell back to 228,000 in 2017 before increasing to 233,000 in 2018.

Headcount employment simply includes all workers, whether they work on a full time, part time or self-employed basis. To control for the fact that different industries may have different incidences of part time working, the concept of Full Time Equivalent (FTE) workers is often used. This standardises for the different levels of full and part time employment by considering the number of hours a part time employee works for in comparison to their full-time counterparts. As such, it can broadly be interpreted as the number of people who would be employed if everyone was working on a full-time basis. Figure 8 illustrates the number of FTE workers employed in the arts and culture industry. Broadly speaking, FTE employment has experienced the same trends as headcount employment.

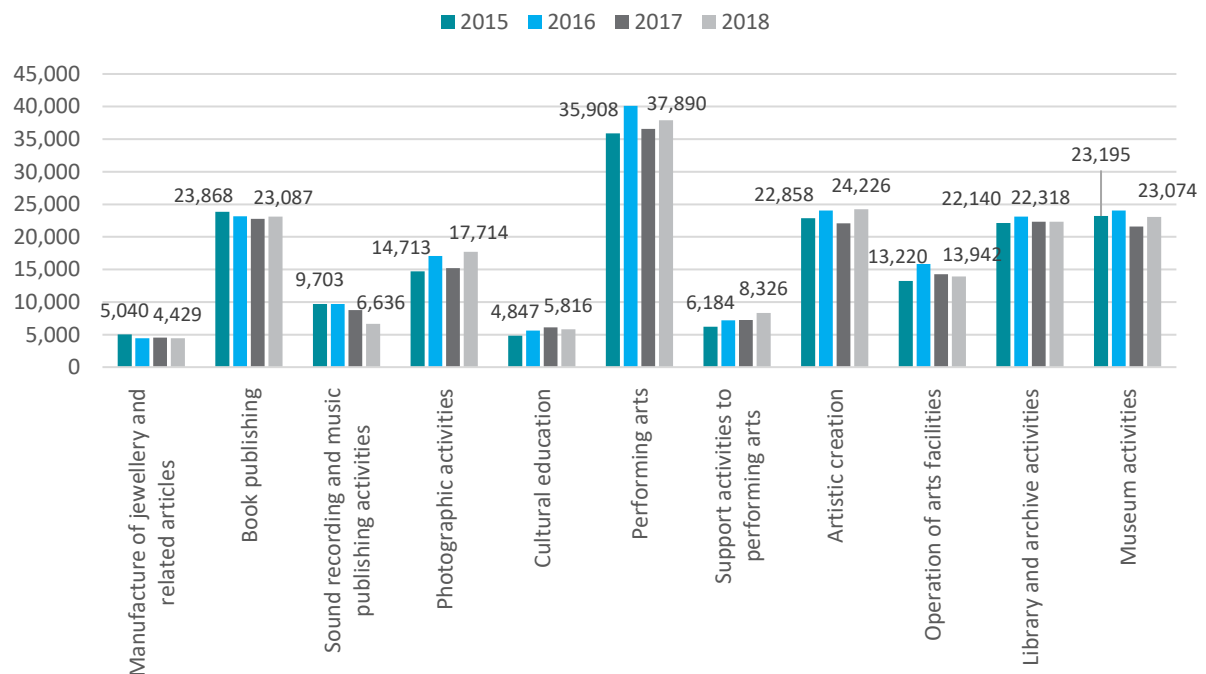
Figure 8: FTE employment in the arts and culture industry, 2015-18



Source: ONS Business Register and Employment Survey, Cebr analysis

Figure 9 illustrates the FTE employment generated in each arts and culture subindustry between 2015 and 2018.

Figure 9: FTE employment generated in each arts and culture subindustry, 2015-18



Source: ONS Business Register and Employment Survey, Cebr analysis

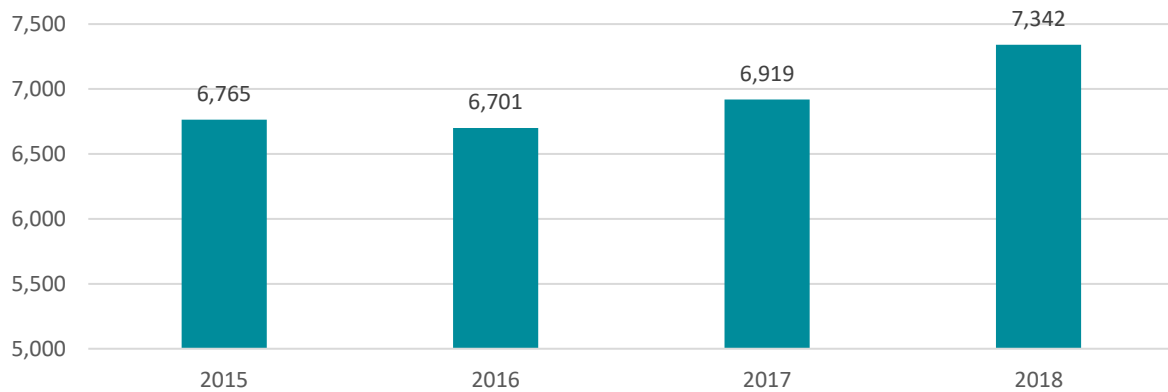
There are significant differences in the growth rates experienced. Sound recording and music publishing activities experienced the biggest decline over the period as a whole, with FTE

employment falling by 32% in the four years. Support activities to performing arts experienced the largest increase, growing by 35%.

3.4 Employee Compensation

Figure 10 illustrates the employee compensation supported in the arts and culture industry since 2015. It is worth noting that employee compensation simply refers to the total remuneration paid to employees in return for work done. It includes wages along with any employer tax liabilities, pension contributions and non-wage benefits paid.

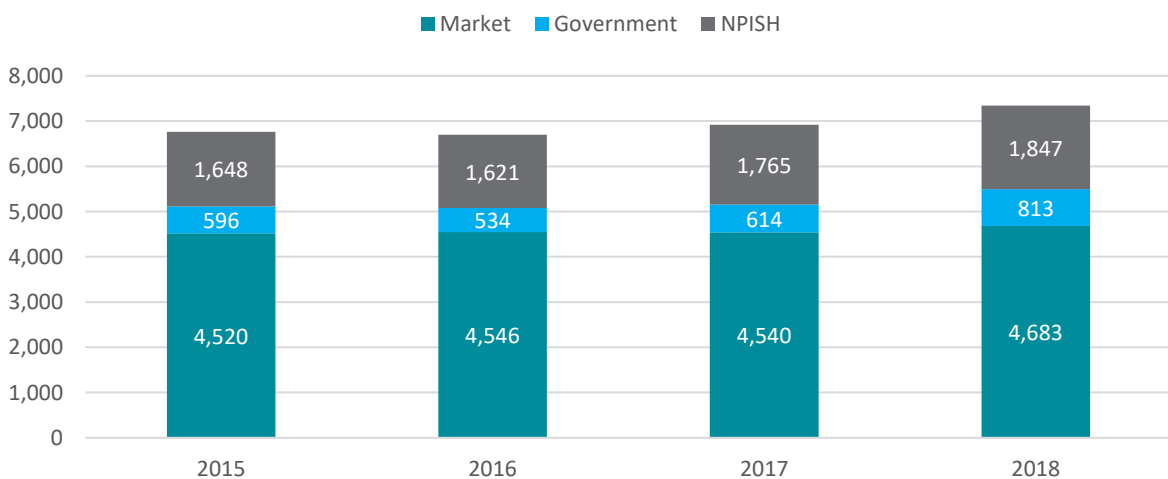
Figure 10: Employee compensation (incl. non-market elements) between 2015 and 2018, £m



Source: ONS supply-use tables, Cebr analysis

Nominal Employee compensation declined slightly from 2015 to 2016 before increasing to a peak of £7.3bn in 2018. After accounting for inflation effects, this represents an increase of 2% over the four years (real compensation growth). Figure 11 illustrates how this employee compensation is disaggregated by market, government and Non-Profit Institutions (NPISH). The vast majority of the compensation is paid to employees in market firms (approximately 64%). This has declined slightly from a peak of 68% in 2016. Government and NPISH accounted for 11% and 25% of the total compensation paid in 2018 respectively.

Figure 11: Employee compensation disaggregated by market status, 2015-18, £m

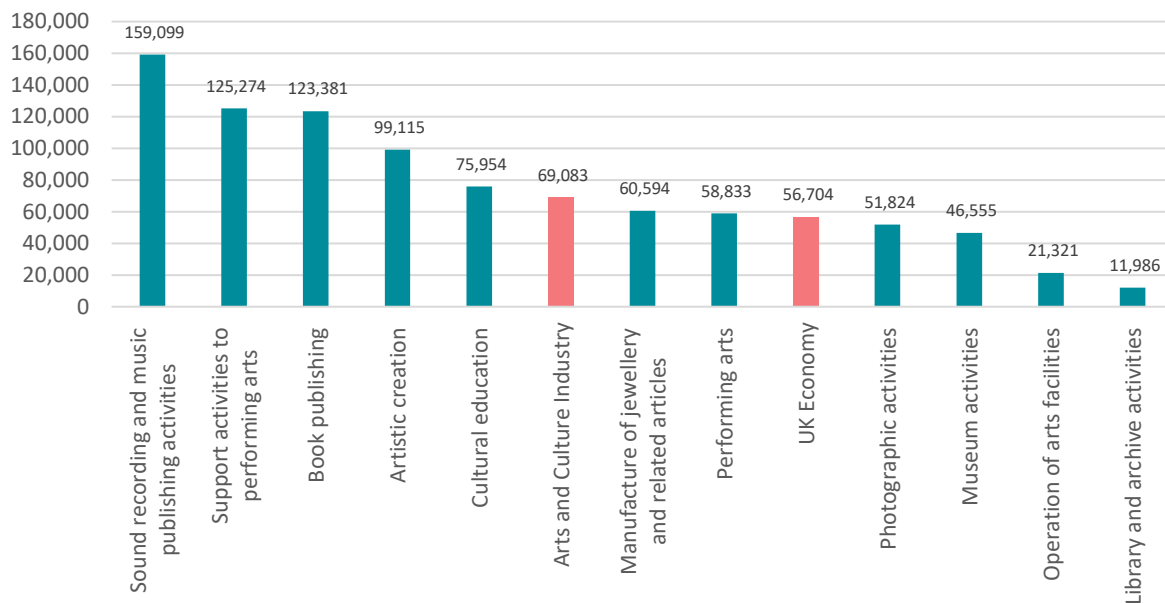


Source: ONS supply-use tables, Cebr analysis

3.5 Productivity

In this section we consider the contribution of the arts and culture industry to wider economic prosperity and growth via its level of labour productivity. Increasing labour productivity is a key driver of long run economic growth and real wage increases. For the purposes of this report, labour productivity has been measured by GVA per FTE worker⁶. Both market and non-market GVA contributions and employment data have been used to generate the estimates of labour productivity in arts and culture industry and constituent subsectors. Figure 12 illustrates the results.

Figure 12: Average labour productivity of the arts and culture industry and its subsets, measured in terms of total GVA per FTE, 2015-2018, £⁷



Source: ONS, Cebr analysis

Average labour productivity per FTE worker stands at £69,000 for the arts and culture industry as a whole, but there is high variance across industry subsectors. Libraries, museums, art facilities and photographic activities have the lowest GVA per worker whilst sound recording and music publishing activities have the highest productivity.

As GVA is the product of the combination of both capital and labour, more capital-intensive industries tend to have higher GVA per worker measures. As the arts and culture industry is

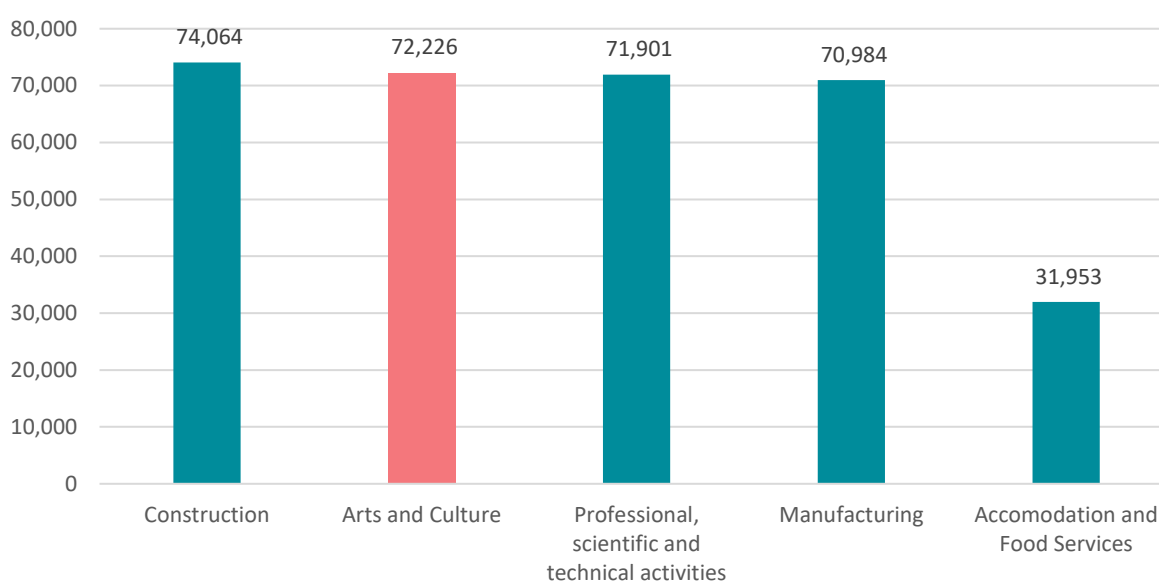
⁶ Measuring productivity is a difficult exercise. While the metric of GVA per FTE worker follows logically from the analysis conducted thus far, it, like all measures of productivity has its problems. For instance, a highly capital-intensive sector will have a high GVA per FTE worker, but this is not to say that labour in this sector is more productive per se (rather that there are other factors of production that allow for a large amount of output to be produced). Similarly, this measure of productivity fails to take into account economic benefits that aren't captured in GVA. These limitations need to be acknowledged.

⁷ The UK economy figure refers to the non-financial UK economy.

not typically seen as a capital-intensive industry, the high GVA per worker figures seen in industry as a whole are of note.

For comparison purposes, Figure 13 below illustrates the productivity (GVA per FTE worker) of the arts and culture industry alongside a number of other key sectors in the UK. It illustrates that, in 2018, the arts and culture industry had a higher productivity compared to the manufacturing sector. It also had a marginally higher productivity when compared to the professional, scientific and technical activities sector⁸ (which includes amongst other things legal activities). Moreover, the arts and culture industry had a productivity that was over double that of the accommodation and food services industry.

Figure 13: Comparison of arts and culture industry productivity, GVA per FTE worker, 2018, £



Source: ONS, Cebr analysis

3.6 Exchequer contributions by the arts and culture industry

Although the arts and culture industry is a significant recipient of public funding, it is responsible for value generating activities, revenues and is a major employer. As such it also contributes to public finances by tax.

