

# Funding the cultural sector in the UK

The changing pattern in the 1990s

**Jeremy Eckstein** For some time now, the overall policy of strong government financial support for the arts in the United Kingdom has been designed to encourage a partnership between public and private sector sources of finance, a degree of public accountability and the development of a more businesslike approach to arts management. The overall coordination of this policy has been strengthened by the establishment two years ago, for the first time in the UK, of a government department responsible for the whole spectrum of cultural activity.

## 1. Introduction

In past years government responsibility for the arts and culture in the UK was spread between a number of different ministries and departments. All this changed in April 1992 with the establishment of the new Department of National Heritage (DNH). This development marked the first time that the whole of the UK's cultural sector had been placed under the control of a single ministry, with representation at the highest level of government policy making.

## new government department

The largest of the old government arts funding bodies – the Office of Arts and Libraries – effectively became one of the groups within the new Department. This particular group is known as the Arts Group, with separate divisions covering the arts, museums and galleries, libraries, heritage and the Government Art Collection. Other organisational groups within the DNH are Broadcasting, Films and Sport (with separate divisions covering each of these three areas)

and Heritage and Tourism (with divisions covering heritage, Royal estates, Royal parks and tourism). Although the DNH has an altogether wider-ranging remit than its predecessor, the overall practical consequences of the re-structuring tend to be apparent rather than real. Central government policy towards supporting the arts remains broadly as before: working within the its wider policies as a whole, it seeks to create the conditions within which the arts can flourish by a. developing a high standard of artistic and cultural activity throughout the country, b. encouraging innovation, and c. promoting public access to and appreciation of the arts through the provision of funds and advice, and the expansion of total resources, by encouraging partnership with the private sector.

## 2. Major features

### plural finding

The italics above are the author's own. They highlight one major feature – plural funding – which is central to the funding of the arts in the UK at the present time. Although the UK government supports the belief that a full range of vigorous, dynamic cultural activities is one of the primary achievements of a civilised society, it does not subscribe completely to the principle found in a number of other European countries, that these should necessarily be heavily subsidised by the state. In practice the UK's commitment to the principle of plural funding has involved maintaining the level of substantial public support while at the same time encouraging an expansion of the partnership between the state and the private sector. In other words there is a determination that the arts should make a significant contribution to their own upkeep. Over recent years the result has been a general move towards larger public sector grants, providing

real increases in the levels of funding after allowing for inflation, but purposely not so large that the recipients can ignore the commercial imperatives of raising further revenue on their own behalf.

The increasing emphasis on the principle of free enterprise or self-help has been one of the most noticeable trends during recent years in the cultural economy. Indeed the UK government is actively encouraging museums and arts organisations to pursue this objective by establishing funds which specifically make grants to match funds obtained from private sector sources. The government is also increasingly keen on the concept of 'seed money' in the cultural sector, whereby grants are not given simply to help finance ongoing expenditure, but are awarded specifically to help finance further income-generating activities.

### public accountability

A second issue which clearly distinguishes the pattern of arts funding at the present time from the philosophy of earlier years, is an increasing emphasis on the concept of public accountability<sup>1</sup>. The principles of resource allocation and corporate objectives have begun to be applied throughout the cultural sector, and techniques of basic management accountancy have been introduced. Performance indicators are being designed specifically for use by museums and other arts organisations in receipt of central government grants, and they are also required to produce corporate plans incorporating business forecasts and budgets. Taken together, the development of integrated planning, appropriate performance indicators, funding agreements and clearer lines of accountability are directed towards a funding system focusing on value for money and quality of service. In practical terms this means that significant

increases in the real level of public sector funding within the cultural sector are still being granted, but they tend to be accompanied by stringent conditions relating to a generally more business-like approach to operations. This can only benefit the more efficiently run organisations at the expense of those which are less well organised.

#### **the arts as businesses**

The principle of generating self-earned income goes to the heart of present thinking with regard to funding museums and the arts. It treats them as businesses, selling their services to the public. The services include not only access to the output of the organisations themselves – ie to the collections / performances – but also involve a host of related activities. It puts museums and performing arts companies in direct competition with other leisure activities for the attention of the public. This inevitably gives rise to opportunities for conflicts of interest, and the situation has led to fierce debate in recent years. Within the museum world, the people attending are no longer simply 'visitors' but are increasingly referred to as 'client groups'. At one extreme there are those who are openly commercial in their approach to marketing their museums' services: they recognise that attracting visitors is a commercial imperative which takes priority over almost all other considerations. At the other extreme there are those who claim that by following this commercial approach, some museums are becoming little more than glorified theme parks, running the risk of sacrificing their standards of scholarship and curatorial integrity for the sake of attracting ever increasing numbers of visitors. Inevitably in the majority of cases the truth lies between the two extremes: there are a number of museums which have succeeded in throwing off

their unapproachable, daunting, image<sup>2</sup> by clever marketing and promotional techniques, attracting large numbers of new visitors without in any way compromising their standards of excellence, while at the same time generating substantial income with which to finance further activities.

The conflict is equally evident within the performing arts: more time is having to be devoted to business management – frequently at the expense of innovative and creative development. There is inevitably a conflict between the artistic desire to perform difficult new works in the full knowledge that they may result in small audiences, and the safer but less innovative approach of performing popular mainstream works which may not stimulate either the performers or the audiences, but which at least guarantee maximum revenues. These tendencies are being heightened by pressures arising from the wider economic recession. Audiences for the performing arts are under threat as ticket prices become less affordable, and museums are facing even fiercer competition with the wider leisure market for their share of the public's shrinking purse.

In spite of these concerns, it is difficult to deny the validity of demands for public accountability within the cultural sector, given the level of public money involved. Further, it is important to understand that in no aspect of its treatment is the cultural sector being singled out for exceptionally harsh treatment: the various measures which characterise the present situation simply result from an application of the philosophy which underlies government principles and practice in all walks of life. For example the government is committed to the principle of plural funding in many other sectors of the economy, while stricter accountability within the public sector

and those organisations in receipt of public funding is an integral element of its wider policy at the present time.

