

## **Written evidence submitted by Arts Council England**

### **Response to the Digital, Culture, Media and Sport Committee Inquiry into the impact of Covid-19 on DCMS sectors**

**June 2020**

#### **1. Executive Summary**

- 1.1. Arts and culture has been one of the first sectors of the economy to be severely hit by the Covid-19 crisis, when on March 16 Government advised the public to avoid theatres and venues. With social distancing expected to remain in place for numerous months ahead, the arts and culture sector could also be one of the last to reopen and operate normally again.
- 1.2. The Arts Council's National Portfolio Organisations (NPOs), and arts and cultural organisations outside the portfolio, earn most of their income from ticket sales, merchandise and other commercial sources. Most of these have dried up, and there is now uncertainty over the future of other sources of income with local authority and university funding under renewed pressure.
- 1.3. At the early stages of the Covid-19 lockdown, we conducted an initial survey of cultural organisations from the largest institutions to well-loved local venues in towns and cities across the country. Results from this survey will be published in the coming weeks and will offer an early snapshot of the impact of Covid-19. Initial results from the survey indicated that organisations expect to lose over half of their income in the next six months should restrictions continue.
- 1.4. Most of the workforce in the cultural sector consists of freelancers. Nearly half of individual artists responding to our survey reported that their business would not be able to survive in the long term without major intervention.
- 1.5. We welcome the Government's swift response to supporting the sector. The Coronavirus Job Retention Scheme has been of significant help to our NPOs across the country, and a large number of individual artists are expected to be eligible and apply for the Self-Employed Income Support Scheme.
- 1.6. The Arts Council has used existing reserves and repurposed funding streams such as the National Lottery Project Grants and Development Funds to draw

up the necessary funds to create a £160m Emergency Response Package. This funding package will support organisations in and outside the National Portfolio, as well as individual artists and freelancers. We have already received more than 14,000 applications.

- 1.7. We have done everything we can to help the sector through this initial period, but we know that for many organisations, the time of greatest need may come later in the year. The Arts Council does not have the resources to secure the income of individuals or the future of shuttered organisations through an extended lockdown, nor the ability to support the costs of reopening under changed circumstances.
- 1.8. The impact on the sector has been severe, but arts and cultural organisations stand ready to support the nation's recovery. We have already seen how organisations are adapting to the new reality by repurposing their resources and supporting their communities.
- 1.9. In the coming months we will work closely with partners in government, local government, arts and cultural organisations, and artists; to understand the challenges they face, and what is needed to stabilise and reset our sector.
- 1.10. As we move towards resetting the sector, we will also focus on our 10-year strategy and how its outcomes and principles can be delivered in this new context to help restart the sector in communities across the country.

## **2. How Arts Council England supports culture**

- 2.1. Arts Council England is the national development agency for creativity and culture. Between 2018 and 2022, we will invest £1.45 billion of public money from government, and prior to Covid-19 we planned to invest an estimated £860 million from the National Lottery<sup>1</sup>. The Arts Council invests through three main strands:
  - National Portfolio Organisations (NPOs). The backbone of England's cultural infrastructure.
  - The Arts Council National Lottery Project Grants. Our rolling, open access programme for individuals and organisations that use the arts in their work.

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<sup>1</sup> <https://www.artscouncil.org.uk/about-us-0>

- Development Funds, supported by the National Lottery - These funds target specific gaps, challenges and opportunities in the sector, such as areas of low arts engagement, skills and diversity.
- 2.2. We also invest £80m per annum from the Department for Education (DfE) in 120 Music Education Hubs<sup>2</sup> and co-invest in several education programmes including In Harmony projects working with children and families in deprived communities, and Bridge Organisations connecting children and young people, schools and communities with art and cultural opportunities.
  - 2.3. In early 2020 we published Let's Create, our new strategy for 2020-2030, which sets out the key outcomes we aim to deliver over the next ten years and serves as a blueprint for creativity and culture in communities across England.