The arts and culture industry contributed an estimated £3.4bn to the exchequer in 2018. This is broken down by tax type in Table 4, with VAT and National Insurance Contributions contributing the bulk of these receipts.

⁸ It is worth acknowledging here that the professional, scientific and technical activities sector does include the photography SIC, which is also included within the arts and culture industry. As such there is a slight overlap between these two sectors. Given the relative size of the photography sector in comparison to the wider professional, scientific and technical activities SIC, this overlap is small.

Table 4: Tax contributions of the arts and culture, 2018, £m

| Type of tax | Tax Paid (£m) | Percentage of the UK |
|-----------------|---------------|----------------------|
| VAT | 1,351 | 1.04% |
| Corporation tax | 376 | 0.69% |
| Income Tax | 742 | 0.39% |
| NICs | 882 | 0.65% |

Source: Annual Business Survey, ONS, HMRC, Cebr analysis

4. The wider multiplier impacts of the arts and culture industry

4.1 Overview of economic modelling

To compute the wider economic impacts supported by the arts and culture industry, Cebr uses the process of input-output modelling. This involves embedding and extracting the arts and culture industry from the existing national accounts framework. This enables us to identify the specific supply-chain purchases associated with arts and culture, which allows for the computation of indirect impacts. Furthermore, the framework allows us to identify the wider demand associated with employee spending.

Table 5 illustrates the calculated distribution of supply-chain expenditure in the arts and culture industry. It is worth noting that the top three supply-chain products account for over 50% of total expenditure between them.

Table 5: Calculated supply-chain expenditure of the arts and culture sector

| Industry | Proportion of total supply chain expenditure |
|---|--|
| Information and communication | 25% |
| Administrative and support service activities | 16% |
| Professional, scientific and technical activities | 12% |
| Manufacturing | 12% |
| Other service activities | 8% |
| Wholesale and retail trade, repair of motor vehicles | 5% |
| Financial and insurance activities | 5% |
| Arts and Culture Industry | 3% |
| Construction | 3% |
| Electricity, gas, steam and air-conditioning supply | 3% |
| Transportation and storage | 2% |
| Arts, entertainment and recreation | 2% |
| Human health and social work activities | 2% |
| Real estate activities | 1% |
| Education | 1% |
| Water supply; sewerage, waste management | 1% |
| Mining and quarrying | 0% |
| Accommodation and food service activities | 0% |
| Public administration and defence; compulsory social security | 0% |
| Agriculture, forestry and fishing | 0% |
| Activities of households | 0% |

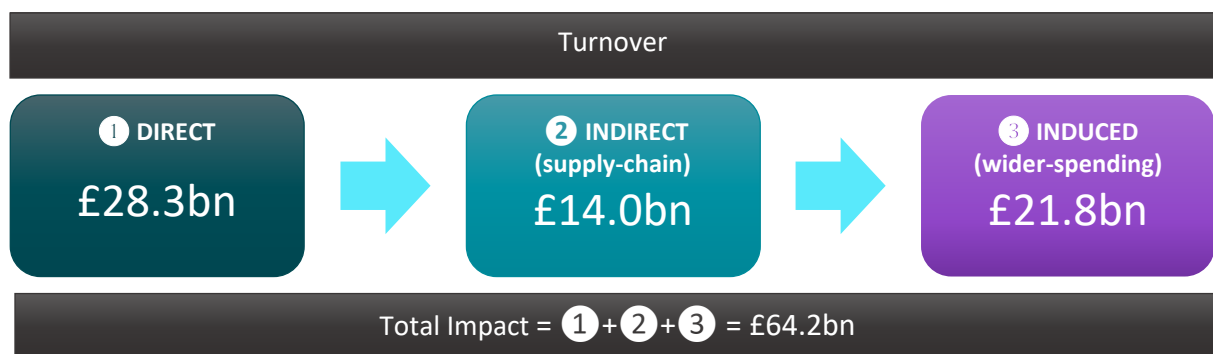
Source: ONS National Accounts, Cebr analysis

4.2 Aggregate turnover impacts

Our input-output modelling calculates that for every £1 of turnover directly generated by the arts and culture industry, **a further £0.50 worth of turnover** is supported in upstream supply-chains (the indirect impact). Furthermore, **£0.77 worth of turnover** is supported when employees associated with the direct and indirect impact layers spending their earnings in the wider economy. This implies that a total turnover of **£2.26 is supported** for every £1 of turnover directly generated by the arts and culture industry.

By applying these multipliers to the direct turnover generated by the arts and culture industry in 2018, we calculate that an aggregate footprint of **£64.2bn** was supported. Figure 14 illustrates the disaggregation.

Figure 14: The aggregate turnover footprint, 2018



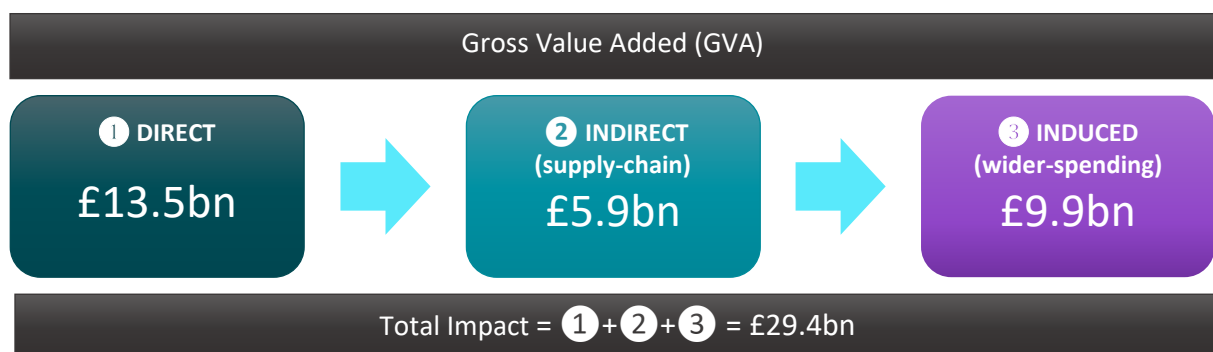
Source: ONS National Accounts, Cebr analysis

4.3 Aggregate Gross Value Added (GVA) impacts

Similarly, our modelling calculates that for every £1 of GVA directly generated by the arts and culture industry, **a further £0.44 worth of GVA** is supported in upstream supply chains (the indirect impact) and **£0.73 worth of GVA** is supported through wider spending effects (the induced impact). This implies that for every **£1 in GVA directly generated, a total footprint of £2.17 is supported**.

By combining this with our direct impacts, we calculate that a total GVA footprint of **£29.4bn was supported** by the arts and culture industry in 2018.

Figure 15: The aggregate GVA footprint, 2018



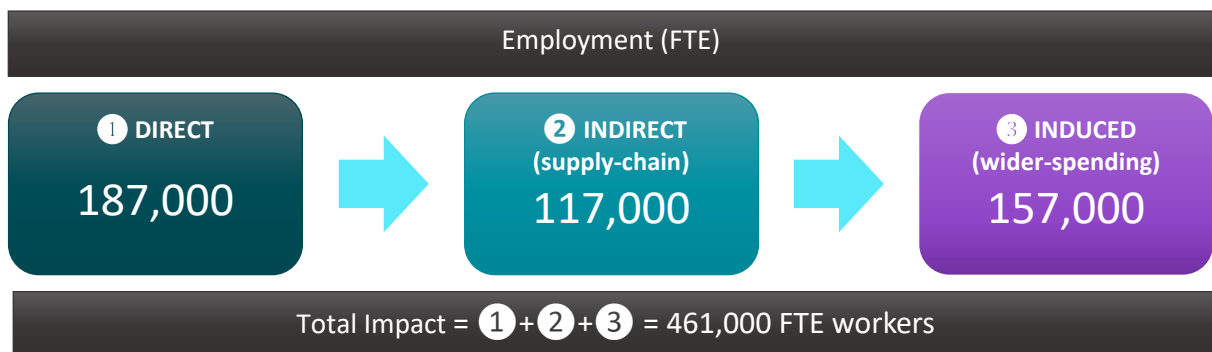
Source: ONS National Accounts, Cebr analysis

4.4 Aggregate employment impacts

Our modelling shows that for every 1 FTE worker directly employed by the arts and culture industry a **further 0.62 FTE jobs** are supported through indirect effects. Furthermore, **0.84 FTE jobs** are supported through induced impacts. This implies that for every 1 FTE worker directly employed, a **total footprint of 2.46 FTE workers** is supported in the wider economy.

In all, the 187,000 FTE workers directly employed in the arts and culture industry in 2018 supported an aggregate footprint of 461,000 FTE jobs.

Figure 16: The aggregate employment footprint, 2018



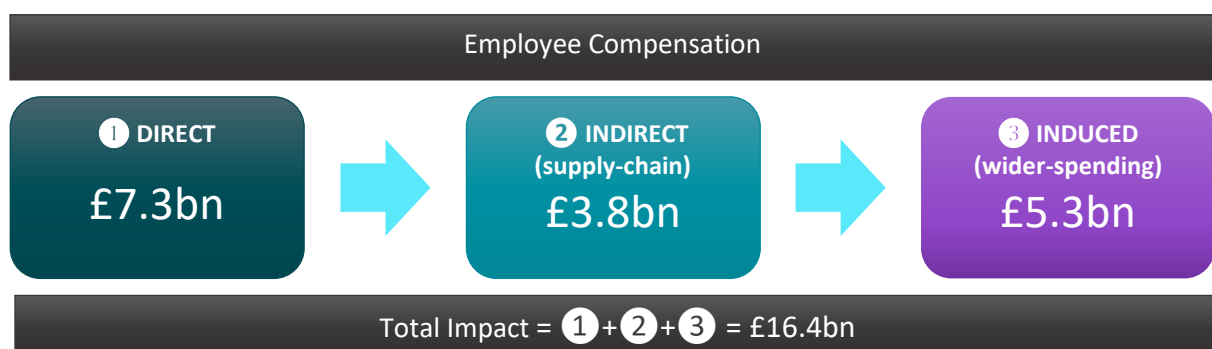
Source: ONS National Accounts, Cebr analysis

4.5 Aggregate compensation impacts

This report finds that for every £1 of employee compensation directly paid to workers in the arts and culture industry, a **further £0.51 worth of employee compensation** is supported along upstream supply chains. Furthermore, **£0.73 worth of employee compensation** is supported through the spending of employees. As such a total employee compensation of **£2.24 is supported** for every £1 directly paid to employees in the arts and culture industry.

This implies that an aggregate employee compensation footprint of **£16.2bn** was supported in 2018.

Figure 17: Aggregate employee compensation footprint, 2018



Source: ONS National Accounts, Cebr analysis

5. The impact of the arts and culture industry by UK region

This section further disaggregates the impacts discussed thus far, by considering the footprint supported in each UK region. It first considers the direct economic impacts produced in each region (in terms of GVA and employment) before considering the aggregate footprint supported.

5.1 Direct impacts

Table 6 details the direct GVA contribution generated by the arts and culture industry in each region.

Of the £13.5bn of GVA generated by the arts and culture industry in 2018, a calculated £5.5bn was generated within the London economy. The concentration in London was driven by the three largest activities ('Artistic creation', 'performing arts' and 'sound recording and performing arts') having large intensities in London.

The South East had the second highest GVA produced at approximately £1.9bn in 2018.

Table 6: GVA generated by arts and culture industry, disaggregated by region, 2018, £m

| Region | GVA (£m) | Percentage of area's non-financial GVA |
|--------------------------|----------|--|
| North East | 274 | 0.8% |
| North West | 1,032 | 0.8% |
| Yorkshire and The Humber | 630 | 0.8% |
| East Midlands | 590 | 0.8% |
| West Midlands | 758 | 0.7% |
| East of England | 978 | 0.8% |
| London | 5,451 | 1.8% |
| South East | 1,891 | 1.0% |
| South West | 696 | 0.8% |
| Wales | 297 | 0.8% |
| Scotland | 775 | 0.8% |
| Northern Ireland | 168 | 0.7% |

Source: ONS Workplace GVA, Cebr analysis

Table 7 illustrates the FTE employment directly supported within each region by the arts and culture industry. Once again London has the largest proportion of employment attributed to it (approximately 67,000 FTE employees in 2018). This was followed by the South East (24,000). The North East accounted for the smallest arts and culture employment of the twelve UK regions (3,800).

Table 7: FTE Employment generated by arts and culture industry, disaggregated by region, 2018

| Region | FTE Employment attributed to region | Proportion of total region's FTE employment |
|--------------------------|-------------------------------------|---|
| North East | 3,799 | 0.4% |
| North West | 9,883 | 0.3% |
| Yorkshire and The Humber | 10,074 | 0.5% |
| East Midlands | 11,888 | 0.7% |
| West Midlands | 9,251 | 0.4% |
| East of England | 17,320 | 0.7% |
| London | 67,069 | 1.5% |
| South East | 24,110 | 0.7% |
| South West | 10,732 | 0.5% |
| Wales | 5,466 | 0.5% |
| Scotland | 13,192 | 0.6% |
| Northern Ireland | 4,674 | 0.7% |

Source: ONS, Cebr analysis

5.2 Aggregate footprint supported by region

This section details the aggregate footprint (GVA and employment) supported by the arts and culture industry in each region. To do so, it calculates multipliers for each region before applying these to the direct impacts.

These multipliers capture the 'in-region' impacts of the arts and culture industry in each UK nation and English region. The arts and culture industry in any one region will draw inputs from other regions, in which case, a proportion of the indirect and induced impact can be expected to 'leak' to those other regions. The UK-level analysis excludes imports from abroad when establishing the supply chain of the arts and culture industry, so as to focus on the impact on the domestic economy. At the regional level, the input-output analysis seeks to exclude imports from other regions and nations of the UK, which are equally a source of impact 'leakage' at the regional level. The implication of this is that the sum of the regional footprints does not equal the national GVA footprint supported.

Table 8 illustrates the average GVA footprint supported in each region by the arts and culture industry. Much like the case of direct impacts, London and the South East have the largest aggregate GVA impacts.

Table 8: Aggregate GVA footprint by region, 2018, £m

| Region | Direct GVA (£m) | TII GVA Multiplier | Aggregate GVA footprint (£m) |
|--------------------------|-----------------|--------------------|------------------------------|
| North East | 274 | 1.91 | 524 |
| North West | 1,032 | 1.99 | 2,053 |
| Yorkshire and The Humber | 630 | 1.97 | 1,240 |
| East Midlands | 590 | 1.93 | 1,141 |
| West Midlands | 758 | 1.94 | 1,471 |
| East of England | 978 | 1.97 | 1,927 |

| | | | |
|------------------|-------|------|--------|
| London | 5,451 | 1.86 | 10,157 |
| South East | 1,891 | 1.94 | 3,663 |
| South West | 696 | 2.00 | 1,391 |
| Wales | 297 | 1.85 | 550 |
| Scotland | 775 | 1.94 | 1,506 |
| Northern Ireland | 168 | 1.93 | 324 |

Source: ONS National Accounts, Cebr analysis

Similarly, Table 9 illustrates the aggregate employment footprint supported within each region.