#### **3. Independence and funding**

In theory the government's substantial grant patronage could allow it to exert some influence, even if unofficially, on the development of artistic policy or expression, or even to place limits on what constituted acceptable artistic orthodoxy within the performing arts. This has already happened in some other countries, for example America. However the UK government is sensitive to the dangers of doing so, and is scrupulous in avoiding any management or other operational interference in the companies concerned. Because of this concern to avoid interference, the structure of government support for the performing arts is largely built on the principle of arms-length funding. As a means of ensuring the effective separation of funding and management involvement, one distinctive feature of the DNH – and of its predecessor – is that it operates very largely through a network of public bodies and agencies which receive much of their support from public funds, but which are managed and operated 'at arm's length' from the government. There is no direct government funding even of the nationally designated arts companies, and a vague suggestion in 1992 (not pursued) that the government might consider some direct funding was greeted with widespread dismay in artistic circles.

#### **4. The Arts Council of Great Britain**

##### **objectives**

The Arts Council of Great Britain (ACGB) is the largest of the intermediary bodies in terms of the size of its annual budget. It is the primary agency for the disbursement of central

government funds and other support to the performing arts. It is fully funded by the government, although it is more than a mere conduit for the payment of government grants: it takes decisions on the funding of arts organisations and activities at arm's length from government. It also funds the ten English Regional Arts Boards and the equivalent funding bodies in Scotland and Wales.

The specific aims of the ACGB are derived from its Royal Charter, and are: a. to develop and improve the knowledge, understanding and practice of the arts, and b. to increase the accessibility of the arts to the public throughout Great Britain. Under its Charter, the ACGB is further required to advise and co-operate with government departments, local government authorities and other bodies in pursuit of these aims. As part of the generally more business-like approach to the management of the arts which is very much a feature of the 1990s, the ACGB is required to operate within the terms of a corporate plan. The principle objectives of the 1993/4 - 1995/6 plan are: a. on access – to increase the number and range of people experiencing the arts, b. on quality – to improve creative standards, c. on the growth of the arts economy – to increase the total resources available to the arts, and d. to provide a range of services, to the highest possible standards within available resources, to the public and the arts.

##### **principal activities**

The ACGB is funded entirely by the DNH: it has no other material sources of income. It disburses these funds in turn to its clients and to various regional distribution agencies. Here too, the structure of national / regional funding closely follows the pattern of local government in the UK as a whole, and it has long been an established principle that the ACGB should largely be responsible for funding the small

number of 'national' performing arts companies and a few of the most important regional companies, while responsibility for funding those companies which largely cater to more geographically limited regional audiences has been devolved to a secondary tier of regional Arts Boards. However one of the most acrimonious – and potentially the most damaging – disputes in the performing arts sector in recent years has involved the balance of responsibility between the ACGB and the regional Arts Boards. Criticisms of incompetence, insensitivity and financial mismanagement have been levelled against the parent body.

Administration costs typically amounts to no more than around 4 per cent of the ACGB's total expenditure per year. The largest element of ACGB expenditure comprises direct grants and guarantees to companies in England – including the national companies. The figure in 1992/93 amounted to £131.5 million, representing some 60 per cent of total expenditure, and this percentage has remained fairly steady over recent years. Only a small proportion of the arts organisations in receipt of government funding receive their grants direct from the ACGB. A large number of other companies in England receive their funding from one of the country-wide network of Regional Arts Boards, themselves funded by the ACGB. The total of the grants to the various Regional Arts Boards regularly amounts to a little under 20 per cent of total ACGB expenditure.

The role of the ACGB as the primary conduit of central government funding to the arts inevitably ensures it a high profile – considerably higher, indeed, than many other government agencies. It has responsibility for disbursing close to 2,000 government grants totalling some £130 million per annum – as well

as other support – throughout the network of theatres, orchestras, opera, ballet and dance companies and other arts organisations comprising the visual and performing arts community, as well as to companies operating in the fields of literature, film and video. Individual client organisations range in size from the many small companies which receive grants of less than £10,000, up to the Royal Opera, Covent Garden which received a grant of £17.8 million in 1991/2.

#### *regional responsibilities*

There is a careful balance between the powers and responsibilities of the government (through the DNH), the ACGB and the regional bodies. The DNH remains responsible for ensuring that the ACGB's objectives are achieved effectively and efficiently within the overall resources which the government can afford to make available. In turn, the ACGB is accountable to government for the expenditure of the regional arts bodies. The wide-ranging remit of the ACGB within the constraints imposed by this balance of relationships has inevitably led to occasional friction between itself and the regional bodies, while a necessarily complex administrative process, together with the need to balance expenditure against income, frequently involves making difficult artistic judgements between competing demands.

The balance of responsibilities between the parent body and its regional offspring has been a sensitive issue for a number of years. One of the most far reaching of the recent reports on the subject<sup>3</sup>, published in 1989 – recommended a clarification of the respective roles of the ACGB and the regional bodies, eliminating overlap and strengthening lines of responsibility. The role of the Regional Arts Boards was further enhanced when funding responsibility for 22 companies was delegated to them (from the

ACGB) from April 1992, with further arts organisations scheduled to move from ACGB to regional funding control from April 1994. Delegation is intended as a positive move, to bring a closer local control to the organisations concerned, thereby removing the problems of bureaucratic mis-management which frequently arise when such control is exercised centrally. However it is an indication of the sensitivities of the companies involved that a number of them have actually complained about this proposed delegation on the grounds that regional rather than national funding implies a lesser status for their companies!

#### *present and future difficulties*

The DNH also commissioned a firm of management consultants to undertake a review of the ACGB early in 1993, with a view to further rationalising its staffing and operational structure. The review was completed early in June: its recommendations were dramatic and far reaching, but it is not yet clear how far they will be implemented. However from 1 April 1994 the Scottish and Welsh Arts Councils will cease to be funded from the DNH through the ACGB. Instead they will become independent bodies, and will receive their funding direct from their respective national government offices. From that point onward the ACGB will be responsible for arts funding in England only, and will be appropriately re-named.

By far the largest part of the coverage given by the press and television to the ACGB during the past year has concentrated on its structural and organisational difficulties. Indeed what would until a few years ago have been a matter of interest to only a very small proportion of the population, has now attracted a far wider audience of curious spectators. This is largely intentional, with the ACGB and other arts organisations increasingly using the media to

try to win public support for their grievances. During the summer of 1993 press attention reached a peak with coverage of the ACGB's budget and grant allocation programme, when the threat of a modest reduction in the total grant to the performing arts prompted the ACGB to try to 'call the government's bluff' by suggesting prominent companies whose grants might be drastically reduced or cut altogether.

