

Arts Council England
an independent review by
Baroness Margaret Hodge

Summary of recommendations	3
A. Arts and culture matter	6
B. The importance of trust	9
C. Tackling the arts and culture funding crisis	12
D. A new approach to funding organisations	17
E. A new approach to funding individuals	23
F. The role of education	26
G. The importance of touring	30
H. Building a cultural offer from the ground up	32
I. ACE as a development agency	36
J. ACE's role supporting libraries and museums	39
K. A radical systems overhaul	42
L. The relationship between ACE and Government	44
M. Thanks	46
List of Annexes	47

Summary of recommendations

1. The Government must retain the Arts Council.
2. The Government must maintain and strengthen the Arm's Length Principle at all levels of Government to ensure that arts funding is protected from politicisation and the Arts Council must rigorously uphold that principle.
3. Whilst recognising that the fiscal constraints limit the Government's ability to increase Grant in Aid funding for culture and the arts, the Government can and must find innovative ways of responding urgently to the underfunding that has undermined the arts over the last decade:
 - 3.1. The Government should consider amending the theatre tax relief to include the additional costs of touring, such as transport and accommodation costs. This would mirror the orchestra tax relief and help to give a new emphasis to touring to support ensuring much wider access to excellence while at the same time stimulating economic activity in underserved areas.
 - 3.2. The Government should consider amending the orchestra tax relief to cover the international costs of touring, which have been exacerbated by Brexit, such as the costs of work permits, visas and transport.
 - 3.3. The Government should consider speeding up payments of tax relief to ease cashflow problems. Adopting a system akin to the VAT relief model where payments are made within 30 days should be explored.
 - 3.4. The Government must consider enabling ACE to offer a wide range of financing options by having a trading arm. This would enable public funding to go further by moving beyond repayable grants and introducing loans, blended finance, social impact investment and equity investment.
 - 3.5. The Government and ACE should consider devising a mechanism to bring money back to ACE when an NPO has produced a show that is a strong commercial success. In those circumstances ACE should enjoy a return through royalties, or a percentage of profits or a fee.
 - 3.6. The Government should consider doubling the level of Gift Aid from £0.25 to £0.50 for shows, events and organisations that reach audiences outside London and the South East to encourage philanthropy outside the Capital.
 - 3.7. The Government should consider introducing a new tax incentive akin to the French Aillagon Law to incentivise corporate giving outside London.
 - 3.8. The Government should consider, when possible, creating a £250 million endowment fund for ACE that is structured in a way that leverages philanthropic giving, with ACE raising £1 for every £1 they receive through the endowment. [NESTA](#) received a government endowment of £250 million, to invest in the arts and creative industries. NESTA has stopped funding the arts.
 - 3.9. ACE should review legacy capital charges and title restrictions. These historical constraints impede organisations from securing private finance for capital investment. Such a review should look to establish a proportionate, time-limited framework to vary these charges, enabling organisations to leverage assets for urgent capital needs and unlock new investment.
 - 3.10. The Government should consider deferring the repayment of specific Culture Recovery Fund loans awarded to charitable organisations. Such deferral should be conditional on the organisations proving an immediate need for capital investment and agreeing to a match-funding requirement: for every £1 of loan repayment deferred, the organisation must secure an additional

£1 through philanthropic means for investment in their urgent capital requirements. To safeguard against income loss, inflationary adjustments must be applied to the deferred loan amounts.

3.11. ACE should work with the sector to develop a better capability in philanthropic giving.

3.12. The Government should consider a new public recognition honour.

Other longer term funding ideas, like a local tourism levy, are explored in the section on funding.