Table 9: Employment Footprint by region, 2018

| Region | Direct FTE Employment | TII Employment Multiplier | Aggregate FTE Employment footprint |
|--------------------------|-----------------------|---------------------------|------------------------------------|
| North East | 3,799 | 2.09 | 7,935 |
| North West | 9,883 | 2.18 | 21,583 |
| Yorkshire and The Humber | 10,074 | 2.16 | 21,736 |
| East Midlands | 11,888 | 2.12 | 25,178 |
| West Midlands | 9,251 | 2.13 | 19,667 |
| East of England | 17,320 | 2.16 | 37,450 |
| London | 67,069 | 2.03 | 136,357 |
| South East | 24,110 | 2.12 | 51,067 |
| South West | 10,732 | 2.19 | 23,457 |
| Wales | 5,466 | 2.01 | 11,007 |
| Scotland | 13,192 | 2.12 | 27,907 |
| Northern Ireland | 4,674 | 2.11 | 9,845 |

Source: ONS National Accounts, Cebr analysis

6. Structural characteristics of the arts and culture industry

This section considers some of the key structural characteristics of the arts and culture industry. This includes the average size of an arts and culture enterprise, the relative earnings of full time and part time workers in the industry and trends in the average household's consumption of arts and recreation activities.

6.1 Market structure of the arts and culture industry

By combining the SIC based definition of the arts and culture industry with data from the ONS Business Register, this report calculates the distribution of arts and culture enterprises by firm employment size. It is important to note that the dataset used only covers registered companies and hence non-market arts and culture provision is not included in the below. Table 10 illustrates the results.

Table 10: Market structure of arts and culture industry by firm employment size bands, 2018

| SIC Code | SIC Description | 0-4 | 5-9 | 10-19 | 20-49 | 50-99 | 100-249 | 250+ |
|----------|---|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| 32.12 | Manufacture of jewellery and related articles | 80% | 12% | 5% | 2% | 1% | 0% | 0% |
| 58.11 | Book publishing | 80% | 9% | 5% | 3% | 1% | 1% | 1% |
| 59.2 | Sound recording and music publishing activities | 92% | 5% | 2% | 1% | 0% | 0% | 0% |
| 74.2 | Photographic activities | 92% | 5% | 2% | 1% | 0% | 0% | 0% |
| 85.52 | Cultural education | 79% | 14% | 5% | 2% | 0% | 0% | 0% |
| 90.01 | Performing arts | 86% | 9% | 3% | 1% | 1% | 0% | 0% |
| 90.02 | Support activities to performing arts | 91% | 5% | 3% | 1% | 0% | 0% | 0% |
| 90.03 | Artistic creation | 94% | 4% | 2% | 0% | 0% | 0% | 0% |
| 90.04 | Operation of arts facilities | 65% | 13% | 8% | 6% | 3% | 3% | 1% |
| 91.01 | Library and archive activities | 66% | 13% | 10% | 6% | 2% | 0% | 3% |
| 91.02 | Museum activities | 52% | 16% | 10% | 11% | 5% | 3% | 3% |
| | Total arts and culture industry | 89% | 7% | 3% | 1% | 0% | 0% | 0% |
| | UK economy | 78% | 11% | 6% | 3% | 1% | 1% | 0% |

Source: ONS Business Register, Cebr analysis

As illustrated, the arts and culture industry contains a relatively large proportion of firms with a small number of employees. 89% of arts and culture enterprises contain between zero and four employees. This compares to 78% for the UK economy as a whole. Similarly, 98% of arts and culture enterprises contain between zero and nineteen employees, compared to 95% of all enterprises in the UK as a whole.

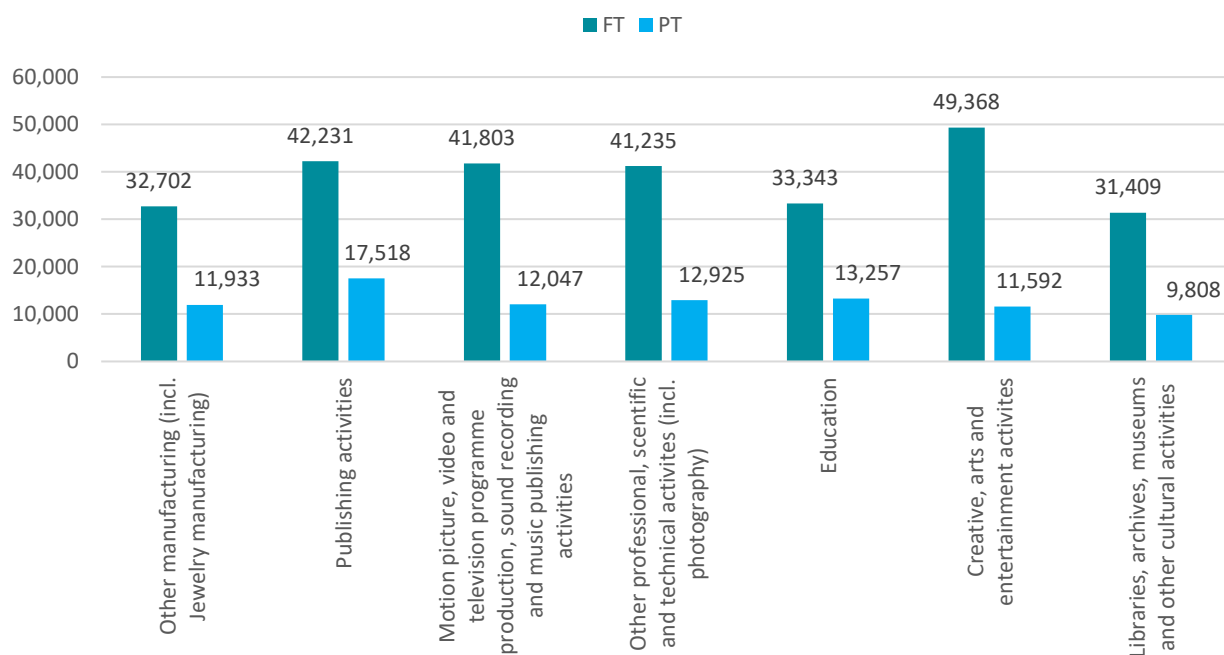
Unsurprisingly, Table 10 also illustrates that there is significant heterogeneity within the arts and culture industry itself. For instance, firms that fall under the 'Museum activities' SIC code are generally larger, with only 52% reporting between zero and four employees. By comparison, 94% of all artistic creation enterprises fall into the smallest employment category.

6.2 Structure of incomes from employment in the arts and culture industry

It is also worth exploring the differences in wage payments made to full time and part time workers in the arts and culture industry. To do so, the Annual Survey of Hours and Earnings (ASHE) dataset is used⁹. This allows us to identify the average wage payments made to full and part time workers by SIC code. As discussed in the scope and methodology section, the definition of the arts and culture sector is based on four-digit SIC codes. However, at this level of granularity, there are significant data limitations. As such, the analysis below is based on the wider two-digit SIC that contain the arts and culture sectors.

Figure 18 illustrates the annual pay of full time and part time workers in arts and culture related SICs. Unsurprisingly, the pay difference is significant. In all cases full time workers earn over double their part time counterparts. The biggest difference exists in SIC 90 (creative, arts and entertainment activities) where full time workers earn more than four times their part time counterparts.

Figure 18: Annual pay (mean) for full time and part time workers, disaggregated by SIC code, 2018, £

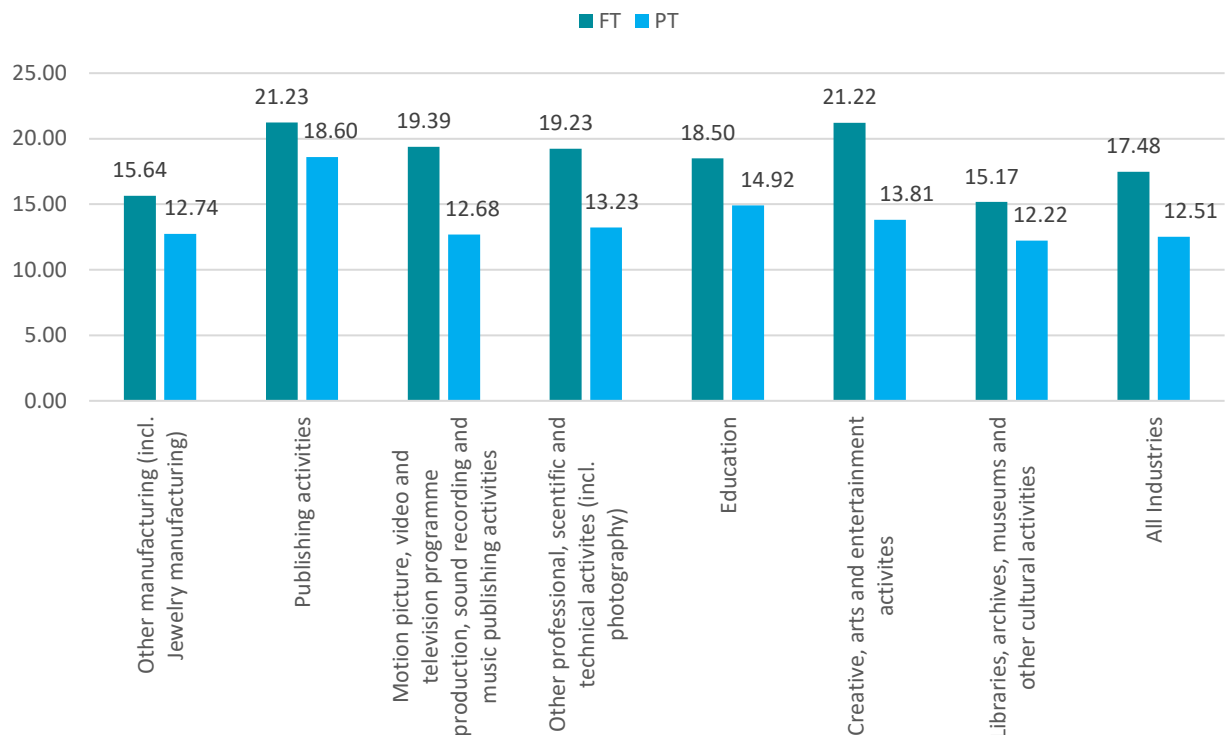


Source: Annual Survey of Hours and Earnings (ASHE), Cebr analysis

Inevitably, part of this difference is driven by the fact that part time employees work fewer hours than their full-time counterparts. Therefore, a more meaningful comparison is to consider the average hourly wages of full time and part time workers. Figure 19 does so.

⁹ The ASHE dataset excludes self-employed individuals and hence they are not included within this analysis.

Figure 19: Hourly wages (mean) for full time and part time workers, disaggregated by SIC code, 2018, £



Source: Annual Survey of Hours and Earnings (ASHE), Cebr analysis

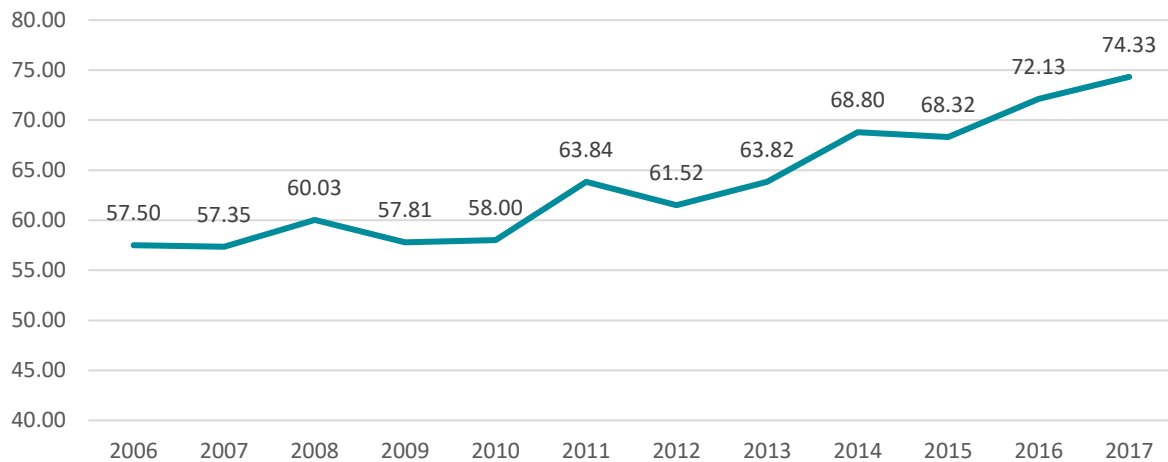
While the difference between full time and part time earnings is certainly less significant in this case, in all instances part time workers do still earn less than their full-time counterparts. The biggest difference is still in SIC 90 (creative, arts and entertainment activities), where full time workers earn 53% more per hour than their part time counterparts. This is in comparison to a 40% difference in hourly earnings for the UK economy as a whole. The smallest difference is in SIC 50 (publishing activities), where full time workers earn just 14% more per hour than their part time counterparts.

It is important to note that these differences in hourly earnings do not necessarily imply unfair pay for part time workers. The nature of full time and part time jobs are likely to be different. For instance, managers and executives are more likely to be employed on a full-time basis. As such individuals are likely to be relatively high earners, this may skew the wages of full-time workers.

6.3 Consumer spending on arts and culture activities

Figure 20 illustrates the nominal average household expenditure on recreation and culture activities between 2006 and 2017.

Figure 20: Average household expenditure on recreation and culture, 2006-2017, £

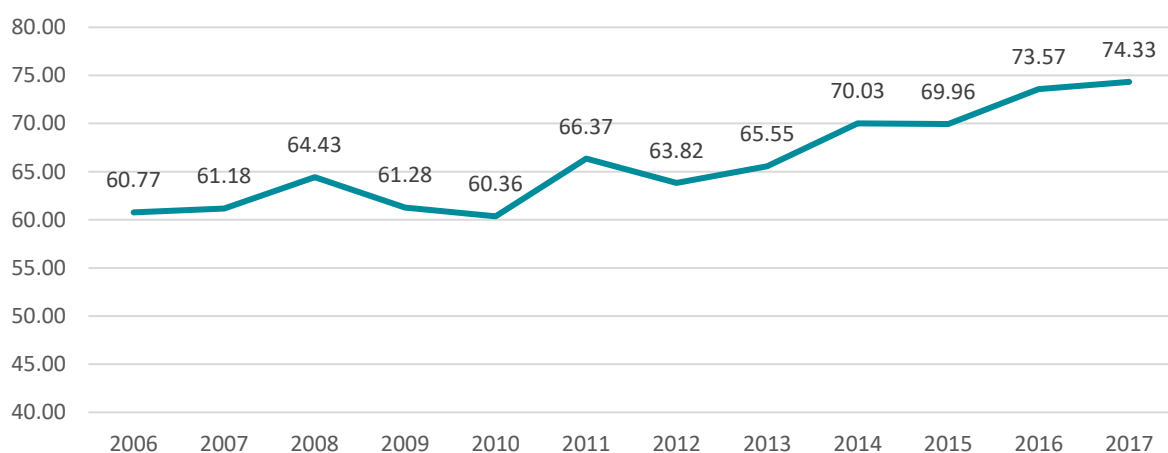


Source: ONS Family Spending Survey, Cebr analysis

Over the period as a whole, weekly expenditure on recreation and culture has increased by 29%, from £57.50 in 2006 to £74.33. The year-on-year picture is far more volatile. The slight dip in expenditure in 2009 is likely the result of the financial crisis. During such periods, people are likely to reduce expenditure, particularly on activities which they deem to be non-essential. There was also a significant dip in expenditure between 2011 and 2012. This may have been caused by an abnormally high expenditure on sports tickets in 2011 due to the London Olympics the following year.