The reduction in the government's grant to the ACGB which caused so much of an outcry amounted to no more than £5 million, and the ACGB's outrage was perhaps a matter of principle as much as anything else – out of all proportion to the modest sum of money actually involved. Seen in the context of total funding of over £220 million in 1992/3 the reduction seems minor indeed, especially given the significant real year-on-year increases in funding which have been a feature of government policy towards the performing arts for a number of years past. Perhaps it is the breaking of this past pattern which is the real cause of the ACGB's alarm and anxiety – the realisation that yearly increases in government funding for the performing arts are no longer to be relied on as an automatic right, that the arts have to compete with other government departments over the allocation of scarce financial resources, and that increases have to be earned in terms of adherence to business plans and the meeting of performance objectives.

#### **achievements**

The sensationalist publicity surrounding the ACGB has unfortunately largely obscured the very real contribution which it makes on behalf on the government to its wide range of clients. Although the national companies together with a small number of other main clients account for a large share of the total sum allocated in

grants, nevertheless the ACGB annually gives grants to almost 2,000 arts organisations around the country. Around 1 per cent of clients normally account for over 40 per cent by value of grants: the national companies alone accounted for 23 per cent of total general expenditure on the performing arts in 1992/3, and a further 14 large companies brought the total up to around 45 per cent of overall expenditure. However this means that 55 per cent of the total grant was available for distribution to a range of smaller organisations.

## 5. Museums and galleries

### basic principles

Perhaps because there are fewer artistic temperaments to upset, the structure of government financial support for museums and galleries tends to excite far less public excitement. The structure of funding, via a network of national, regional and local organisations, largely operates smoothly: there are few if any of the acrimonious disputes over questions of delegation, autonomy etc. and relations between the different levels of museum authority are generally excellent.

As mentioned earlier, government funding for museums in the UK derives from a separate division within the same group of the DNH as deals with the performing arts. However there is one important difference regarding the treatment of the two. The principle of arm's-length funding necessary to preserve the artistic independence of the performing arts is also applied to museums and galleries, but not to such a marked extent: the small number of museums and galleries which are designated as national institutions, receive central government grant-in-aid direct from the DNH rather than from a second-tier distribution agency equivalent to the Arts Council.

There are no precise figures relating to the number of museums in the UK – up to the present time at least, it has to some extent been a matter of definition. Estimates in 1989 put the total number at somewhere in the region of 2,500 but this is likely to represent an overstatement of the situation at the present time. The earlier figure included all private museums, theme parks and heritage centres, some of which would not qualify as museums under the strict criteria of the Registration scheme now being operated by the Museums & Galleries Commission (the MGC, the closest equivalent in the museum sector to the Arts Council in the performing arts field). The total number of organisations in the UK which are ultimately likely to qualify as museums according to the more rigorous standards now being applied by the MGC, is probably somewhat under 2,000.

UK museums cover an enormous range within this overall figure, from the largest (the British Museum, with an estimated 6.3 million visitors in 1992) to specialist and local collections. Of the total number, only 19 are distinguished by virtue of having achieved the status of *national* museums. Being a national museum has nothing to do with size or number of visitors. The largest museum in the UK – the British Museum – is a national museum but so too is the Wallace Collection, in spite of having only attracted fewer than 200,000 visitors in 1992. By comparison, neither the Museum of the Moving Image in London (with almost 400,000 visitors in 1992), nor the Burrell Collection in Glasgow (with close to 1/2 million visitors annually) qualifies as a national museum.

### national museums

To qualify as a national museum, an institution must satisfy four criteria based solely on the quality of its collection, the way in which it is incorporated and funded, and the

standard of curatorship. Fourteen of the UK's 19 national museums are situated in England – 13 in London alone. Two each are in Scotland and Northern Ireland and one in Wales. In fact a number of the national museums comprise more than one individual collection at different locations around the country. Altogether there are approximately 50 of these 'outstations', as they are known. For example in addition to its London site, the Tate Gallery also has a gallery in Liverpool and has recently opened another in St. Ives.

### value for money

Central government direct support (via the DNH) for museums and galleries in the UK is substantial: total expenditure on grants and other related activities amounted to £213 million in 1992/93. The government's philosophy with regard to ensuring that this expenditure achieves a measure of 'value for money' applies to museums as well as to the performing arts. This has necessitated the development of suitable measures to test this principle. During 1991/92 the government commissioned preliminary fieldwork from a leading firm of management consultants with a view to developing a range of performance indicators for use in the UK's national museums and galleries. These indicators cover the areas of access and use, visitor care, scholarship, display, collection management, building management, human resource management, income generation and financial management. They will be used to help assess progress in achieving the aims and objectives identified in the corporate plans which the museums have been obliged to produce.

There are enormous problems involved in establishing satisfactory performance indicators for such fundamental yet essentially qualitative areas of museum work as

scholarship, display, conservation and research. Nevertheless the introduction of such indicators is one of the most important ongoing developments within the museum world at the present time: they will make a major contribution towards better and more comprehensive information on all aspects of museum performance. Another closely related development will be the key statistics gathered by the DOMUS database ('DOMUS' is an acronym for Digest Of MUuseum Statistics) as part of the national Museum Registration Scheme which is in the process of being implemented by the MGC.

Registered museums are those assessed by the MGC as having achieved certain carefully defined minimum standards in their constitution, finance and operation. The full assessment of a museum's operations demanded by an application for Registration ensures that all areas of management are addressed. As a result, Registration is recognised as a yardstick against which to assess performance. Registration is also important because it is the basic criterion for eligibility for the MGC's various grant schemes: access to grants provides a strong incentive to museums to register! However the British Museum has also been awarded full registered status: as the MGC pointed out in its 1990/1 *Annual Report*, 'as a national museum it cannot normally benefit from MGC grants, but by applying for registration it demonstrated its commitment to the objectives of the scheme.'

### performance indicators

Performance indicators are a well-established feature of management accountability in the wider sphere of business activity in the public as well as the private sectors: like other developments within the museum world, their introduction is one element of the broader government strategy designed 'to deliver

services more efficiently and effectively, within available resources, for the benefit of taxpayers, customers and staff'. The notion of business efficiency as an equal goal to excellence of scholarship is clear.

The foreword to the *Report on the Development of Performance Indicators for the National Museums and Galleries* makes it clear that these indicators are expected to serve a number of specific functions. In the words of the report, 'they provide more objective benchmarks against which to assess progress in achieving aims and objectives' and 'they assist in identifying areas of relative strength and weakness and so help inform internal decision-making on the allocation of resources. Beyond this, the development of these indicators will improve stewardship reporting by the national museums and galleries to Ministers, to Parliament, to current and potential sponsors, and to the wider public. The provision of better information on specific areas of performance ... will help the national museums and galleries build on the successes they have achieved over the past few years.'