### **3. What has been the immediate impact of Covid-19 on the arts and Culture sector?**

- 3.1. Like many others, the publicly supported arts and culture sector which includes arts organisations, individual artists, creative practitioners, museums and libraries has been severely hit by Covid-19. Venue closures, cancelled contracts and tours have not only caused unsustainable loss of revenue and financial uncertainty for many artists, practitioners and cultural organisations across the country, but have also led to a significant loss of social ties.
- 3.2. Despite this, the sector has continued to show its commitment to delivering social value by making digital content available, continuing their education programmes and supporting local communities across England. How arts and cultural organisations have adapted to the crisis demonstrates the important role they can play in the regeneration of towns and cities across England.
- 3.3. Prior to this crisis, the arts and culture sector employed over 137,000 people<sup>3</sup>, commissioned work and supported many small creative companies and individuals through their supply chains.
- 3.4. Those organisations who have been most successful at diversifying their income streams, and therefore least reliant on public funding, have been particularly affected. For venue-based organisations much of their self-

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<sup>2</sup> <https://www.artscouncil.org.uk/music-education/music-education-hubs>

<sup>3</sup> <https://www.artscouncil.org.uk/publication/contribution-arts-and-culture-industry-uk-economy-0>

generated income ceased abruptly when they had to close their doors. Those without venues have found that tours and contracts cannot now be fulfilled.

- 3.5. The biggest source of income for organisations in our National Portfolio is the commercial income they generate themselves. Large organisations generally depend on very high levels of earned income. For example, major institutions such as the National Theatre, Royal Shakespeare Company or Sadler's Wells earn over 70% of their income. Similarly, the second biggest source of income for Music Education Hubs are parental contributions, which have dried up during this period of school closures. Schools are also starting to withdraw their support as they cope with the challenges of providing social distancing measures.
- 3.6. At the early stages of the Covid-19 lockdown, the Arts Council conducted a first wave of a survey of cultural organisations both inside and outside the National Portfolio that will be published in the coming weeks. The survey found that organisations are expected to lose over half of their income in the next six months should existing restrictions on their activity continue.
- 3.7. This, combined with small levels of reserves, has meant that many cultural organisations including their employees and supply chains, are now in real jeopardy, and some may not survive this crisis. Only a small percentage of organisations responding to our recent survey expected their business could survive more than six months of restrictions on their activity. Just under half of the organisations we surveyed said their business faced a major risk of being unviable without government or other intervention.
- 3.8. Organisations in the arts and culture sector are also heavily reliant on freelance workers who make up a significant majority of the total workforce. Freelance artists and other creative practitioners have been severely hit by this crisis. Individual artists responding to our survey expected to lose over half of their yearly income. Nearly half of those surveyed stated that their business would not be able to survive in the long term without major intervention if current lockdown restrictions remain in place.
- 3.9. Within the broader economic impact are a multitude of individual stories. The nature of their work means that many performing artists are unable to work from home, and their careers are therefore on hold with the potential of being permanently damaged. Productions planned for months ahead, some of which would have been culturally significant or commercial successes, have been cancelled, with no prospect of being rescheduled.

## **4. Arts Council England's response to Covid-19**

4.1. The Arts Council is committed to supporting the arts and culture sector through the Covid-19 crisis. Our priority is to use our financial resources to support individuals, artists, libraries, museums and arts organisations, so they can continue to provide public value and serve our communities when we begin to recover from the effects of Covid-19. We have already seen how the organisations we fund have adapted to continue providing social value throughout this pandemic. Opera North for example have moved their education programme and singing classes online to ensure the continuation of vital social interaction and are supporting over one hundred community groups in their area.

4.2. To respond to the immediate crisis that resulted from Covid-19, the Arts Council made available a £160m emergency response package to support individual artists, freelancers and cultural organisations<sup>4</sup>. This package has been developed in consultation with creative practitioners, non-NPOs, NPOs, and local authorities, and is designed to complement the financial measures already announced by government to help the wider economy.

4.3. The package includes:

- Up to £90m for National Portfolio Organisations and Creative People and Places consortia. There is no upper limit for applications<sup>5</sup> but organisations are required to maximise use of government support, other income streams and their own reserves before applying for the minimum amount they need to survive until September 2020. We will also advance current grants by up to six months to help with cashflow and relax funding conditions.
- £50m for organisations who aren't currently in our National Portfolio. Such organisations apply for grants of up to £35k<sup>6</sup>. Where relevant we have also relaxed conditions for those already receiving funding from us through our National Lottery Project Grants.
- £20m for artists, creative practitioners (including educators) and freelancers, who are also eligible for cash grants of up to £2,500. This

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<sup>4</sup> <https://www.artscouncil.org.uk/covid19>

<sup>5</sup> <https://www.artscouncil.org.uk/funding/financial-support-npos-and-lead-cpp-organisations>

<sup>6</sup> <https://www.artscouncil.org.uk/funding/financial-support-organisations-outside-national-portfolio>

also includes a grant of up to £4m to existing benevolent funds for cultural workers<sup>7</sup>.