Part of the increase in expenditure is offset by inflation. As prices generally increase, we would expect households to spend more over a period of time, even if they were purchasing the same quantity of recreation and culture activities. To account for this, Figure 21 standardises all expenditure figures to 2017 prices. This allows us to consider the real (net of any price increases) changes to expenditure on recreation and cultural activities.

Figure 21: Average household expenditure on recreation and culture, 2006-2017, £ 2017 prices

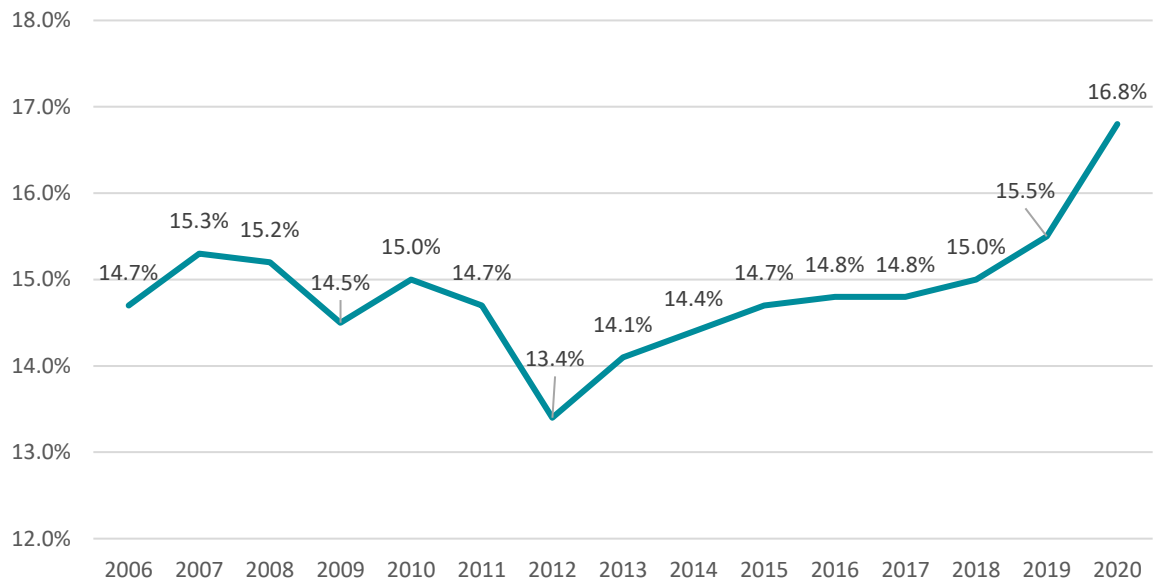


Source: ONS Family Spending Survey, CPI recreation and culture, Cebr analysis

While the broad trends remain constant, the overall increase in consumer expenditure is lower (around 22%) once price changes are netted out.

Despite this real increase in expenditure, if incomes are rising faster it is possible that people are in fact spending a lower proportion of their income on recreation and cultural activities. To assess whether this is the case, Figure 22 looks at the relative weight given to recreation and cultural activities when calculating inflation¹⁰. This can be thought of as a proxy for the proportion of overall household expenditure that is spent on recreation and culture activities.

Figure 22: CPI inflation weight attributed to recreation and culture activities, 2006-2020



Source: ONS CPI inflation weights, Cebr analysis

Over the period as a whole, the relative weight attributed to recreation and cultural activities increased from 14.7% to 16.8%. This implies that people are spending a larger proportion of their income on these activities.

¹⁰ As calculated for the Consumer Price Index (CPI).

7. The economic impacts of National Portfolio Organisations (NPOs)

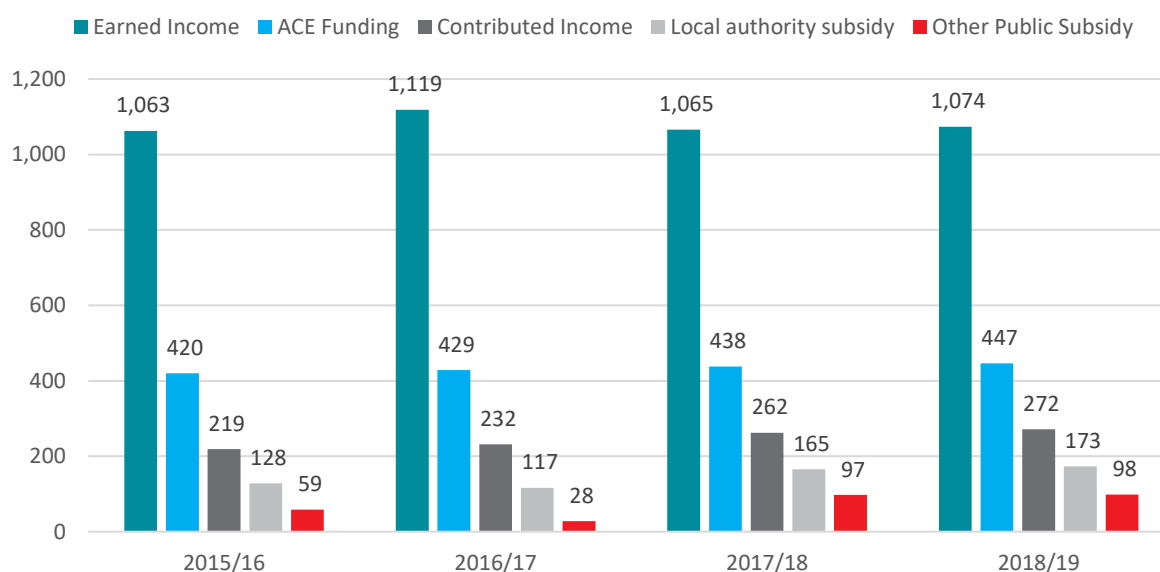
The analysis thus far has used industry-level data to estimate the economic contribution of the arts and culture industry. Whilst the most efficient methodology for calculating economic impacts on the scale of an entire industry, using top-down data in this way inevitably misses out on some of the insights gained from conducting a survey. As such, this section considers a subset of the arts and culture industry (the National Portfolio Organisations), and estimates the resulting economic impacts using survey data. NPOs are organisations that receive significant funding from Arts Council England.

7.1 Funding of the National Portfolio Organisations (NPOs)

The funding structure of NPOs is explored below. The analysis is based on data provided by the NPOs, made available by the Arts Council England for the purpose of this study.

Funding of the arts and culture industry is derived from three main channels: earned income, such as from ticket sales and merchandise; public funding, for example from Arts Council England, local authorities and other public bodies; and contributed income, which includes sponsorship, trusts and donations. Figure 23 illustrates this disaggregation in full.

Figure 23: Income of NPOs disaggregated by source, £m



Source: ACE NPO survey, Cebr analysis

Earned income is the most important source of revenue for NPO organisations, with it accounting for around 52% of all income in the 2018/19 financial year. It is worth noting that the proportion of total revenue attributed to earned income has declined slightly over the period. From 56% in 2015/16 to 52% in 2018/19. Subsidies provided by Arts Council England were the next biggest source of income, accounting for around £447m of revenue in 2018/19. The 'Other public subsidy' category on income saw the largest growth over the period as a whole at around 68%. However, given the relatively small starting base this does not translate to a significant absolute increase.

7.2 Economic footprint supported by NPOs

Following on from this, the economic contributions made by NPOs is estimated below. We use three key metrics to do so, namely; income, GVA and employment. Unlike the impacts calculated for the wider arts and culture industry, the income term here covers both earned and non-earned (e.g. grant) revenue sources. The employment figures are calculated using Arts Council England's survey of NPOs. From here, productivity figures for the arts and culture sector as a whole are used to compute the GVA of NPOs¹¹.

Table 11 illustrates the direct economic contributions generated by NPOs in the financial years 2015/16 through to 2018/19. On the whole the contributions made by NPOs have increased over time.

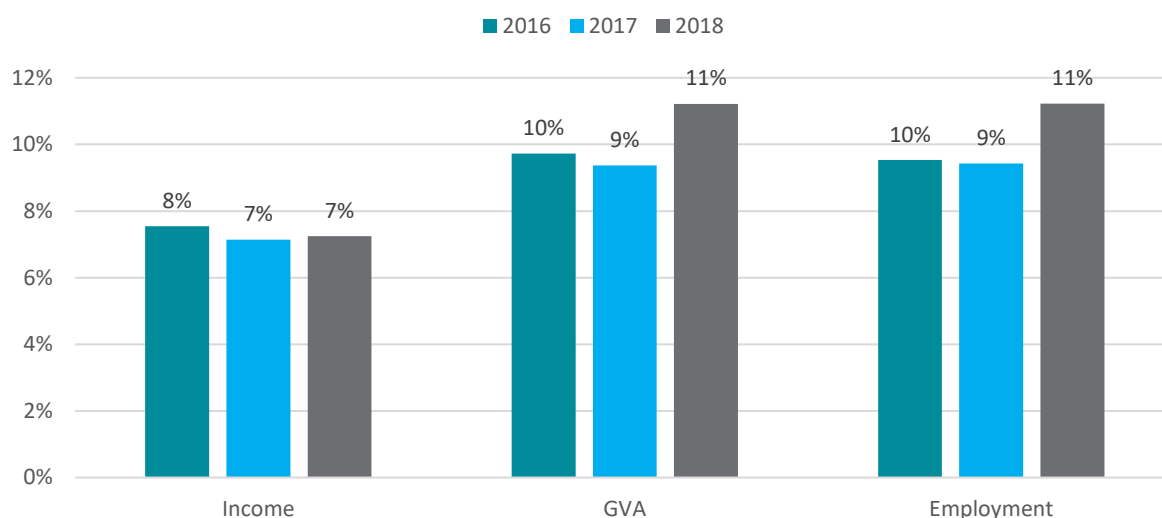
Table 11: Direct economic contributions made by NPOs by financial year

| Direct Impacts | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|--------------------|---------|---------|---------|---------|
| Income (£m) | 1,887 | 1,924 | 2,028 | 2,063 |
| GVA (£m) | 1,269 | 1,177 | 1,189 | 1,719 |
| Employment | 23,306 | 22,441 | 21,135 | 27,807 |

Source: ACE NPO survey, Cebr analysis

Although the vast majority of organisations in arts and culture industry are not part of the NPOs, given their relatively large size NPOs do account for a significant proportion of the wider sector. Figure 24 illustrates that in 2018 NPOs accounted for 7%, 11% and 11% of the turnover, GVA and employment of the wider arts and culture industry.

Figure 24: Direct NPO economic contributions as a proportion of the wider arts and culture industry



Source: ACE NPO survey, Cebr analysis

¹¹ We acknowledge that this is a slightly simplifying assumption given that NPOs are likely to have slightly different structural characteristics when compared with the wider sector as a whole. We reason that this does provide a best approximation in the absence of having full financial data on each one of these organisations.

In addition to computing the direct economic contributions generated by NPOs, this report computes the broader economic footprint supported through supply-chains and the spending of employees. To do so, we once again need to compute multipliers which describe the wider footprint supported for a given direct contribution.

Our starting point were the multipliers computed for the wider arts and culture sector. Given that NPOs are contained within this broader group, we would expect the overall structure of the multipliers to remain broadly consistent. However, we do acknowledge that NPOs are different in their size and overall composition. As such, we use differences in the total intermediate consumption of NPOs in comparison to the wider sector to scale our multipliers, allowing us to account for the wider impacts of NPOs more precisely. Table 12 illustrates the results of this scaling process.

Table 12: Scaled NPO multipliers in comparison to wider sector multipliers¹²

| KPI | Arts and Culture industry Type II multipliers | NPO Type II Multipliers |
|------------|---|-------------------------|
| Turnover | 2.23 | 1.95 |
| GVA | 2.13 | 1.89 |
| Employment | 2.42 | 2.07 |

Source: ACE NPO survey, ONS, Cebr analysis

In all three cases, the multipliers for NPOs are lower than the multipliers for the arts and culture industry as a whole. This is perhaps unsurprising given that NPOs are larger than most arts and culture organisations. This, in turn, may mean that they are able to produce more of their output 'in house' and as such have proportionally lower supply-chain inputs, reducing their indirect impact¹³.

By combining these multipliers with the direct economic contributions made by NPOs, the wider footprint supported can be calculated. Table 13 illustrates the results. In the financial year 2018/19, we calculate that a total footprint of £4.0bn of income, £3.0bn of GVA and 58,000 jobs were supported by NPOs.

Table 13: Aggregate footprint supported by NPOs by financial years

| KPI | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|-------------|---------|---------|---------|---------|
| Income (£m) | 3,674 | 3,745 | 3,948 | 4,017 |
| GVA (£m) | 2,400 | 2,273 | 2,263 | 3,063 |
| Employment | 48,163 | 46,376 | 43,677 | 57,465 |

Source: ACE NPO survey, ONS, Cebr analysis

¹² Type II multipliers simply refer to multipliers that account for direct, indirect and induced impact layers.

¹³ It is important to note that this business model of producing more 'in house' does not necessarily imply a lower overall footprint. It may simply increase the 'direct' contribution made at the expense of the indirect footprint supported.

7.3 International footprint of NPOs

Perhaps unsurprisingly given the prominence of the UK arts and culture industry globally, NPOs have a significant international footprint. Using data from Arts Council England's NPO Annual data survey, this section considers the international activities of NPOs. This international programme includes touring and performing abroad. In its broadest sense, 'touring' in the context of arts and culture organisations refers to activities undertaken away from the base venue.

Figure 25 below shows the number of tour productions conducted internationally.