The selection of appropriate performance indicators within the museums sector has sought to respect the traditional 'arm's length' relationship established between Government and arts bodies, while at the same time recognising the role played by the independent Boards of Trustees of the national museums and galleries. The Trustees set objectives and determine operational policies within broadly expressed statutory objectives. They are able to generate funds independently but in spite of the increasing emphasis on self-engendered income, a major part of expenditure is still met from public funds from government departments: it is estimated that in 1991/2 central government grants still accounted for as much as 78.6 per cent of the total income of

the government funded national museums. The government departments therefore have a very strong and understandable interest in ensuring that these institutions adopt sound business management practice.

Performance indicators have been chosen to cover a number of different areas of operation: those of particular relevance to this review relate to income generation and financial management. Comments from this section of the *Report* are worth quoting at some length, because they indicate the degree of care which has gone into the provision of relevant indicators, since 'sound financial management is a prerequisite for good management of any organisation'.

#### *financial management*

'For national museums and galleries, self-reliance [is] not so much the generation of additional income *per se* but ... the management of the mix of public and private funding sources. Too high a level of reliance on volatile and less predictable sources of income in funding essential activities is likely to lead to concentration on crisis management rather than on systematic financial planning. Institutions are developing a wide range of ways of generating their own income... However constituted, it is important that the income generating performance of these activities is reviewed regularly against past years and current plans... Over time this will allow management to assess the accuracy of budgeting procedures and to build confidence in income projections.'

'This analysis will also aid management when looking at the profile of income and expenditure for the whole of their organisation. Both sponsors and management are directly interested in the ratio of self-generated income to grant-in-aid, as the former is generally a more volatile source of income than the latter.

This ratio illustrates dependence on self-generated income, whereas the previous indicator [the income-generating performance of the activity] will over time provide information on the degree of volatility to which that income is subject.'

'Taken together, these two indicators will enable an assessment to be made of how securely each institution is funded. In order to give an indication of the possible effects of disruption in funding, we also include a measure of total salary costs as a percentage of the running cost grant-in-aid. If this figure is over 100 per cent for example, it illustrates that an institution is reliant on self-generated income to fund some of its salaries, which are in the short term a fixed cost.'

In addition, a number of financial ratios are recommended for use by the museums themselves: 'admission income per visitor, an important commercial indicator for a charging institution, and sales per square metre, which will identify how efficiently trading space is being used to generate revenue, and which is a widely used trading and retailing performance indicator.'

The national museums and galleries are enormously complex resources in terms of their collections, organisational structure, personnel and buildings, and the performance indicators will undoubtedly help in their management and future strategic planning. However as much as anything else, the *Report* is important because of the insight which its wording gives to the philosophy underlying present government thinking with regard to museums. Although the *Report* is at pains to stress 'the recognition which it gives to the qualitative as well as the quantitative aspects of performance', and points out that 'numbers alone cannot provide the full measure of a museum or gallery's achievement', it also

emphasises that 'national museums and galleries need to show that they are using the funds provided by taxpayers and private donors as efficiently and effectively as possible'. Indeed this progressive integration of the cultural sector into the commercial environment is perhaps the most fundamental development evident during recent years in this sector of the cultural economy.

## **6. Other public sector funding for the arts**

### **local government authorities**

Grants from central government towards the performing arts and museums constitute one element of the overall funding structure of the cultural sector in the UK. The other element of public sector support derives from local authorities, which form the second tier of government activity in the UK, with responsibility for activity on a regional and local level. Indeed although a few national museums dominate public expenditure, local authorities provide operational and financial support for far more museums in terms of numbers. The vital role which local authorities play in supporting museums throughout the UK was recognised in a report published by the MGC in 1991<sup>4</sup> which recognised that such museums 'represent a national asset of enormous educational and recreational potential'. The report estimates that there are some 800 local authority museums in the UK, including 128 in Scotland. Approximately 75 per cent of local authorities in England and Wales incur expenditure on museums. It is estimated that net expenditure on museums and galleries by English local authorities amounts to almost 50 per cent of the equivalent central government expenditure by the DNH.

The 800 or so museums funded in whole or in part by local authorities represent somewhere in the region of half of the non-national

museums in the UK, and cover an enormous range in terms of size and type of collection. The majority tend to be devoted to matters of local history, attracting a few thousand visitors a year. However those at the other end of the scale include some of the great municipal foundations. Good examples of the latter category include the internationally renowned Burrell Collection. In total, estimated net expenditure on art galleries and museums by local authorities is substantial: the figure for England and Wales alone in 1992/93 was estimated to be in the region of £117 million.

#### *why local authorities support the arts*

In spite of the important role played by local authorities in the funding of the arts and museums, their activity in this sphere is largely discretionary, not statutory. Consequently there is no legislation to provide clear guidelines for the aims and practice of local authority museums and arts facilities. As a result there is very little consistency in the overall pattern: some authorities are extremely generous, while others offer very little support. However it is generally accepted that local authority museums should fulfil the same role with respect to local communities as national museums do in a national context, having regard to the care, display and interpretation of material for the benefit of the public. Local authorities have been further motivated to give financial support in this area in recognition of the important role which museums can play in enhancing the quality of life for local residents and creating focal points for promoting social cohesion, especially in multi-racial environments. A further impetus is the belief that a flourishing arts environment not only helps to attract tourists, but also encourages the establishment of businesses seeking new locations offering congenial surroundings for their staff.

#### *sources of funds*

The bulk of local authority expenditure on the arts and museums is covered by revenue raised directly from their own sources – largely based on property taxes – and this has been the cause of some significant problems in recent years. A number of local authorities have experienced considerable difficulty in collecting their local taxes, largely as a result of a badly misjudged change in the basis of assessment. The resulting shortfall in revenue – 30 per cent or more in some cases – has been particularly acute in some inner-city areas. The local authorities are obviously obliged to fulfil their statutory obligations, and in recent years some of them have been able to continue doing so only by making significant reductions in their discretionary areas of expenditure. It would be simplistic to claim that this fact alone is directly responsible for cut-backs in their funding of local museum services and performing arts events, but in a number of instances the resulting financial shortfall has exacerbated an already precarious situation.