- 4.4. The Arts Council has already invested £65 million<sup>8</sup> to 7,484 individuals and 2,182 independent organisations through these funds since the Covid-19 crisis began, providing vital support for people and organisations in the arts and culture sector in England.
- 4.5. We have a long-standing commitment to diversity and equality, and fairer access to funding in the current crisis is non-negotiable. We are therefore providing access support for disabled and D/deaf applicants, and have set a higher application ceiling, of £3,000 (an additional £500 per application). We have also prioritised support for disabled-led organisations as part of our balancing criteria for applicants to the organisational support fund.
- 4.6. The Arts Council will also be postponing the National Portfolio Organisation investment process for 2022-26, which was due to begin this autumn. Instead, we will put in place a simple process to enable us to roll over our current National Portfolio for one year to 2023.
- 4.7. All organisations and programmes funded by the Department for Education (DfE) and managed by Arts Council England will continue to receive funding with a relaxation of grant conditions for at least three months (to the end of June 2020). We are currently surveying the DfE-funded programmes to understand the financial impact of Covid-19 and which Government schemes they are planning to utilise.
- 4.8. We are also investing £151,000 to help public library services meet increased demand for digital products due to Covid-19. Over the past months, some library services have reported a 600% increase in membership and take-up of e-resources<sup>9</sup>. Each of the 151 public library services in England will receive £1,000 for immediate and unrestricted use of new e-stock. In addition to this, aggregators supplying libraries with e-books will provide match funding packages, and government has brought forward the abolition of VAT on e-

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<sup>7</sup> <https://www.artscouncil.org.uk/funding/financial-support-artists-creative-practitioners-and-freelancers>

<sup>8</sup> <https://www.artscouncil.org.uk/covid19/data>

<sup>9</sup> <https://www.local.gov.uk/lga-600-percent-boom-online-library-memberships-some-areas-coronavirus-lockdown>

books and audio books to 1 May. These actions will make the grant of £1,000 worth approximately £2,400.

- 4.9. The Arts Council has also been distributing the Let's Create art and craft activity packs to children and young people across the country. The Let's Create packs are aimed at primary and secondary school-aged children most in need of support, such as those who are eligible for free school meals. Each pack contains art supplies, such as pens, pencils, paper, crayons and a scrapbook, as well as an activity book designed by Andria Zafirakou, art teacher and winner of the 2018 Global Teacher Prize.
- 4.10. In addition to our financial support, we are keeping the arts and culture sector informed on funds and support available to them. We are also using our website and other communication channels to signpost to government schemes and other financial support provided by our partners and other non-Arts Council sources. Our staff have also been providing ongoing support and guidance to all organisations, individual artists and prospective applicants.
- 4.11. The Arts Council is doing what it can, but our financial resources are limited. We have had to make some difficult decisions to be able to respond to the immediate crisis. These include drawing down most of our emergency reserves as well as suspending and re-allocating our development funds and the National Lottery Project Grants in 2020-2021.
- 4.12. We know that our National Lottery Project Grants are a vital source of income, especially for individuals and smaller organisations. We will prioritise reopening the National Lottery Project Grants as early as possible, and have held back around £57m, more than half of its budget for 2020-21, in the hope that we can reinstate the programme at the earliest opportunity.

## **5. Arts Council's approach to stabilise and reset the cultural sector**

- 5.1. The focus of the first phase of our response in the short-term is to address the immediate needs of the sector and preserve the viability of England's cultural ecology, by providing financial support via our emergency package to individuals and organisations in need until September 2020.
- 5.2. The second phase of our response, will be to stabilise the sector in the medium term. In this stabilisation phase we will work to develop options and deliver pathways for the sector to reopen and restore revenue streams.