Figure 25: Proportion of NPO performances, exhibitions, broadcasts and festivals carried out internationally



Source: ACE NPO survey, ONS, Cebr analysis

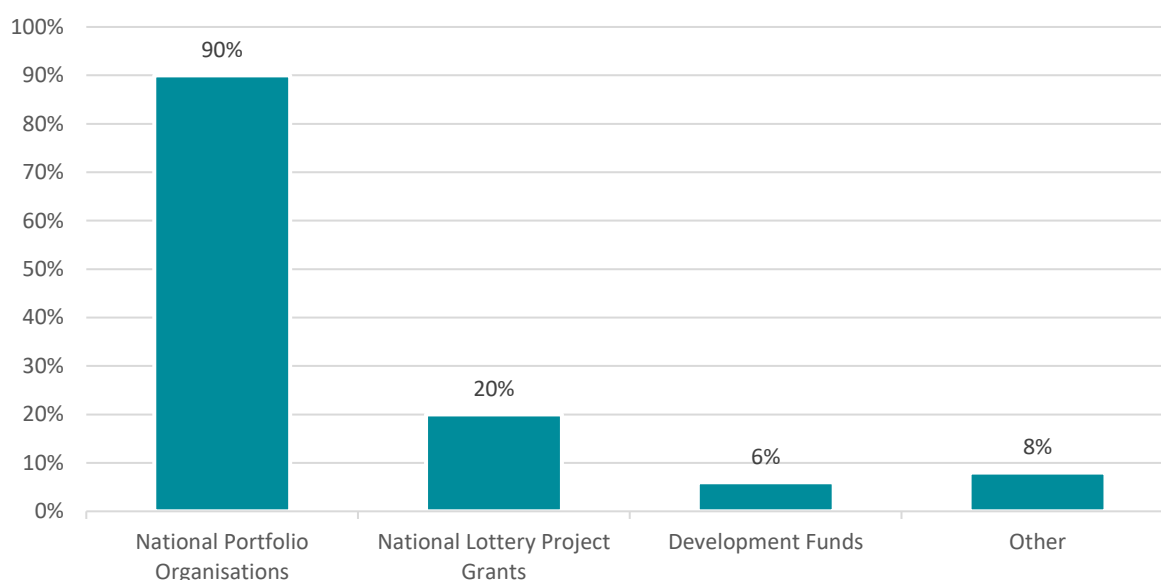
It is calculated that 6 percent of all performances, exhibitions, broadcasts and festivals were outside the UK in 2017/18. This is broadly consistent with the 6.3% of all NPO earned income that comes from international sources. Even within the UK, the vast majority of activity occurred within England.

8. Static spillovers associated with arts and culture organisations

Arts and culture organisations provide a wide range of benefits that go beyond direct point of use which is difficult to capture in direct, indirect and induced impacts alone. This section provides an overview of the importance of arts and culture organisations through a variety of channels, including volunteers, training, local regeneration and creative clusters. To quantify the impacts of the spillovers, Cebr employed a survey, rolled out by Arts Council England.

The survey found that of those organisations that responded, 89% were regularly funded by Arts Council England. The form of funding for those that regularly receive is depicted below in Figure 26. As can be seen, some organisations regularly receive funding through multiple avenues, but National Portfolio Organisations clearly dominate.

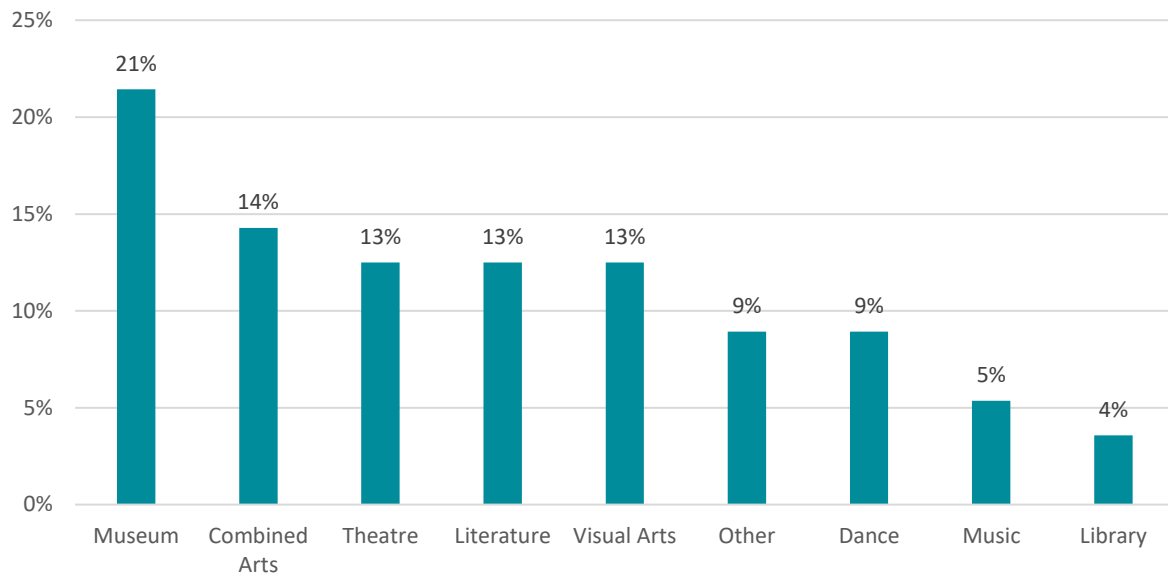
Figure 26: The route through which regularly funded arts and culture organisations receive their funding



Source: Cebr survey and analysis

The principle activity of respondents is varied, thus helping to ensure that results from the survey are not heavily biased towards one specific subset of arts and culture organisations. The makeup of organisations that responded to the survey is illustrated below in Figure 27. Those within the 'Other' category defined themselves as supporting activities for museums and galleries and participatory arts among others.

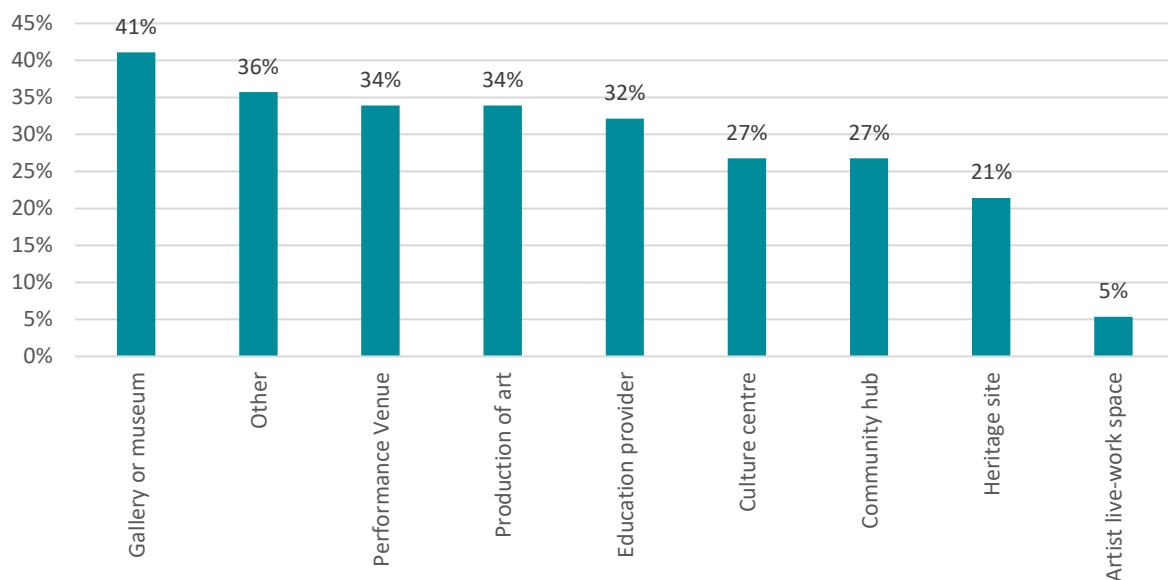
Figure 27: Principle activity of arts and culture organisations that responded to the survey



Source: Cebr survey and analysis

Similarly, these organisations also have a spread of functions they provide from galleries and museums to education and cultural centres. The make-up of respondents is again depicted below in Figure 28 and shows that many of these organisations provide a variety of uses to the community. Those within the 'Other' category included festivals, touring agencies, office bases for support activities and infrastructure within their functions.

Figure 28: Functions provided by arts and culture organisations that responded to the survey

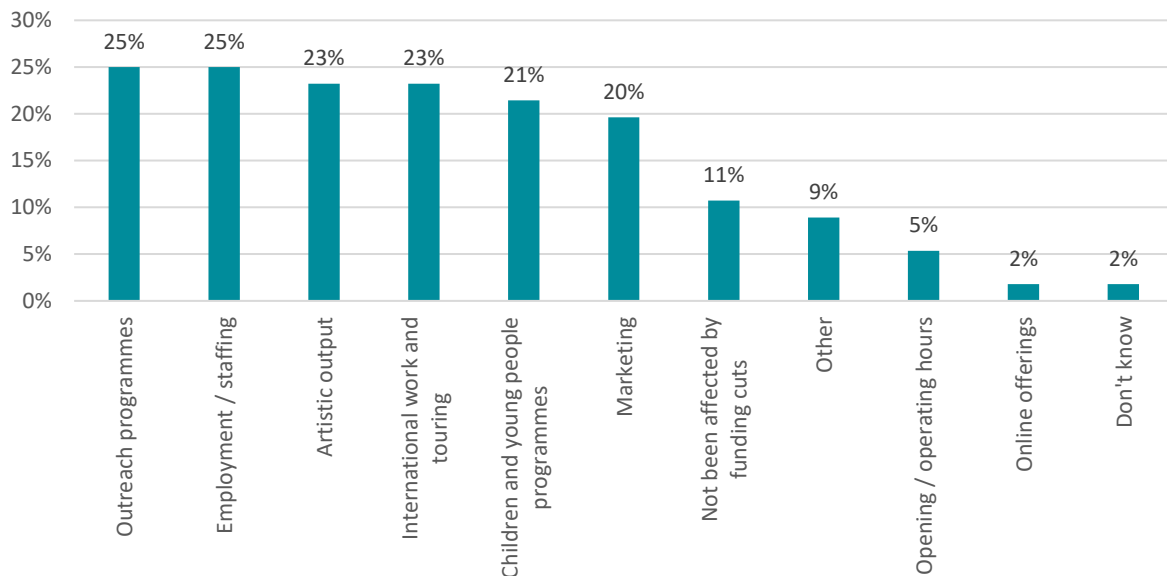


Source: Cebr survey and analysis

8.1 The role in developing skills and productivity

Evidence from our primary research indicated that volunteers in the arts and culture organisations play a key role in facilitating the operation of the sector. The arts and culture sector has faced a tough decade with significant public funding cuts affecting their day-to-day activities. Figure 29 below details the main areas organisations have felt the budget constraints, with only 11% claiming not to have been affected at all.

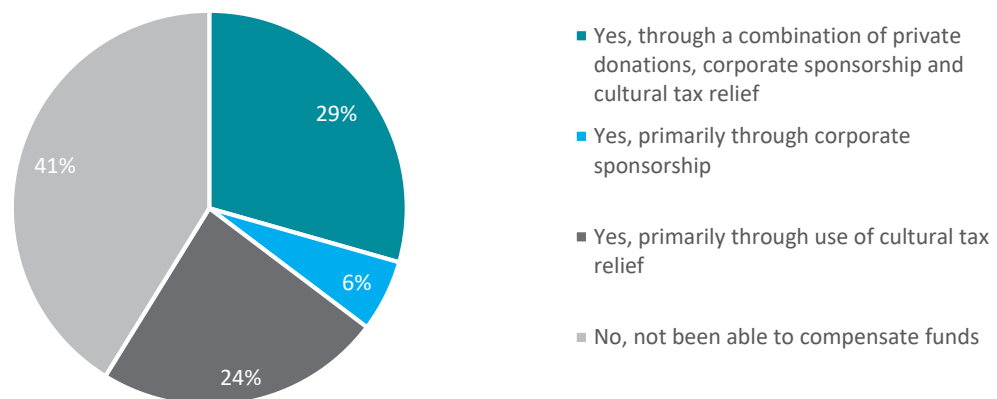
Figure 29: Areas arts and culture organisations have faced constrains due to public funding cuts



Source: Cebr survey and analysis

Of the organisations that experienced funding cuts, 41% of them have not been able to recuperate the lost funds. The remaining 59% of organisations were able to recover some funding from private donations, corporate sponsorship and the cultural tax relief. The proportions of each are illustrated below in Figure 30.

Figure 30: Route through which arts and culture organisations recuperated lost public funding



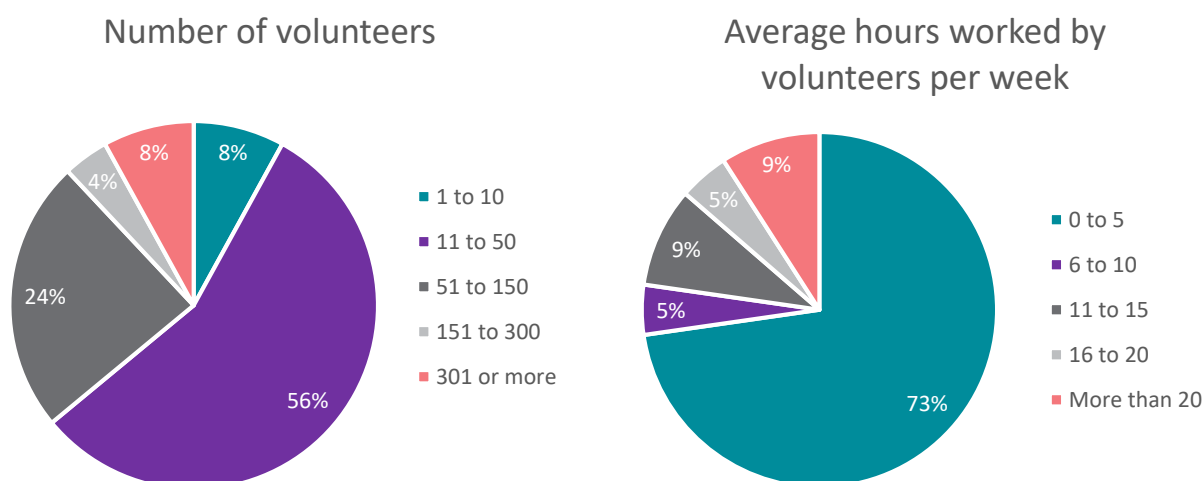
Source: Cebr survey and analysis

Many of these organisations have utilised volunteers to overcome some of the pressures faced as a result of public funding cuts. For example, Carisbrooke Castle Museum states: “We rely on [volunteers] to help provide much of our core functionality - including Front of House, Collections Care, Outreach, Estates and Operations.” Similarly, another organisation stated

that they utilise volunteers for tasks they cannot afford to pay for, highlighting the need of volunteers for these organisations.

From our survey, arts and culture organisations with volunteers had an average of 179 last year. However, this does vary significantly from a low of 3 to a high of 2,877. Within these organisations, volunteers on average work 7 hours per week, but 9% of organisations state their volunteers work upward of 20 hours per week on average.