At the very least the current financial pressures are focusing attention on costs, and local authority museums are under the same pressure as the national museums to demonstrate that they are giving value for money. Appropriate performance indicators are being developed for this sector of the museum world, as they are for the national museums. In the words of a major report on local authority museums and galleries published in 1991: 'Financial pressures on museum services are increasing. In the [current] regime discretionary services such as museums are coming under special scrutiny. Local authority museums need to demonstrate that they are meeting genuine public needs, that they are well managed and that they require, and make good use of, the subsidy they receive from their

authority. Many local authorities need to carry out a fundamental reappraisal of their support for museums. This should address the authority's objectives in supporting museums, the services to provide and at whom to aim them, collection management policies, management and operation of the service and performance monitoring'. With budgets already under pressure, it is to be wondered where local authorities will find the necessary resources to undertake such reviews.

#### *present problems*

As a result of this re-assessment of discretionary services, many local authorities are reducing their expenditure on museums and the arts. This has already led to serious hardship in a number of cases, and at least one museum has already been threatened with closure, following the withdrawal of its local authority grant. Other authorities are considering temporary closure of museums under their control, or at the very least a reduction in the number of days of opening each week. Local authorities are allowed to charge admission to their museums, taking into account their educational role. However only a small proportion (around one third) actually do so. In addition to this source of income, an MGC Working Party report identifies a number of other sources of income. These include museum shops, catering, licensing of reproductions of unique items within the collection, special events, hire of facilities and special exhibitions. However none of these sources can fully compensate for a loss of local authority support.

As well as highlighting many of the policy issues already referred to, a recent investigation entitled *Road to Wigan Pier*<sup>25</sup> makes a number of other important points. Among its summary recommendations it states

that: 'Authorities need first to be clear about why they are supporting museums, to set objectives for them and then to devise a business or development plan for the service. This should give proper weight to the need for conservation, scholarship and research but be firmly customer oriented. Services provided should be targeted at the chosen customers and decisions on charging should be consistent with the chosen targets and the authority's overall policy aims. Detailed feasibility studies are needed whenever new museums are being considered. Reviews should not concentrate solely on in-house provision, but should also consider the role and purpose of grant aid and other support to independent museums. Activities which contribute to meeting the authority's objectives and feedback on achievement should be a prerequisite for support. Managerial arrangements should also be customer related and assign responsibilities for site management of museums, including market research, attracting customers, delivering services and customer care'. The language used in respect of local museums is as much business oriented as that used in connection with the performance indicators proposed for the national museums. It shows how all-pervasive this new museum ideology has become.

#### **7. Plural funding and private sector support for the performing arts**

Central government and local authorities together comprise the public sector element of the provision of funding for museums and the arts. The opposite end of the spectrum comprises business sponsorship and donations, and self-generated income earned by the commercial activities of the organisations themselves. Broadly speaking these together comprise private sector funding.

### philosophy

This distinction is especially important in the context of plural funding, since one of the key elements of government policy is the encouragement of a partnership between the public and private sectors. Indeed one of the major stated aims of the government and the ACGB for the performing arts has been to help arts organisations to achieve a greater reliance on self-generated income, by encouraging them to widen the base of their income, particularly by maximising box office and sponsorship income. Although targets for self-earned income for arts organisations have proved difficult to achieve in the current economic climate, there is still an expectation that growth will be achieved in the longer term, with Arts Council subsidy as a percentage of total income remaining broadly unchanged.

### incentive funding scheme

The concept of private and company sponsorship of the arts is a well established feature of the UK cultural economy, and it has been stimulated in recent years by the introduction of Gift Aid, a tax incentive which enhances the value of such one-off gifts to the recipients across a wide range of values - from as little as £400 up to as much as £6 million. There are also a number of government grant schemes specifically designed to encourage arts companies along the plural funding path. One of the earliest was the Incentive Funding Scheme. This was introduced in 1988/89 because the arts funding bodies believed that long-term planning would benefit their clients, and should be encouraged through the possibility of substantial awards. Its two aims were to help arts organisations maximise their self-generated income, and to improve artistic and financial planning. From the outset it was also intended that the scheme would specifically assist in attracting business sponsorship, by

encouraging arts organisations to develop their capacity to earn money from all private sector sources, and to improve their planning skills.

To qualify for awards under the scheme, arts organisations had to prepare plans showing how they could double an award over three years, and how this would further their aims of improving the artistic quality of their work and public access to it. The intention was that this would make them better able to fulfil their artistic and access goals. What recipients of Incentive Funding awards have in common is that they have all demonstrated that they were ready and able to undertake strategic planning, recognising that it could make a real contribution to artistic activity. In the words of the director of the Arts Council Director of Incentive Funding in 1990: 'Ten years ago [1980] strategic planning seemed at best irrelevant and at worst harmful to artistic achievement. Three or four years ago there seemed to be a risk that funders and government might be focusing on the planning and management skills of arts organisations as if they were more important than their artistic activity. Incentive funding has helped to show a middle way between these two extremes. The arts are not a business like any other, and it is counterproductive to argue that they are. On the other hand, arts organisations have complex and interlocking aims and objectives. This makes good planning and management vital – but as the means to an end, not as an end in themselves'.

#### *enhancement funding*

All arts organisations receiving some form of central government funding were eligible to apply. Awards were offered on a 1:2 matching basis – ie £1 of award money for every £2 of sustainable growth in earned and contributed income achieved over a three year period. The scheme was to some extent a victim of its

success. It largely achieved its objectives in a relatively short space of time, rapidly exhausting the available government funds. It was closed to new entrants after the first two years of operation and no new awards were made after the end of 1990/1. However some of the principles of the Incentive Fund were incorporated into the Enhancement Funding Scheme which effectively replaced it in 1990. The objectives of the Enhancement Fund were to strengthen leading arts organisations across the country in order to improve artistic quality and business and financial planning. Substantial supplementary grants were offered to a small number of larger companies. Awards were subject to an agreement that accumulated deficits were to be eliminated within three years, and matching contributions from other sources were to be sought. Government funding of £7.5 million per annum for three years (£22.5 million in total) was set aside for separate schemes in England, Scotland and Wales, beginning in 1991/2.

### the Association for Business Sponsorship of the Arts

Many businesses choose to establish their own direct sponsorship agreements with arts organisations. However a significant proportion of the activity in this field in the UK is co-ordinated by the Association for Business Sponsorship of the Arts (ABSA). ABSA was established in September 1976. It is the independent national association in this field representing the interests of its supporters and of business in the UK. The association also develops links internationally to enable the contribution of business to the arts to be promoted and encouraged to the widest community. ABSA does not co-ordinate sponsorship, but acts as a motivator and educator. Although it is not properly an 'events manager', it advises its member companies

generally on their sponsorship activities. Its mission, in its own words, is to 'promote and encourage partnerships between the private sector and the arts, to their mutual benefit and to that of the community at large'. ABSA estimates that total private sector support for the arts has risen from some £600,000 in the year of its foundation, to approximately £65 million in 1992.