- 5.3. We are hoping to move towards the stabilisation phase in July following the allocation of our emergency response funding. This phase will span from the re-opening of the sector in June/July and last until March 2021. This timeframe will depend on the government's easing of lockdown restrictions on the sector and is therefore subject to change.
- 5.4. We will also reopen our National Lottery Project Grants funding, which will be made available to artists and organisations as venues reopen and performances can start taking place again. Where, when and how we administer these funds is still to be determined, and it is likely that these funds will be insufficient to adequately deal with the high level of demand we are expecting from the sector.
- 5.5. To determine our approach to the Stabilisation phase we are gathering feedback, data and evidence from the sector through extensive surveying, collaboration with partner organisations and dialogue between the Arts Council and our funded organisations. This will also be informed by future Government policy as well as public health guidance.
- 5.6. From April 2021 we hope to move to the third phase of our response, the reset phase. During this phase we will use the data and evidence that we will collect throughout the crisis in 2020 to inform our longer-term decision making.
- 5.7. Recovery may be characterised by the fact that the cultural sector and wider economy may start to look very different to what it did at the start of 2020. This new reality could require the Arts Council to adopt separate approaches to support different parts of the cultural sector.
- 5.8. As we emerge from the Covid-19 crisis, we will produce a Delivery Plan for the reset phase of Let's Create, and its fundamental commitment to creativity, culture and the collective power of communities will be more important than ever.

## **6. Our work with government, local government and other partners, and their response to Covid-19**

- 6.1. The invaluable help we received from Government so far allowed us to continue serving our sector in the best possible way. We continue to work closely with the Department for Digital, Culture, Media and Sport (DCMS), keeping them informed on the needs of the arts and culture sector, to ensure that government interventions are relevant to all artists, creative practitioners and cultural organisations.

- 6.2. We are currently conducting a series of surveys intended to gather information on the impact of government schemes that are available to our sector, and our Chair Sir Nicholas Serota has joined the Cultural Renewal Taskforce, set up by the Secretary of State to help reopen the sector and aid its recovery.
- 6.3. The support and speed of response from the Secretary of State, Oliver Dowden, the Minister for Culture Caroline Dinenage, and from officials at DCMS and HM Treasury have been particularly important, as they enabled us to announce and deliver our emergency package without delay.
- 6.4. Similarly, both DCMS and DfE played a crucial role in extending the eligibility of the Coronavirus Job Retention Scheme to organisations in receipt of Arts Council funding, including Music Education Hubs. The job retention scheme has provided a significant lifeline to organisations in the arts and culture sector. It helped furlough staff and pay the wages of thousands of employees. Without it, organisations would have little choice but to make their staff redundant.
- 6.5. Other schemes announced by Government that are likely to help support the cultural sector include:
- The Self-Employed Income Support Scheme: More than half of individuals who responded to our survey intend to use this scheme.
  - Creative tax reliefs for Theatres, Orchestras, Museums and Galleries: We worked with government to relax rules on existing tax reliefs to provide additional support to organisations in those sectors.
  - Procurement Policy - Supplier Relief: This has been particularly helpful for schools who have contracts with Music Education Hubs. However, the impact it has had on others, such as organisations managed by Local Authority Leisure Trusts, remains to be seen.
- 6.6. We suspect that other government schemes will however be of limited use to the arts and culture sector. For example, in the case of the Business Interruption Loan Scheme (CBILS), almost all the organisations who responded to our survey indicated that they were unable to use the scheme. Many organisations are hesitant to take on loans in the current climate when income streams are uncertain.
- 6.7. We continue to work closely with partners across the health and wellbeing sector to plan how the arts, museums and libraries can contribute to public resilience, wellbeing and recovery in response to the crisis. This also includes the ongoing development of NHS England's work around social prescribing,

as a key tool for supporting vulnerable individuals and rebuilding community capacity.