Figure 31: Number of volunteers working within the last year and average hours worked

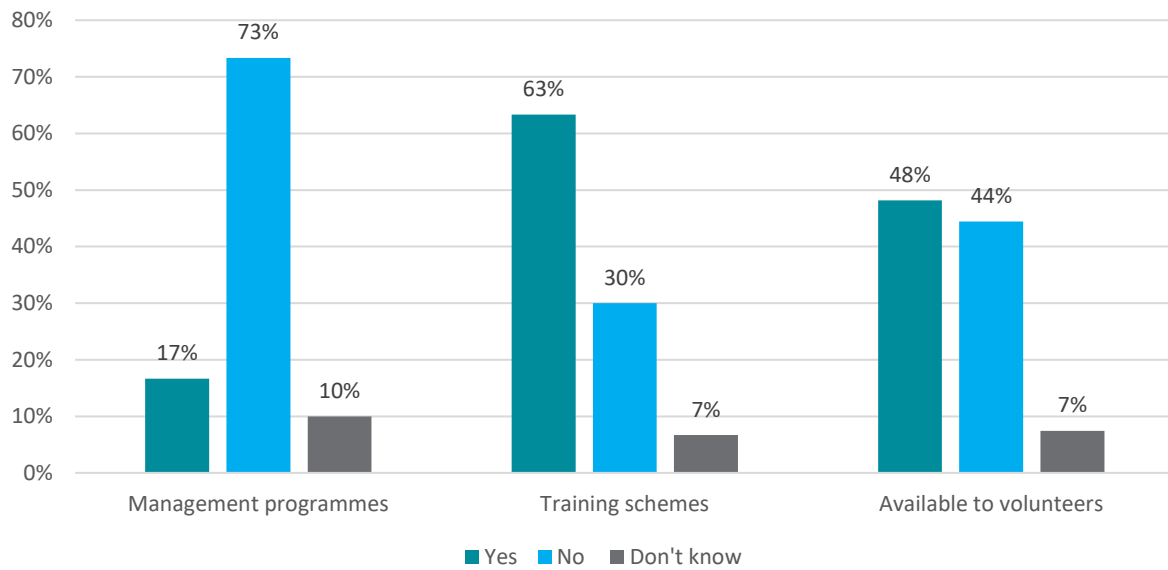


Source: Cebr survey and analysis

Volunteering also brings about benefits to the individuals. Individuals are given opportunities to enhance their skills and opportunities to develop new ones. Loud in Libraries state that volunteering gives young people a chance to work at gigs and gain valuable experience in the music industry. The story is similar for Carcanet Press Ltd, giving individuals the opportunity to gain experience in the publishing industry.

Arts and culture organisations provide a significant amount of training to their staff and volunteers. As illustrated in Figure 32, 63% of organisations surveyed provide general training to their staff and 17% provide managerial training. What's more, 48% of organisations also offered these training programmes to volunteers.

Figure 32: Provision of training by arts and culture organisations



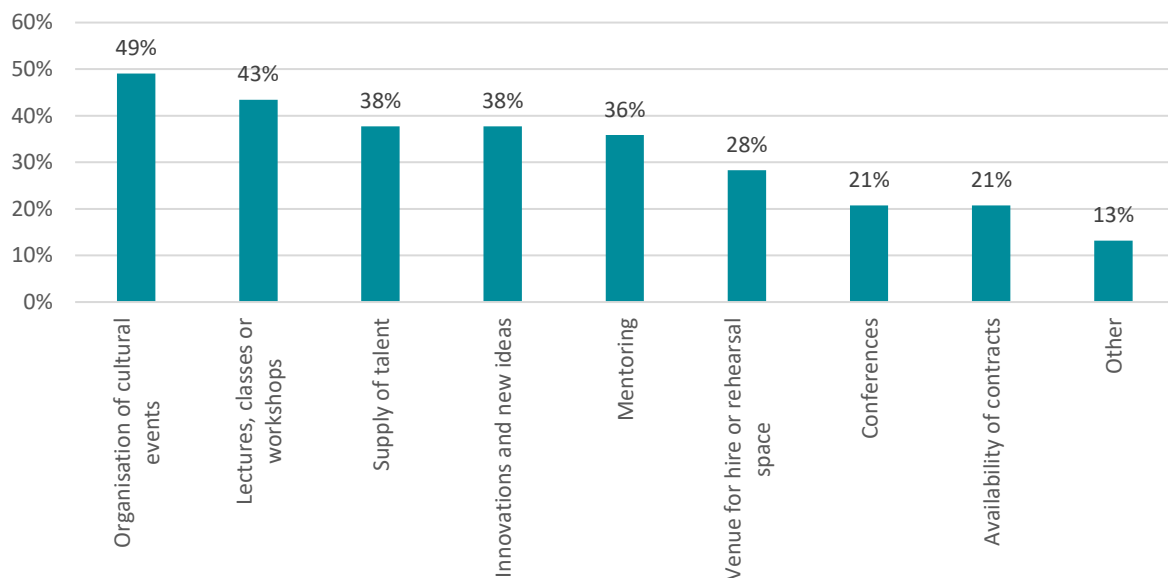
Source: Cebr survey and analysis

8.2 Supporting the creative community

Beyond the organisation's employment, source of experience and training for volunteers, these organisations also support the wider creative community and their local areas.

Directly, these organisations provide a variety of support to the wider creative community. Below, Figure 33 illustrates the key areas of support organisations provide. The main form of support is the organisation of cultural events (49%) followed by lectures, classes or workshops (43%) and the supply of talent (38%).

Figure 33: Forms of support provided to the wider community



Source: Cebr survey and analysis

Of the organisations that responded, 28% stated they had a partnership with another creative business and 23% stated that they were part of a creative cluster. Business partnerships are

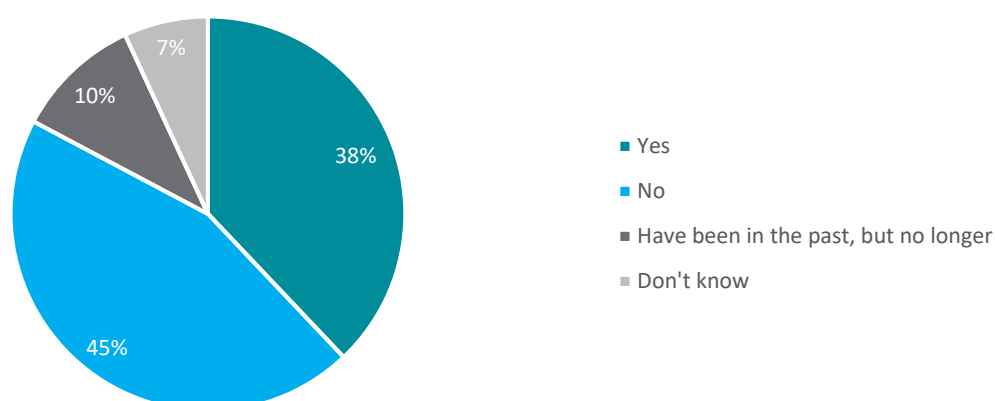
often appealing to companies from the benefits they accrue. Partnerships can result in a bridging of a knowledge gap through offering different expertise, cost savings through economies of scale and additional business opportunities that may not be feasible for the company on its own.

The Arts Depot Trust, for example, has a residency programme providing micro-grants and free space to creative organisations that are exploring new ideas. They typically support 10 new projects a year through this. Soft Touch Arts also benefits from their partnership with Arch Creative, who supported them in an application to Heritage Lottery Fund and put in a match-funding for a festival.

Arts and Culture organisations that are within a creative cluster are also overwhelmingly positive about the effects of it on productivity: 33% strongly agree and 42% agree there has been a productivity boost since becoming part of a creative cluster, while no organisations disagree (25% claim no impact). The reason stated for this tends to be along the same lines as the benefits from a business partnership; new ideas, commonality of strategy and a pooling of resources.

Many arts and culture organisations are also involved in regeneration networks within their communities. Figure 34 highlights that 48% of arts and culture organisations are involved or have been involved in local regeneration. Peckham is an area of London that has benefitted from both government funding and local artists in a regeneration effort. The funding is restoring the rail station and providing a safer and cleaner location for shops and artists within the railway arches.¹⁴

Figure 34: Involved in local regeneration networks



Source: Cebr survey and analysis

Similarly, over half of arts and culture organisations occupy unused spaces or regenerated spaces, providing a valuable uplift to local community spaces. The South London Gallery opened a new art gallery in the former Peckham Road Fire Station, a Grade II listed building that dates from 1867.¹⁵ This regeneration was made possible by major donations from the Heritage Lottery Fund, Major of London and Arts Council England.¹⁶ This is again providing

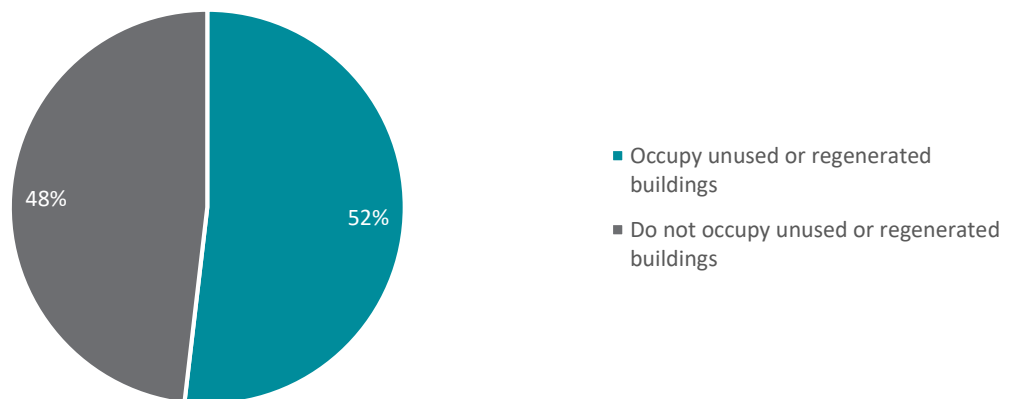
¹⁴ London Assembly. (2018). [Regeneration project: Peckham](#).

¹⁵ The South London Gallery. (2019). [Fire Station](#).

¹⁶ Ibid.

an uplift to the Peckham area and regenerating significant local buildings; prior to this regeneration, the Fire Station had remained empty and partially derelict until it was donated to the South London Gallery and restored.¹⁷ This appears to be common for arts and culture organisation; Figure 35 shows that 52% of arts and culture organisations occupy previously unused or regenerated buildings.

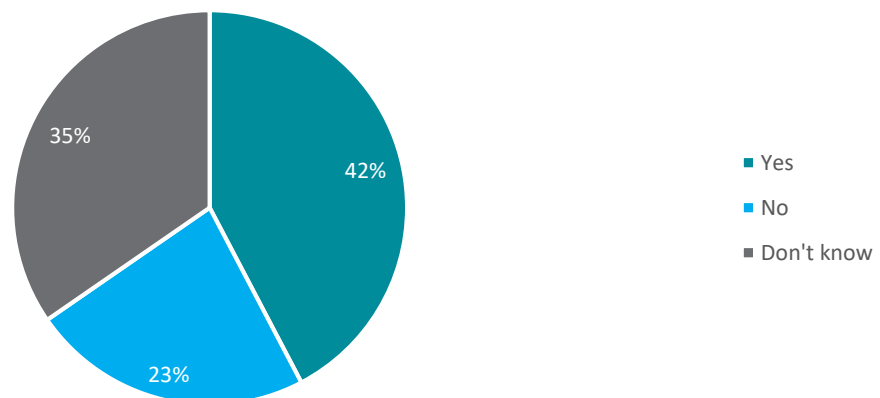
Figure 35: Arts and culture organisations that occupy previously unused spaces or spaces that have been regenerated



Source: Cebr survey and analysis

Moreover, arts and culture organisations often give regard to local regeneration plans when restoring or redeveloping their own buildings. This highlights that these organisations are community focused; the buildings and venues they establish aim to fit within the broader area and provide a valuable source of arts and culture to the community.

Figure 36: “Was regard given when you were planning the redevelopment of buildings on how it would fit with the regeneration of local areas?”



Source: Cebr survey and analysis

¹⁷ Ibid.

The UK's departure from the EU

Many arts and culture organisations rely on the EU as a source of funding and a supply of both talent and employees for their functions. EU funding for arts projects ranged from €5,000 to €2.4 million between 2012 and 2015; a valuable addition to the funding that is often received from Arts Council England. Additionally, according to Arts Council England, 65% of National Portfolio Organisations undertook international activity between 2012 and 2015 where 59% occurred in Europe.¹⁸

Given how valuable the EU is to the UK arts and culture, it is not surprising to see that 38% of organisations surveyed expect a significant negative impact on their operations as a result of Brexit. Similarly, 48% stated they were expecting some negative impact. Thus, 86% of respondents expect that Brexit will negatively impact their organisation. Notably, no organisation responded with a positive impact; the remaining 14% stated they did not expect any impact.

The end of free movement between the UK and EU means that many arts and culture organisations are questioning the viability of international touring and talent flow. Writing West Midlands has said that they believe their international profile has been reduced, increasing the difficulty in working in the EU. The Arts Depot Trust state that “we anticipate more complicated relationships EU promoters and fewer EU funded projects looking to collaborate with UK partners”. Rural Arts North Yorkshire fears a reduction in the availability of international artists through a lack of available Visas and that they may perceive a hostile environment. This impact has already been seen for some organisations; English Folk Expo state that in the period following the referendum, they saw an approximate 20% decrease in individuals in the music industry from the EU attending their showcase, which has not yet recovered.

It is clear that the UK's decision will have profound impacts on arts and culture organisations, through funding avenues, talent supply and touring capabilities.

¹⁸ Arts Council England. (2016). 'The arts and culture sector and exit from the European Union.'

9. Dynamic spillovers and creative clusters

In this section, we particularly consider the ability of the arts and culture sector to act as an incubator and foster the growth of other creative and cultural organisations within their locality. In turn, these help to encourage other such organisations to establish. Given the nature of this cycle, we refer to these impacts as ‘dynamic’.

9.1 Introduction to clusters

Across the UK, creative and cultural organisations tend to cluster together. This is no surprise. Indeed, creative and cultural organisations may have similar needs. For instance, they are likely to require a creative workforce, tourists and visitors as well as avenues through which they can collaborate with other creative enterprises. The stronger the concentration of creative and cultural firms, the easier it is for firms to access their needs. In economic terms, they benefit from economies of agglomeration. In this sense, creative and cultural clusters can be thought of as ‘incubators’ which encourage the growth of other creative and cultural firms in the area. This in turn strengthens the cluster even further and the cycle continues.

Nesta’s *Creative Nation* report¹⁹ identifies several interesting features of such clusters, for example:

- Across the UK, growth of employment and business counts in the creative industries have outstripped growth in other industries;
- Creative industries are very geographically concentrated – even more so than financial services. This facilitates collaboration and knowledge exchange, boosting productivity and competitiveness, allows individual workers to ‘insure’ themselves against market uncertainty, and businesses to benefit from proximity to clients/audiences;
- Creative industries in one area tend to grow together with, rather than at the expense of, neighbouring areas – growth is not a zero-sum game, and this indicates the presence of supply chain linkages. In this sense, creative organisations contribute to the broader urban clusters in which they belong.