In its 1990 annual report, ABSA identified four important issues for the 1990s: a. the relationship between public and private funding of the arts, b. the importance of good conduct between all parties in arts sponsorship, c. the growing awareness of the value of the arts to business in the area of urban regeneration, and d. the opportunities offered by a single European market. These issues were first raised at a time when the UK economy was still strong. As the recession began to bite during the following years, a further issue clearly emerged: corporate sponsors whose companies were recording dramatically reduced pre-tax earnings found it increasingly difficult to justify a continued programme of art sponsorship so long as the benefits remained largely intangible. This caused some hitherto leading corporate sponsors to re-assess their continuing support for the arts, while others were prompted to seek a more visible return as the price for sponsoring arts events – such as explicit product placement or more prominent advertising in theatres and/or programmes. The Chairman's foreword to the association's 1992 annual report is entitled 'Keeping Faith'. It states: '... arts sponsorship is seen by business to have enduring benefits, and although some big companies whose profits have fallen have cut back their arts sponsorship budgets, most have kept going, recognising the benefits and loyally sticking with the arts companies. Many businesses have come into sponsorship for the

first time.... There is evidence of more professionalism in the approach to arts sponsorship and it is clear that the best benefit is likely to be achieved if sponsorship is given the same level of management attention as any other key business activity'. The first of the four points referred to above has continued to exercise concern, since it is central to government policy on arts funding. While recognising that there must be a finite limit to public sector funding, all sides accept the principle that business sponsorship should be seen as a supplement to central and local government support, and never as a substitute.

In 1993 ABSA commissioned a national research survey on attitudes to arts sponsorship<sup>7</sup>. The results revealed strong agreement with the principle of business support of the arts. Perhaps more important for ABSA, the survey revealed strong support for the principle of plural funding – ie government plus private sector support – of the arts, which is the fundamental *raison d'être* underlying the association. The survey indicated a public perception that business contributions to the arts primarily helped to increase accessibility and also helped to reduce ticket prices. The survey also sought to identify how sponsorship detracted from the arts. Twenty five per cent of respondents pointed to the fact that sponsorship gave the best seats to sponsors, 21 per cent felt that it led to censorship and 19 per cent objected to obtrusive company logos. Only 7 per cent felt that it was 'against the spirit of the arts'. ABSA's two principal schemes are: a. Business in the Arts, which is a nationwide initiative which receives government funding, and b. the Business Sponsorship Incentive Scheme, which it administers on behalf of the government. These are considered separately below. Additionally, ABSA has been instrumental in bringing together a number of

major businesses and arts organisations, leading to the establishment of several important independent art sponsorship deals.

#### *business in the Arts*

The Business in the Arts (BiA) programme was established in 1988 and is an integral division of ABSA which has attracted government support. The programme links business experience and skills with the arts: it is designed to improve the quality of arts management through the involvement of the business community by recruiting and training individuals from the latter to share their skills with people in the former, and by encouraging companies to invite arts managers onto their in-house training courses. Both sides benefit from the sharing of skills between individuals from different working environments. Mainly through placements and training, the scheme offers businesses the chance to support the arts in ways which do not involve any significant financial outlay.

#### *the Business Sponsorship Incentive Scheme*

The Business Sponsorship Incentive Scheme (BSIS) is a major government funded initiative, introduced in October 1984. It is designed to boost the level of business sponsorship of the arts in Great Britain by offering financial awards of between £1,000 and £50,000 to arts organisations, to enhance the value of the sponsorships they raise from businesses. Although it is a government scheme, it is administered by ABSA on behalf of the DNH.

If a business has never sponsored the arts before, the BSIS is able to match its sponsorship fully, £1 for £1. The scheme is primarily intended to act as an incentive to attract first-time sponsors. As a result of the increase in government funding for the scheme from 1992/93, the incentive for continuing sponsors

has been improved: for those businesses that have sponsored before, the scheme is able to offer £1 for every £2 increase in their second sponsorship, and businesses which have continued to sponsor an arts organisation or event for three years or more can now attract awards matching the increase in their sponsorship on a 1:4 ratio. It must be stressed that the BSIS is an enhancement fund: in all cases the value of the award goes directly to the sponsored arts organisation (although the use to which the award may be put is specified) while the business takes benefit from the enhanced sponsorship. It is a good example of synergy in which benefits accrue to both sides.

The BSIS is ABSA's most important programme and its size and scope makes it also the most important element of the government's strategy of encouraging partnership between business and the arts. The scheme is important not only for the level of funding which it raises for the arts, but also because it provides one of the best examples in practice of partnership between government and the private sector, which is a key feature of present government philosophy in the arts – and in other spheres of life.

In addition to meeting the basic operational costs of the BSIS, central government also fulfils the financially far more important role of funding the awards themselves: from inception up to the end of 1992/3, total government awards amounted to some £19.9 million, including administrative costs. Funding for the scheme increased from £0.5 million in its first year up to £3.5 million in 1990/1, with a further increase to £4.5 million from 1992/3. These government grants have attracted total business sponsorship amounting to £41 million over the same period, making a total of over £60 million. The bulk of this sponsorship money would not

have come to the arts were it not for the existence of the BSIS, so this figure represents genuinely new funding coming into the arts. Although a proportion of business sponsorship funding now comes from existing sponsors, it is encouraging to note the success of the scheme in continuing to encourage first-time sponsors to the arts.

#### **other special initiatives and schemes in the performing arts**

There have been – and continue to be – a number of other special schemes designed to channel funds to, or otherwise promote the arts in the UK. The *European Arts Festival* was held during the second half of 1992, to mark the UK Presidency of the European Community. The festival had a budget of some £6 million, and encompassed over 1,000 events throughout the UK, covering all art forms and including a substantial education programme. Arts organisations from this country took part, as well as visiting artists and groups from other EC member countries. Funding for the European Arts Festival came from the government, but there have also been two *National Music Days* for which over half the costs were met from sponsorships and donations in kind.

#### *the Theatre Restoration Fund*

The *Theatre Restoration Fund* is another example of plural funding, being financed equally by the government and a private charitable foundation. The fund provided £2 million in 1992/3 and in 1993/4 for the renovation and refurbishment of purpose-built theatres, with an emphasis on backstage and other urgently needed improvements which, because of their unglamorous nature, do not readily attract sponsorship and other private sector funding. Successful applicants are expected to raise one third of total project costs. Thirteen

awards were announced in December 1992, worth a total of nearly £1.7 million.