- 6.8. The Arts Council will also be joining the Government's Tackling Loneliness Network to tackle loneliness and social isolation during the coronavirus outbreak and period of social distancing. We are also having conversation with Public Health England to understand how the cultural sector can most safely and effectively move out of lockdown when the time comes.
- 6.9. We are in contact with the Ministry of Justice and Her Majesty's Prisons and Probation service to secure financial safety for contractors of education and other activities – including the arts – in criminal justice settings; and to advance the planning and practical roll-out of activity resources for prison residents confined to their cells.
- 6.10. We are also working with the Ministry of Housing, Communities & Local Government (MHCLG) to identify how to support the government's place priorities and would like to thank local government, and other partners who throughout this pandemic have continued to support artists and cultural organisations in villages, towns and cities across England.
- 6.11. Local government continues to be our key strategic delivery partner. We are working closely with the Greater London Authority, and combined authorities across England to ensure our efforts are aligned with local plans. Many local authorities have continued to place a high value on culture by supporting arts and cultural organisations across the country, despite having to balance these with competing priorities.
- 6.12. The West of England Combined Authority (WECA), for example has identified the cultural and creative sector as a priority sector in its Local Industrial Strategy and is committed to maintaining its health throughout the pandemic. The WECA and Arts Council England are jointly convening meetings with the four unitary authorities and universities to develop shared priorities and an aligned approach to the challenges ahead.
- 6.13. We are also working with the West Midlands Combined Authority (WMCA) Strategy and Economy Directorate to help support the development of a Cultural Leadership Board to ensure a joined-up response to Covid-19. We have an Arts Council representative on the new tourism board of the West Midlands Culture Response Unit, who are developing and will deliver a sector led response to the Covid-19 crisis in the short, medium and long-term. This

is a partnership between the region's local authorities, LEPs, regional independents, NPOs and the Arts Council.

- 6.14. We are also in regular contact with the Greater London Authority, to shape the Mayor's £2.3m Culture at Risk Business Support Fund, that will support grassroots music venues, LGBTQ+ venues, and independent cinemas. The Mayor of London's Creative Land Trust, co-funded by the Arts Council will also support thousands of tenants across 200 artist studios and workspaces in the capital.
- 6.15. We hold regular meetings with the Local Government Association (LGA), Core Cities, Key Cities, London Councils, Rural Services Network, the National Council for Voluntary Organisations (NCVO), and Community Leisure UK. With this group we published a joint statement committing to work together through this crisis by gathering evidence and sharing good practice on how to best support our communities and the arts and culture sector.
- 6.16. Community Leisure UK have reported that leisure trusts, many of whom deliver services on behalf of local authorities, with 32 trusts across the country responsible for museums, galleries and arts venues, and 11 trusts running library services are facing significant long-term financial challenges, despite being eligible for the Coronavirus Job Retention scheme. Leisure trusts are ineligible for the charities support package and will also struggle to fully reopen most of their venues due to social distancing measures. The Arts Council will continue to work closely with local government, and Community Leisure UK, to determine what is needed to support leisure trusts and to identify future pathways.
- 6.17. We are also collaborating closely with Historic England, The National Lottery Heritage Fund (NLHF), The National Lottery Community Fund (NLCF), Visit Britain and British Film Institute (BFI), and have worked with the BBC and Channel 4 to help inform their broadcast and online content, for listings including Things to Do, Channel 4s Grayson Perry Art Club, and education content for BBC Education, BBC4 and Red player.
- 6.18. These collaborative efforts will continue throughout this challenging period and will be invaluable when moving towards the stabilisation and recovery of the sector.

## **7. The long-term impact of Covid-19 and the future of the sector**

- 7.1. Arts and culture has been severely affected by Covid-19, but its impact across the sector has been uneven and multifaceted. It is also likely to continue beyond the relaxation of lockdown restrictions, as ongoing social distancing measures would limit the ability of most organisations to reopen fully, partially or at all.
- 7.2. The crisis will also shape how the Arts Council operates within Let's Create, our strategy for the next ten years, that focuses on creating cultural, economic and social value and the fundamental commitment to creativity. At a point of crisis, organisations found ways to reach into their communities to continue providing social value by supporting local people. Culture and the collective power of communities will be more important than ever as we emerge from the crisis, and our ambition is to continue delivering this vision.
- 7.3. It remains unknown how the crisis will affect the future income streams of organisations in the arts and culture sector. Economic contraction could affect future levels of discretionary income that households will have available to spend on arts and cultural activities. International tourism will also be affected for some time, and this will have a severe impact on organisations with usually high numbers of foreign visitors and audiences.
- 7.4. Public confidence in the safety of attending cultural venues may also take time to be restored. Recent polling has shown that more than half of those surveyed feel uncomfortable to return to enclosed venues, and other closed and busy environments like bars, coffee shops and restaurants.<sup>10</sup>
- 7.5. Other sources of income could be subject to uncertainty as well. These include good causes income from National Lottery sales, budgets available from local government, or universities who co-fund organisations, and levels of charitable and philanthropic donations.
- 7.6. We expect the ongoing social distancing measures to have a significant impact on how the sector will be able to operate with the easing of lockdown restrictions. This may be less pronounced for organisations who are exhibit based compared to those who run interactive or live performances. The size, layout and facilities of each venue will also play a part, with some requiring a