As discussed in Section 8, these organisations then exhibit broader social and economic spillovers on local areas. In this sense, creative and cultural clusters can then be a catalyst for further urban development and regeneration, improving employment opportunities and the desirability of the area as a place to live and work.

Given their nature, quantifying these dynamic spillovers is a difficult task that remains beyond the scope of this report. For instance, it is difficult to isolate the growth in organisations resulting from the cluster from broader growth (e.g. due to developments of local transport facilities). As such, the remainder of this section is largely qualitative, exploring the reasons behind the growth in five arts and culture clusters in the UK, as well as some associated benefits. The aim is to provide a clearer understanding of these clusters.

¹⁹ *Creative Nation: How the creative industries are powering the UK’s nations and regions*, Nesta, February 2018 – analysis in this report is at the level of Census 2011 travel-to-work areas (TTWAs).

9.2 Brighton and Hove

Brighton and Hove is one of the largest creative and cultural clusters in the UK. It hosts over 60 festivals a year, including Brighton Festival and Brighton Fringe. It is also home to many emerging forms of artistic expression.

Brighton and Hove is unique in the sense that it is a young city; as the British population ages, Brighton is one of only six cities to have experienced a decline in average age²⁰. Whilst other seaside towns, including nearby Worthing and Bournemouth are amongst the oldest in the country²¹. Much of this has been explained by an influx of Londoners attracted by the creative environment and the seaside setting, with the resulting nickname 'London by sea'. This organic creative economy now puts Brighton and Hove in place as the creative SME capital of the UK²². Many of these start-ups are focused on new and innovative technology. For instance, Digital Catapult, a leading UK innovation centre, chose to open their second ever virtual reality lab in Brighton, in part due to collaboration with Wired Sussex; an organisation that specialises in digital, media and technology support with membership including organisations and freelancers. The city has also become the epicentre of advancements in video gaming.

As in other cities, Brighton's ability to be a leading UK creative and cultural cluster is no doubt helped by the universities it houses. The liberalisation of the university sector has allowed for a boom in arts and music education. The University of Brighton and University of Sussex are able to use the pull of the creative and cultural sectors to attract students, with the city featuring heavily in promotional materials aimed at prospective students. These educational institutions also provide a continuous flow of talent to cultural, creative and tech firms in the area.

The nature of Brighton's industries mean that it has one of the highest proportions of sole-traders and freelancers working within its community. This provides a wealth of networking and knowledge sharing opportunities that go beyond the formal education provided by universities. The 'Brighton and Hove Cultural Framework' sets out the goal of ensuring that collaboration between micro-businesses²³. It has done so with great success and is now one of the most collaborate arts and culture clusters²⁴. This helps other creative enterprises establish and grow and the cycle continues. This initiative is being supported by Brighton and Hove City Council, whom have set out five ambitions:

- 1) To become a nationally recognised Centre of Excellence for the use of culture in promoting wellbeing and addressing health inequalities;
- 2) To develop a best practice co-production model for neighbourhoods, with residents truly in the lead;
- 3) To be the best place in Britain to be a homemaker or creative freelancer;

²⁰ BBC. ['Where are the UK's youngest and oldest populations?'](#) 2018.

²¹ BBC. ['Where are the UK's youngest and oldest populations?'](#) 2018.

²² The Argus. ['Brighton has the highest proportion of SMEs in the UK'](#). 2015

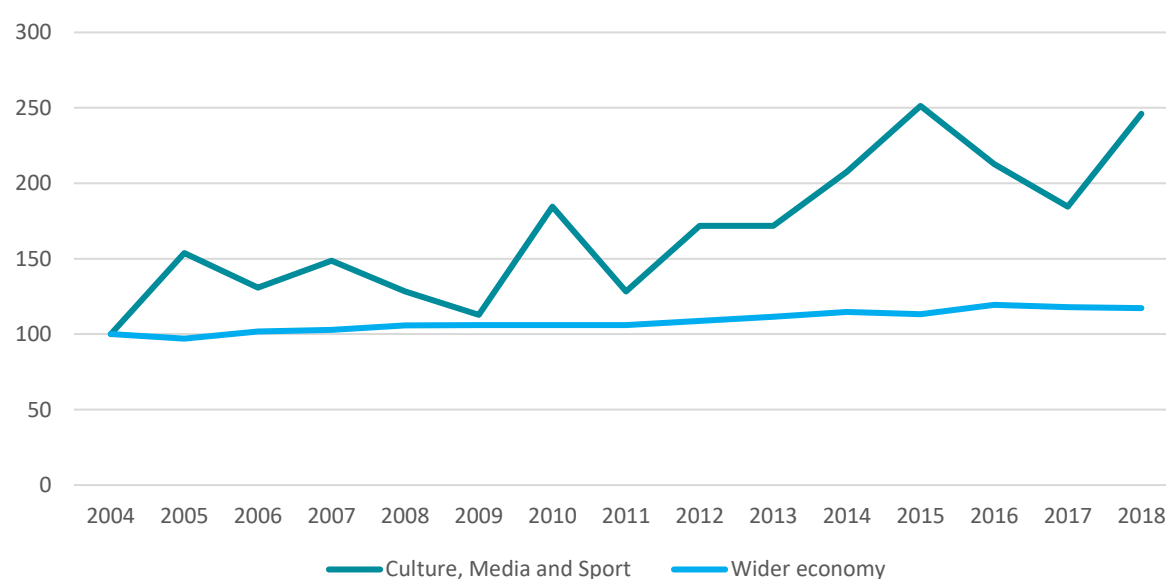
²³ Culture in our city. ['Bursting bubbles'](#).

²⁴ Nesta ['The geography of creative industry in the UK'](#). 2016.

- 4) To be an irresistible magnet for creatives, audiences, visitors and investors; and
- 5) To step up as the regional capital of creative productivity and spill-over innovation.²⁵

The results of this collaboration are clear. Between 2004 and 2018, the number of people working in 'culture, media and sport' occupations increased by 146%, in comparison to just a 17% increase in all other professions. This result is partly driven by the fact that Brighton and Hove is seen as a major creative hub, drawing individuals within the creative sectors in. As such, the local authorities invest in this area due to their significance, maintaining the status as a major creative hub and so the cycle continues.

Figure 37: Growth in culture, media and sport occupations in Brighton, 2004 to 2018, indexed 2004 = 100



Source: Annual Population Survey, Cebr analysis

9.3 Bristol

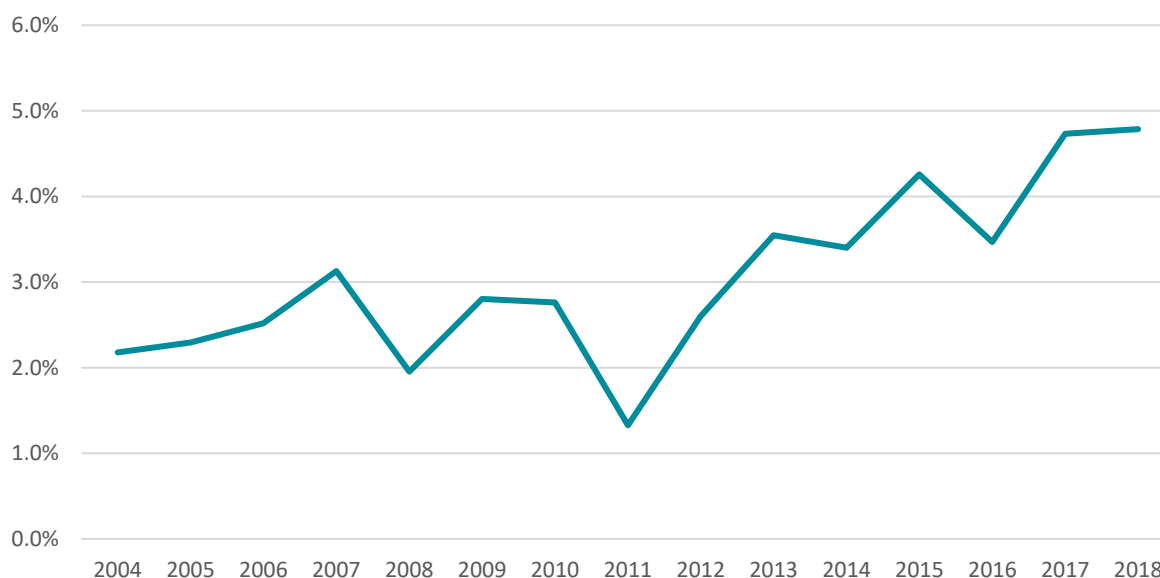
Bristol has a longstanding reputation as hub for creativity. Notable examples include the street art painted by Banksy and others, its extensive music scene and events such as St. Pauls Carnival.

Much like Salford, Bristol also has an extensive tech sector. This overlap between the tech and creative sectors is no coincidence. Given their creative and innovative nature, both the arts and the start-up tech sector require a similar talent pool. They therefore benefit from locating themselves close to each other, generating a larger cluster that allows for the transfer and development of skills.

²⁵ Brighton and Hove City Council. ['Arts and Culture'](#). 2020

The growth in Bristol's creative and cultural cluster in the last 15 years has been particularly impressive. The number of people working in 'culture, media and sport' occupations has grown on average by 7.6% per year since 2004.²⁶ This compares to an employment growth rate of just 1.5% for the rest of Bristol's economy in the same period. This is also reflected in the importance of 'culture, media and sport' occupations in Bristol's economy, as illustrated in Figure 38. In 2004, the sector represented 2.2% of the entire workforce. By 2018 this had risen to 4.8%. This strong growth will have only intensified the benefits associated with establishing a creative or cultural enterprise within the cluster.

Figure 38: Incidence of 'culture, media and sport' occupations in Bristol, 2004-18, %



Source: Annual Population Survey, Cebr analysis

Bristol's impressive growth in this space cannot be attributed to one single factor. Rather there has been a coordinated response by firms and government which has acknowledged and harnessed the existing benefits associated with the cluster itself.

Since 2000, there has been a significant amount of investment to ensure that Bristol has the facilities needed to support a growing arts and culture sector. For example, the Arnolfini arts centre was redeveloped in 2005. Similarly, the Bristol Old Vic theatre has undergone significant redevelopment since 2012, thanks in part to funding made available by Arts Council England. There has also been a significant expansion in facilities associated with TV and film production with the opening of the Bottle Yard Studio in 2010, the largest dedicated production facility in the West of England.

But the investment has not solely been concerned with physical infrastructure. Rather the approach in Bristol has been to combine this with significant training in skills and human capital. This is undoubtedly helped by the existence of numerous universities in the area, including the University of West England and the University of Bristol. This has provided a steady

²⁶ Source: Annual Population Survey. Note, it is not possible to separate out occupations in sport from the 'culture, media and sport' measure due to the granularity available from the Annual Population Survey.

stream of graduates. Moreover, Bristol has also been one of the key beneficiaries of the Arts and Humanities Research Council's 'Creative Industries Cluster Programme'. The scheme seeks to bring together academics and firms in the creative and cultural sphere, enabling knowledge sharing and collective learning.

Similarly, Bristol has sought to encourage collaboration between creative firms, in order to maximise the benefits associated with the cluster. For instance, common collaborative spaces such as Watershed have been established in the city centre. Similarly, a 'City Fellows' scheme, that aims to bring expertise from the wider community into local-level decision making, has been introduced. This coordinated set of policies has sought to maximise the benefits associated with the Bristol creative cluster and has no doubt contributed to the exceptional growth in the sector. All of this has further intensified the benefits of establishing within the cluster and has helped to further the socioeconomic spillover benefits associated with the creative and cultural sector.

9.4 Lincoln

While Lincoln has not yet fully developed into a creative and cultural cluster, it contains many of the ingredients necessary to do so. The investments it is undertaking make it a good example of early phase transition to a creative and cultural economy. Despite this, cultural and creative employment in the region is significant. Between 2015 and 2017, employment in the Cultural and Creative industries grew by 7% and by 2017 accounted for 2.4% of total employment in the region. The Greater Lincolnshire local enterprise partnership area houses over 3,000 creative, cultural and digital businesses and supports an employment of approximately 10,700 (as of 2017).²⁷

Lincoln has a noteworthy arts and culture presence; its Norman heritage, castles and cathedrals already mean that a large number of tourists are attracted to the city. Moreover, tourism has been growing in recent years, with total visitor numbers increasing from 3.4 million in 2008 to 4.2 million in 2018²⁸, an increase of 24%. Given that many of these tourists are coming to visit cultural and creative sites, this provides a strong opportunity for new arts and culture enterprises to benefit from the existing tourism flows.

Much like the other clusters considered, Lincoln significantly benefits from its educational institutions. The University of Lincoln has contributed to the growth in the local creative and cultural cluster, with a large arts department, including schools of Film and Media and the Lincoln Performing Arts Centre. This is helping to link creative minded graduates to potential local employers. The university has no doubt helped to promote a large rise in the software development, advertising and PR employment in Lincoln. These jobs all place a high value on artistic graduates as they require creative environments and the ability to attract highly mobile talent. As such, the fact that these industries have grown significantly indicates the availability of suitable workers for a growing arts and culture industry.

But Lincoln has gone beyond this by establishing a number of funds that seek to promote and develop the work undertaken by its creative workforce. By doing so, it not only builds talent, but also helps to attract more arts and culture enterprises into the area. The 'Lincoln Creates'

²⁷ Centre for Culture and Creativity. '[Creative Lincolnshire Project](#).' 2019

²⁸ VisitLincoln '[Visitor number and spends increase during 2018](#)'. 2019.

project provides funding for artwork that helps to make the city centre vibrant. This helps to develop local talent while also improving the desirability of Lincoln as a place to live, visit and work²⁹. Similarly, cultural and creative firms in Lincoln have benefited from significant funding from Arts Council England. This funding has in part helped to further the development of talent by allowing local creative and cultural businesses to work alongside internationally renowned artists³⁰.

Moreover, Lincoln has sought to create effective methods through which local firms, workers and academics can share knowledge and ideas. The Lincoln Science and Innovation Park is nestled within the university's campus and administrative structure³¹. It provides science and technology firms with an avenue through which they can collaborate, helping foster growth and innovation. As discussed through the previous case studies, such avenues for collaboration are of particular importance for the arts and culture industry, and Lincoln's track record in building such networks means it is well placed to benefit from future opportunities.

9.5 Salford

The City of Salford is one of the constituent boroughs of Greater Manchester and is the second largest creative and digital cluster in Europe³². The centre of the cluster is MediaCityUK, a 200-acre site which contains numerous large and small enterprises in the media and television broadcasting sector. The first stage of construction was completed in 2011, transforming the old dock area of the deindustrialised city. Since then, much of the BBC's and ITV's activity has been moved into the area.