The work being undertaken by the Theatre Restoration Fund is of crucial importance, since the poor physical condition of many theatres in the UK has been a cause of concern for many years. The government recognised the validity of these concerns and provided funds to enable a pilot study of the *Conditions of Theatres in England* to be undertaken<sup>8</sup>. Its main recommendation was that: 'There is an urgent need to re-examine the ways in which the maintenance, upkeep and improvement of theatre buildings are funded. It should be a prime aim of national arts policy to ensure that sufficient resources exist to keep the building stock in good condition and effective working trim'.

#### **private sector support for museums and galleries**

In many ways the problem being faced by theatre buildings towards the end of the 20th century finds a parallel with the state of museum buildings – much of the building stock is old, heavily used, and in dire need of renovation. Up to the present time central government grants to museums have included specific provision for building and maintenance work, but this has not been adequate to cover more than essential day-to-day repair work. The Museums and Galleries Improvement Fund (MIF) was established in 1990 to remedy the situation. It is a further good example of co-operation between central government and private sector sources of funding, being also jointly financed by the government and a private charitable foundation. The MIF was initially established for a period of three years but has subsequently been extended to five years. It has an annual budget of £4 million from 1991/2, making a total contribution of £20 million.

*the Museums and Galleries Improvement Fund*  
The MIF is available for refurbishment projects throughout the UK, focusing on priority work which museums and galleries are unable to fund fully from their own resources. It is yet another example of 'challenge funding': one of the grant conditions is that applicants are expected to raise their own contribution from sponsorship and other non-government sources, to match money provided from the Fund. The minimum proportion expected from the applicant's own resources is set at one third, but so far a significantly more favourable ratio has been achieved between government and non-government contributions. The MIF is open to both national and non-national museums and galleries throughout the UK, and it is already sponsoring over 100 projects. Around 80 per cent of the fund is earmarked for national institutions. Applications were received from 18 national and 237 non-national museums and galleries in 1991/2. Of these, 59 received awards totalling £4 million, towards projects estimated to cost £16.7 million.

#### **fund raising and sponsorship**

To their considerable credit, the museums have been remarkably successful in their large-scale fund-raising activities: the new Clore Gallery at the Tate Gallery, the Sainsbury Wing at the National Gallery, the Tsui Gallery of Chinese Art at the Victoria and Albert Museum, the Wolfson Gallery of Roman Antiquities and the King Edward VII Gallery of Oriental Art at the British Museum, the Sackler Galleries at the Royal Academy of Arts, a new Ecology Gallery at the Natural History Museum, the new Centre for Sculpture being built in Leeds and Eureka! in Halifax, are just a few of the major new building projects undertaken in recent years by national and non-national museums and galleries which have been paid for with the assistance of substantial private funds.

## **8. The structure of museum funding**

### **government support**

The financial year 1993/4 sees the beginning of an extremely important development in the funding of some of the UK's national museums and galleries. Hitherto the government's grant to the national museums has been apportioned into three categories, one of which was 'Building and Maintenance' and particular emphasis was given to this element of expenditure as a matter of government policy. However from 1993/4 the system of three separate grants is being abolished. In autumn 1992 the minister in charge of the DNH announced that: 'National museums and galleries will be given a new flexibility to help them manage better and to secure value for money.' Until now they have received three separate grants-in-aid (running costs, purchase grant and building and maintenance). From 1993-94 they will be given a single grant-in-aid and will not need to seek permission from the Department before reallocating funds from one category of expenditure to another within any given year.

In the same statement, the minister announced further allocations of funding from the DNH for museums and galleries, including a number of grants specially directed towards capital projects. These include: a. continued funding for the Museums and Galleries Improvement Fund throughout the period to 1995/6, at the same level applying hitherto – ie £2 million from the DNH matched by an equal sum from the private foundation Wolfson Foundation, b. an additional £3.5 million grant over two years for the National Museums and Galleries on Merseyside – with matching funding from the private sector – towards the construction of a new conservation centre, (c) an additional provision of £200,000 in both 1994/5 and 1995/6 to the Manchester Museum of Science

and Industry, as a contribution towards a major restoration project.

However it should not be thought that museums were being singled out for particularly favourable treatment. The announcement was prefaced with the statement that: 'The Government is determined to keep public expenditure within the country's means. This year's settlement therefore entails difficult decisions throughout the public sector. Some very difficult decisions have had to be taken. But I am determined to see through the major capital programme for which the Department is responsible'. Although the result of this emphasis on capital project funding led to some unfortunate and well publicised cut-backs in grants to other sectors of the cultural economy such as the ACGB (see earlier in this article) museums and galleries escaped relatively unscathed. Following an increase of 18 per cent in total government grants to the national institutions between 1990/1 and 1992/3 the latest settlement is scheduled to give a further increase of £3.7 million by 1995/6.

In addition to the grants available from sources of plural funding, even the government-funded national museums are being expected to follow the lead of private museums by exploiting the opportunities for generating their own income from a range of trading activities. On the whole museums have responded enthusiastically to this new commercial environment and an increasing number of them now run publishing businesses, restaurants, cafes, book and gift shops and other commercial retail enterprises, many of which make a significant contribution to profits.

### **charging or free admissions?**

Although everyone in the UK expects to pay to see the performing arts as a matter of course,

the same is not true for the visual arts: there is a well established tradition in the UK that free access to our national heritage is a part of our birthright, and that includes the collections in our public sector national museums and art galleries. As a result although national museums are allowed to charge an admission fee to add to their self-generated revenues, there has been considerable resistance towards the minority of national museums which have actually done so: there is strong, well-documented evidence that some have recorded a marked downturn (up to 40 per cent) in visitor numbers immediately following the imposition of charges. This can have a significant impact on other sources of self-generated income.

This attitude towards museum admission charges is in marked contrast to the situation throughout much of Europe and America, where in many countries it is normal practice to pay for admission to the national collections.

Admission charges were first introduced at national museums in 1974 but were abandoned a few months later after much debate. In January 1990 a government report recommended that national museums should consider introducing admission charges. However the Museums Association has an official policy on admission charges which reflects the more traditional view. The policy states that 'Museums and galleries form part of Britain's ... cultural heritage. The tradition of free access to the collections of our publicly-funded museums and galleries is as important and integral a component of the nation's academic, educational and cultural life as are free library and education services. The Museums Association asserts that both central and local government have an overriding responsibility to maintain the tradition of free access to their museums and galleries. They should not therefore apply pressure on these institutions

to introduce admission charges in order to meet their most basic running costs'.