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<sup>10</sup> <https://yougov.co.uk/topics/health/articles-reports/2020/04/22/dont-count-customers-returning-once-covid-19-lockd>

longer period of preparation to ensure their venues are compliant with Covid-19 safety measures.

- 7.7. Changes to the cultural workforce are also likely. International travel may be curtailed for some time, and the culture sector is highly dependent on cross-national and international workers to produce work. This will also affect the international touring of productions.
- 7.8. A significant proportion of workers in the arts and culture sector are also employed by local authorities and could therefore be redeployed to help deliver other services in the wake of the crisis. Numerous organisations, particularly museums, also rely on volunteers to keep their organisations running – many of whom are retirees. Due to safety concerns and public health guidance this demographic is less likely to return to their roles in the short to medium term.
- 7.9. The increase in digital output during this period has been the primary way the cultural sector responded to this crisis. The digital content produced by organisations has ranged from the digitisation of archive content including theatre productions, and performances, to online classes and educational programmes.
- 7.10. Organisations have extended their digital expertise, and audiences have adopted digital channels to experience their work. Over half of Arts Council NPOs have adapted and expanded their online activity to continue providing content to their audiences, and this number continues to grow.
- 7.11. For example, The Royal Academy of Dance runs virtual ballet classes, the National Theatre has been streaming productions on its social media and digital channels, and the Nottingham Contemporary and Birmingham Museums are providing virtual tours of their collections and galleries.
- 7.12. These experiences could have a long-term impact on how the cultural sector sources, produces and presents its work, moving towards live streaming performances and producing more digital content for audiences to experience at home.
- 7.13. With venue closures organisations have been adapting to their new reality by repurposing their resources to help support communities through Covid-19. Theatre costume departments for example have been producing PPE for essential workers, and organisations like the Sage Gateshead are helping their

local community by donating food and beverage stock to foodbanks and hosting digital advice sessions for emerging artists and musicians. Slung Low in Leeds are now the lead organisation for social care referrals from the local council and are assisting the most vulnerable in the community by picking up food parcels and delivering prescriptions.

- 7.14. Access to digital content and participation in arts and culture has also been important to the mental health and wellbeing of many people during the Covid-19 lockdown, particularly for those vulnerable groups such as the elderly and disabled. Arts and cultural organisations across the country have been working to ensure those most at risk are not left behind.
- 7.15. Entelechy Arts who are based at the Albany Centre in Deptford have been providing community support to vulnerable groups, particularly those managing mental ill health through online activities. The Southbank Centre is working with Age UK and care home providers delivering creative support packs to those in care settings and in the community, who are living under lockdown and self-isolating.
- 7.16. As we move out of lockdown, the Arts Council will be working with Public Health England, to understand how the cultural sector can safely continue serving the most vulnerable groups in our communities, providing the support they need and alleviating the pressure on social care providers in the long term.
- 7.17. Culture has a strong economic value in all parts of England. Our National Portfolio Organisations are a loved part of the cultural infrastructure in towns and cities across the country, helping build prosperous places and strong, cohesive communities. The presence of arts and cultural organisations in towns and cities, attracts visitors, drives outside investment to local communities and create jobs. In Keswick for example, Theatre by the Lake, with 40 employees is the biggest employer in the area and provides a materially important financial boost for the local area in a remote part of England.
- 7.18. The creative industries, of which the arts and culture are part of, are one of the fastest growing sectors in our economy. Prior to the Covid-19 crisis, they were contributing £10.8 billion a year to the economy, generating 363,700 jobs a year, while also feeding into the growth of industries including leisure and tourism. As we start reopening our economy, arts and culture and the wider creative industries can play an important role in its long-term recovery.