A combination of reasons explains the desire of broadcasters to move to MediaCityUK. In the case of the BBC, there has been a continuing pressure to ensure that licence-payers' money is distributed more evenly throughout the UK³³. This has led to them establishing 'regional hubs' including in Media City. But there have also been broader reasons that have attracted broadcasters to Salford in particular. Even prior to the establishment of media city, Manchester has always been a big media cluster. It is the historic home of Granada TV and the BBC regional services had a significant presence there. Moreover, outside of broadcasting, Manchester has a strong cultural presence. Numerous facilities including the Imperial War Museum North and the Lowry gallery and theatre have established the city's new status as an 21st century centre for arts and culture. This ensures that the area is an attractive place to live, allowing firms in the area to attract the workers they need.

Similarly, MediaCity benefits from having the University of Salford in its vicinity. The university specialises in media and the arts and has helped to provide qualified graduates to the firms based in MediaCity. But the assistance has gone both ways. The existence of MediaCity nearby allows students at the University of Salford to gain practical experience in media broadcasting. Indeed, the university has recently opened a campus site within MediaCity itself

²⁹ Lincoln Big. [Lincoln Creates Programme](#).

³⁰ The Lincolnite. [£690k investment to fund three-year Lincoln arts programme](#)'.

³¹ UKSPA ['Lincoln Science and innovation park'](#).

³² [Media City Website](#). Accessed on 2nd of April 2019.

³³ The Guardian ['The BBC to move staff and services out of London'](#). September 2019.

to help facilitate this goal. In this sense, the cluster at Salford has allowed for knowledge sharing between enterprises and the formal education system, with firms helping to develop future talent for their industry. This only seeks to encourage other broadcasters to set up in this locality, as they can partake and benefit from this cycle.

Perhaps unsurprisingly, this has encouraged other creative and tech firms, who also rely on creative graduates, to set up in Salford. For instance, in 2018 the TalkTalk group moved their headquarters from London to Salford,³⁴ developing the cluster further and facilitating even greater knowledge sharing. The cluster has also had wider spillover benefits on the local area, including improving green spaces, encouraging pride in the locality and better mental and physical wellbeing³⁵. Further growth of the cluster may continue to increase such spillover benefits.

Salford's development as an important cluster in the media and creative industries space is clear. Since 2004, the number of employees in 'culture, media and sport occupations' has increased by an average of 4.9% per year. This compares to average growth of 2.3% per annum for the rest of the Salford economy. As a result, Salford has become increasingly concentrated in culture, media and sport occupations.

9.6 South London

The fact that London is a large creative and cultural cluster is not surprising. For instance, its West End theatres are famed for their contributions to performing arts. Moreover, as one of the UK's most diverse cities, the cluster in London is highly multicultural, with art forms from all over the world being learnt and showcased. Such institutions are no doubt helped by the London tourism market and the scale of the city, which allows for a wealth of specialist cultural tastes to be catered for viably.

A phenomenon that is discussed less frequently is the strong presence of creative and cultural enterprises south of the River Thames. Major institutions such as the Imperial War Museum, the Southbank Centre, National Theatre, Tate Modern, and Globe Theatre, along with numerous smaller cultural institutions and creative businesses form the gateway to this cluster, just south of the river. From here, one could argue that there is a South London Creative and Cultural Arc (SLCCA) stretching from Lambeth through Elephant and Castle, Walworth, Camberwell, Brockley, Dulwich, Forest Hill, Greenwich, Crystal Palace and Croydon. This Arc contains numerous educational institutions (e.g. Camberwell Arts School and Goldsmiths) which helps to ensure that strong, creative minded graduates are available. The Arc also contains numerous large and small cultural organisations, with specialities themselves often clustering in small areas. For instance, Greenwich has developed as a hub for dance and music institutions, with the O2 arena, the opening of the Woolwich Works, and the Trinity Laban Conservatoire of Music and Dance all being based in its locality.

The generally lower rents in South London makes it attractive to start ups and small creative enterprises and is no doubt helping to fuel the growth.

The geographical concentration of industries suggests the potential for virtuous circles of growth and development: as more businesses concentrate in an area, the opportunities for networking and collaboration (i.e. productivity-enhancing agglomeration economies) increase

³⁴ BBC. ['TalkTalk to move headquarters to Salford from London'](#). November 2018.

³⁵ Chilaka, Marcus. ['MediaCityUK A health assessment'](#). 2011.

and attract further investment and entrepreneurship. Meanwhile large potential audiences in or near an area in turn forms part of the wider offer that helps to attract more people to live and work there. These findings demonstrated the enormous economic potential for the South London cluster to drive rapid growth in employment, business counts, and productivity both in their immediate localities and across the country.

These wider benefits are particularly important for the boroughs in South London that house this cluster given their relative deprivation. The London Boroughs of Croydon, Southwark, Lambeth and Lewisham are among the UK's most deprived local authorities – ranking 102nd, 43rd and 42nd and 35th out of 326 by IMD (indices of multiple deprivation) overall rank³⁶. In this sense, the growth of a creative and cultural cluster here is likely to have broader socioeconomic benefits.

A particular avenue for redevelopment that may become more apparent over coming years concerns place-making around transport hubs. The gateway to the South London Arc benefits significantly from its proximity to a major rail terminal – Waterloo – which widens its potential labour market by allowing large numbers of workers to easily commute into the area. There are further opportunities for 'place making' around Waterloo, which could facilitate expansion of the creative cluster along the south bank of the Thames. Regeneration projects around other London terminals, notably London Bridge, Paddington and King's Cross / St Pancras, have been highly successful in recent years. The immediate surroundings of stations have become more pleasant – in no small part due to cleaner, quieter trains – and therefore more desirable for mixed-use developments. Such regeneration has yet to occur on a similar scale at Waterloo. This area has however been adopted as an opportunity area by the GLA, with targets of 15,000 new jobs and at least 2,500 new homes, so the potential for development here has been recognised and would enjoy a supportive policy environment. The GLA has also recognised the cultural and entertainment strengths of the area and their potential as a 'motor for regeneration'.³⁷ As such, the cluster may play a large role in fostering such development surrounding it.

Moreover, the cluster is expanding, with significant growth opportunities further east. This potential has been recognised in the vision for a Thames Estuary Production Corridor³⁸, which identifies a 'growing hotbed of creative clusters' stretching along the banks of the Thames into Kent and Essex. The cluster includes the development of the largest film studios in London for 25 years and a proposed art foundry in Silvertown including the UK's largest 3D printing facility. The corridor has seen significant investment in transport during recent years. DLR and HS1 have supported thousands of new jobs. Moreover, London City and Southend airports have provided fast and easy transport options for international visitors.

The SouthEast LEP calculate that the initial investment, kickstarted by the DCMS Cultural Development Fund, will provide skills training for over 200 local people, 60 apprenticeships and over 500 new creative jobs in the area over the coming years. They estimate that in the

36 London Councils – ['Deprivation is a key driver of need and must be accurately represented in any new funding formula'](#).

37 London Government ['Waterloo Opportunity area'](#).

38 Thames Estuary Production Corridor ['An Industrial Vision To Create A World-Class Location For The Creative Industries'](#). South East LEP, 2017.

long-term, the project could end up creating 50,000 new jobs in the area³⁹. This will only further the strong cultural and creative network that exists in the area, providing further spillover benefits and helping to foster the growth of even more creative and cultural organisations.

³⁹ Solent LEP ['Government awards £4.3m to Thames Estuary production corridor'](#)

Appendix: NPO Spillover Survey

1. Organisation name
2. Are you happy for Cebr to explicitly reference your answers in the final report?
 - a. Yes, both organisation and name,
 - b. Yes, but answers only (anonymity of organisation)
 - c. No
3. Please indicate whether your organisation is a regularly funded organisation of Arts Council England
 - a. Yes
 - b. No
4. If yes, please provide details surrounding the funding to your organisation and its importance
 - a. National Portfolio Organisation
 - b. National Lottery Project Grants
 - c. Development Funds
 - d. Other (please specify)
5. Please provide the postcodes of your venue(s)
6. Please indicate your organisations principle activity
 - a. Theatre
 - b. Dance
 - c. Literature
 - d. Visual Arts
 - e. Music
 - f. Combined Arts
 - g. Museum
 - h. Library
 - i. Other (please specify)
7. What function does your organisation fulfil? Please select all that apply
 - a. Performance venue
 - b. Gallery or museum
 - c. Culture centre

- d. Heritage site
 - e. Artist live-work space
 - f. Education provider
 - g. Community hub
 - h. Production of art
 - i. Other (please specify)
8. How many individuals did you employ in the 2018/19 financial year?
- a. 0
 - b. 1
 - c. 2
 - d. 3
 - e. 4
 - f. 5
 - g. 6 – 10
 - h. 11 – 15
 - i. 16 – 20
 - j. 21 – 30
 - k. 31 – 40
 - l. 41 – 50
 - m. 51 – 60
 - n. 61 – 70
 - o. 71 – 80
 - p. 81 – 90
 - q. 91 – 100
 - r. 101 – 125
 - s. 126 – 150
 - t. 151 – 200
 - u. 201 – 250
 - v. 301 – 350
 - w. 351 – 400
 - x. 401 – 450
 - y. 451 – 500

- z. 501 – 600
 - aa. 601 – 700
 - bb. 701 – 800
 - cc. 801 – 900
 - dd. 901 – 1,000
 - ee. 1,001 – 1,500
 - ff. 1,501 – 2,000
 - gg. More than 2,000 employees
9. Of those employed by your organisation, can you please estimate the proportion (%) that are:
- a. Freelance
 - b. On short-term contracts
10. What was your organisations turnover in the 2018/19 financial year?
- a. £0
 - b. £1 – 10,000
 - c. £10,001 – £20,000
 - d. £20,001 - £30,000
 - e. £30,001 - £40,000
 - f. £40,001 - £50,000
 - g. £50,001 - £75,000
 - h. £75,001 – £100,000
 - i. £100,001 – £150,000
 - j. £150,001 – £200,000
 - k. £200,001 - £300,000
 - l. £300,001 - £400,000
 - m. £400,001 – £500,000
 - n. £500,001 – £600,000
 - o. £600,001 - £700,000
 - p. £700,001 - £800,000
 - q. £800,001 - £900,000
 - r. £900,001 - £1,000,000
 - s. £1,000,001 - £2,000,000

- t. £2,000,001 - £3,000,000
 - u. £3,000,001 - £4,000,000
 - v. £4,000,001 - £5,000,000
 - w. £5,000,001 - £10,000,000
 - x. £10,000,001 - £20,000,000
 - y. £20,000,001 - £30,000,000
 - z. £30,000,001 - £40,000,000
 - aa. £40,000,001 - £50,000,000
 - bb. £50,000,001 - £100,000,000
 - cc. More than £100,000,000
11. Please indicate a breakdown of turnover by activity. If these facilities are provided through concessions, please use the rental revenues for the spaces as the turnover for secondary activities. If exact breakdown is not known, please estimate to the nearest 5%
- a. Core activity output
 - b. Gift shop
 - c. Café
 - d. Restaurant
 - e. Onsite donations
 - f. Venue hire
 - g. Philanthropic support
 - h. Other non-core activities
12. What areas of your organisation have been affected by funding cuts over the past 10 years? Please tick all that apply
- a. Not been affected by funding cuts
 - b. Children and young people programmes
 - c. Online offerings
 - d. Outreach programmes
 - e. Employment / staffing
 - f. Artistic output
 - g. Opening / operating hours
 - h. International work and touring
 - i. Marketing

- j. Don't know
 - k. Other (please specify)
13. Over this period, has your organisation been able to recuperate any of the funds through private donations, corporate sponsorship or cultural tax relief?
- a. Did not experience funding cuts
 - b. Yes, through all
 - c. Yes, primarily through private donations
 - d. Yes, primarily through corporate sponsorship
 - e. Yes, primarily through use of cultural tax relief
 - f. No, not been able to compensate funds
 - g. Don't know
14. Do you provide any of the following services?
- a. Management programmes?
 - b. Training schemes?
 - c. Are the above available to volunteers?
15. How many hours of training are provided in total per average year?
16. Please provide the number of volunteers (if any) working for your organisation in the 2018/19 financial year (or next latest available)
- a. 0
 - b. 1 – 5
 - c. 6 – 10
 - d. 11 – 15
 - e. 16 – 20
 - f. 21 – 30
 - g. 31 – 40
 - h. 41 – 50
 - i. 51 – 75
 - j. 76 – 100
 - k. 101 – 150
 - l. 151 – 200
 - m. 201 – 250
 - n. 251 – 300
 - o. 301 – 350

- p. 351 – 400
- q. 401 – 450
- r. 451 – 500
- s. 501 – 600
- t. 601 – 700
- u. 701 – 800
- v. 801 – 900
- w. 901 – 1,000
- x. More than 1,000, please estimate

17. If your organisation has volunteers, can you please explain why?

18. If possible, please estimate the number of hours worker per week on average per volunteer

- a. 0
- b. 1 – 5
- c. 6 – 10
- d. 11 – 15
- e. 16 – 20
- f. 21 – 25
- g. 26 – 30
- h. 31 – 35
- i. 36 – 40
- j. 41 – 45
- k. More than 45
- l. Don't know

19. In what ways does your organisation provide support to the wider creative community?

- a. Supply of talent
- b. Availability of contracts
- c. Innovations and new ideas
- d. Venue for hire or rehearsal space
- e. Organisation of cultural events
- f. Lectures, classes or workshops
- g. Conferences

- h. Mentoring
 - i. Other (please specify)
20. Is your organisation currently in partnership with any creative businesses?
- a. Yes,
 - b. No, please go to question 22
 - c. Don't know, please go to question 22
21. If yes, please provide some details of the partnership with creative businesses. We are interested in how arts and culture organisation are supporting the growth of these industries.
22. To what extent do you believe our changed relationship with EU will impact your organisation's income in the next two years
- a. Significant positive impact
 - b. Some positive impact
 - c. No impact
 - d. Some negative impact
 - e. Significant negative impact
23. Please describe some of the barriers you expect to face around working internationally
24. Do you consider your arts and culture organisation to be part of a creative cluster?
- a. Yes,
 - b. No, please go to question 27
25. To what extent do you agree with the following statement: "Since being part of a creative cluster, worker productivity has increased"
- a. Strongly agree
 - b. Agree
 - c. Somewhat agree
 - d. Neither agree nor disagree
 - e. Somewhat disagree
 - f. Disagree
 - g. Strongly disagree
26. Why do you think productivity has increased or decreased as a result of being part of a creative cluster?
27. How else do you think your organisation benefits from this creative cluster?
28. Is your organisation involved in any local regeneration networks?

- a. Yes
- b. Have been in the past, but no longer
- c. No
- d. Don't know

29. Please choose the appropriate answer for each row

| | Yes | No | Don't know |
|--|-----|----|------------|
| Does your organisation occupy or utilise any previously unused buildings or spaces that have been regenerated? | | | |
| Have any physical locations or buildings undergone regeneration due to your organisation's activities? | | | |
| Was regard given when you were planning the redevelopment of buildings to how it would fit with the regeneration of local areas? | | | |