The policy makes the point that each individual museum should decide separately whether or not to charge, bearing in mind its location, appeal and financial situation, but asserts that no national museum should be so underfunded as to feel that it has no alternative but to charge. If a charge is levied, all monies raised should be used for the direct benefit of the museum in addition to its revenue income, concessions should be made for certain categories of visitors and there should be free access to all visitors for one day a week. The policy also recognises the special position of independent museums which rely on admission charges.

#### **big business**

The emphasis on self-earned income raises an important and interesting point. The larger of the UK's national museums are multi-million pound enterprises: the largest have total incomes in excess of £30 million, with self-earned income accounting for up to 40 per cent of total income. This fact strengthens the argument for a sound business approach to their operations over and above the primary concerns of curatorship and scholarship. Some museums run their business enterprises themselves, while others have established independent trading companies which remit net profits to their parent museums. Others have gone a stage further and let the profit-making concerns to independent concessionary operators. However warnings have been issued concerning the volatile nature of such trading income. In the words of one government body: 'Predicting trends for non-government income is especially difficult, as figures can be adversely affected by non-controllable factors such as the weather, the value of the pound and its impact on tourist

numbers and so on.' In other words, museum shops face exactly the same problems as ordinary retail outlets. The note continues: 'Likewise, in relation to building and maintenance expenditure, the percentage of non-grant-in-aid income is likely to vary, justifiably and considerably, from year to year, because of the nature and phasing of particular projects.'

#### **9.A national lottery**

After debating the issue for a number of years, the UK government has finally announced plans for a national lottery to be set up in 1994. The proceeds will be used to fund artistic, sporting, heritage and charitable fields. It is anticipated that the lottery will raise in the region of £1,000 million annually, of which some £200 million will go to the arts. The lottery will also help to fund the proposed 'Millenium Fund', part of which will be used for capital restoration projects. Although there is some danger in the fact that too many organisations are looking to the lottery as a panacea for all their financial ills, nevertheless some degree of optimism is probably not unfounded. However at the present time any attempt to estimate how much money will be generated for the arts can be no more than mere speculation.

#### **10. The Foundation for Sport and the Arts**

When it first became apparent that a national lottery might well be set up, members of the Football Pools Promoters' Association sought to establish their own Foundation for Sport and the Arts in an attempt to pre-empt the national scheme. Permission was granted by the government in March 1991, on the basis of a government decision to reduce pools betting duty by 2.5 per cent for 4 years. The Foundation for Sport and the Arts is an independent discretionary trust. It is privately funded by weekly subscriptions from the three football

pools companies at a rate averaging approximately £1.2 million per week. This agreement has created a fund worth approximately £60 million per annum to assist sport and the arts across the UK: the sum allocated to the arts is £20 million. Absolute control of the Foundation is vested in its trustees. However they follow the general wishes of the sponsors that their money should be 'ploughed back largely into things that the general community will experience and enjoy', by making a special point of assisting 'regional and local [organisations] with no great claims to high levels of competence'. Particular attention is given to projects which benefit the community, and those which involve children and young people and the physically and economically disadvantaged.

It was not clear initially whether 'the arts' could be taken to include museums within the context of the Foundation's Declaration of Trust. It was eventually agreed that museums were eligible for grant aid from the Foundation, providing that they had a sufficient connection with the arts. However partly as a result of this initial uncertainty many museums have been discouraged from applying to the Foundation, and the majority of grants to the arts have been awarded to performing arts organisations.

#### **11. Conclusion**

There is a certain irony in the present situation. In the wider socio-economic context, the 1990s already seem to have developed their own distinct identity as a less financially-oriented decade, with values and standards in marked contrast to the commercial excesses of the aggressive 1980s – they are already being referred to as 'the caring '90s'. Yet the reverse seems to be the case in the world of museums and the performing arts. The development of performance statistics and corporate business plans, and the emphasis placed on self-

generated income, is evidence of the fact that quantitative assessments of sound business practice are increasingly being placed alongside qualitative assessments of curatorship and scholarship and artistic achievement as key indicators of success.

However it is widely agreed that providing benchmarks against which to monitor the performance of those organisations which are in receipt of some element of public sector funding is undoubtedly in the interests of both the organisations and the public (who ultimately provide the money, through payment of taxes). For museums the end result will be a far greater degree of knowledge about how our great museum collections can most efficiently be managed. For the performing arts it will be a better understanding of how a subsidy can enable companies to entertain the public, while also fulfilling their role as flagships of UK cultural achievement. For both groups, the understanding extends to working within the constraints imposed by finite, sometimes severely limited, resources. A more business-like approach also puts both groups in a stronger position to attract private sector sponsorship. Further, in emphasising public accountability, the cultural sector is being treated no differently to other sectors of the economy, in which such an approach is a firmly established feature of current political thinking (embodied in the concept of the Citizens Charter).

For museums the move from being mere repositories of artifacts to being wider-based resources, coupled with a move towards commercial self-awareness, is one of the most important trends in the sector at the present time. It represents a fundamental change in how the sector should be viewed. Yet it should not be seen as undermining the basic rationale

of our collections, which involves a fundamental emphasis on scholarship and curatorial skills. Rather, it should be viewed as a healthy move away from a degree of commercial / business naivety which was not to its credit and which could not have been allowed to continue given the economic realities of the present time.

For the performing arts, the problems caused by the development of an administrative structure which has the responsibility of deciding on the merit of applications, then granting and monitoring the awards are enormously complex. The structure has been the subject of much discussion – and unprecedented criticism – in recent years. It says much for the robustness of the mechanism that by and large the arts remain in a strong, healthy position, ultimately independent of the source of their public sector support thanks to the integrity of the arm's length principle. Both sectors of the arts economy are a tribute to the success of extending the principle of plural funding to this area of economic activity.

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#### Notes

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6. Forward to *Incentive funding <196> two years on*, Jane Jacomb-Hood and Jenny Waldman, Arts Council, 1990.
7. *Arts 93: audiences, attitudes and sponsorship*. Association for Business Sponsorship of the Arts, June 1993. The research was jointly funded by ABSA and Clerical Medical, without whose help it would not have taken place.
8. *A pilot study of the condition of theatres in England*. The Theatres Trust, February 1993. The Theatres Trust was established by Act of Parliament in 1976 to 'promote the better protection of theatres for the benefit of the nation'.

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