4. ACE should replace Let's Create with a new, less prescriptive strategy that is both ambitious, simple and reflects the Government's ambition of excellence for all but that allows each organisation or individual to apply according to their strengths and the unique contribution they can make to delivering a vibrant and innovative creative sector that is consistent with the overarching strategy of the Arts Council.
5. There should be a completely new model for funding the National Portfolio Organisations.
 - Organisations would set out their unique contribution and the KPIs on which they would want to be assessed. The application would have to meet the ACE strategy and the KPIs would be negotiated.
 - National ACE should determine the funding of all the organisations across the country that are nationally significant. The National Board would be advised by sectoral panels of experts. There should also be a stronger role given to ACE's artform directors.
 - All other monies should be devolved to new local and regional decision-making boards. These will comprise local artists, representatives of local community organisations, local education representatives and representatives from local government.
 - To provide stability, consideration should be given to enabling longer term planning and reducing bureaucracy. The Government and ACE should consider the following changes:
 - Lengthening the NPO cycle from three to five years.
 - Having a rolling programme of applications.
 - Assuring certain organisations, that meet the highest quality standards, that they will receive at least 80% of their funding in the next round.
6. ACE should radically reform its application and reporting requirements so that they are less bureaucratic and onerous for organisations but still ensure accountability for public money. ACE should also review its data requirements to demonstrate that the data it collects has a clear purpose and that the data demanded is appropriate for the different objectives of the different organisations and the different cultural disciplines.
7. All DCMS lottery funded bodies should consider working together to simplify and perhaps share their application processes and to agree, as far as possible, a common set of KPIs.
8. The Government should consider creating a statutory duty for local government to prepare a cultural strategy every 5 years which should encompass the arts, culture, and heritage.
9. ACE should review, simplify and reduce the number of its funding streams to make it easier and less bureaucratic for those applying for funding.
10. ACE should introduce a new National Programme for Individuals, using money from existing funding streams. The purpose would be to support emerging and mid-career individuals to ensure a diverse talent pool by providing individuals with funding of around £30,000 per year and

mentoring support. The programme should be for individuals from low income backgrounds, under-represented groups and under-served areas. Up to 500 individuals could be supported from existing funding pots and the programme could be expanded through other sources of funding.

11. The Department for Education, Department for Culture, Media & Sport and Arts Council England should consider working together on a specific project with philanthropists, trusts and foundations to create a joint fund that would support improvements to the cultural offer in schools. This would reinforce the excellent new proposals in the Curriculum Review and could contribute to the cost of training and paying for specialist teachers, and transport costs to visit theatres or museums.
12. ACE should leverage its relationships with NPOs and encourage them to strengthen their focus on talent development to ensure good coverage across England. This may include artists in residence opportunities.
13. ACE should launch a new programme to grow culture in under-served areas. ACE would employ two community arts workers in each identified area, to be tasked with identifying local artists, bringing them together with local community organisations and schools to develop a genuine bottom up cultural offer and opportunities.
14. ACE should review and publish a data and reporting strategy that clearly communicates how it will collect, interpret, store and share the reporting and evaluation data it collects. The data must be made available in a genuinely useful way to all stakeholders.
15. DCMS and ACE should define ACE's role as a development agency, and this should involve strengthening its work on advocating, convening, sharing best practices and supporting the sector on new and difficult challenges. ACE should work with all relevant organisations, whether or not they are ACE funded.
16. ACE should ensure that under-represented groups are represented across the organisation at all levels. Work to support and promote diverse groups both within the organisation and in the funded organisations should always be a priority.
17. DCMS should review whether the development role for libraries would be better done by the British Library with a transfer of resources to the British Library if they agree to take on the role.
18. ACE should work with DCMS and the whole museum sector (including those national museums funded directly by DCMS) to develop a strategic framework and create a specific long-term plan for museums.
19. ACE should take a more proactive role in raising awareness of the Acceptance in Lieu, Cultural Gifts scheme and the Government Indemnity Scheme.
20. ACE should adopt a more pragmatic approach to risk appetite in relation to the Government Indemnity Scheme, and this should be supported by the Government.
21. ACE should invest in a comprehensive overhaul of its systems, and the Government should consider supporting it to do so with additional funding.

A. Arts and culture matter

Public funding for the Arts

Excellent art and great culture matter. This review comes 60 years on from Jennie Lee's White Paper on the Arts in which she wrote "*in any civilised community the arts and associated amenities, serious or comic, light or demanding, must occupy a central place. Their enjoyment should not be regarded as something remote from everyday life*".

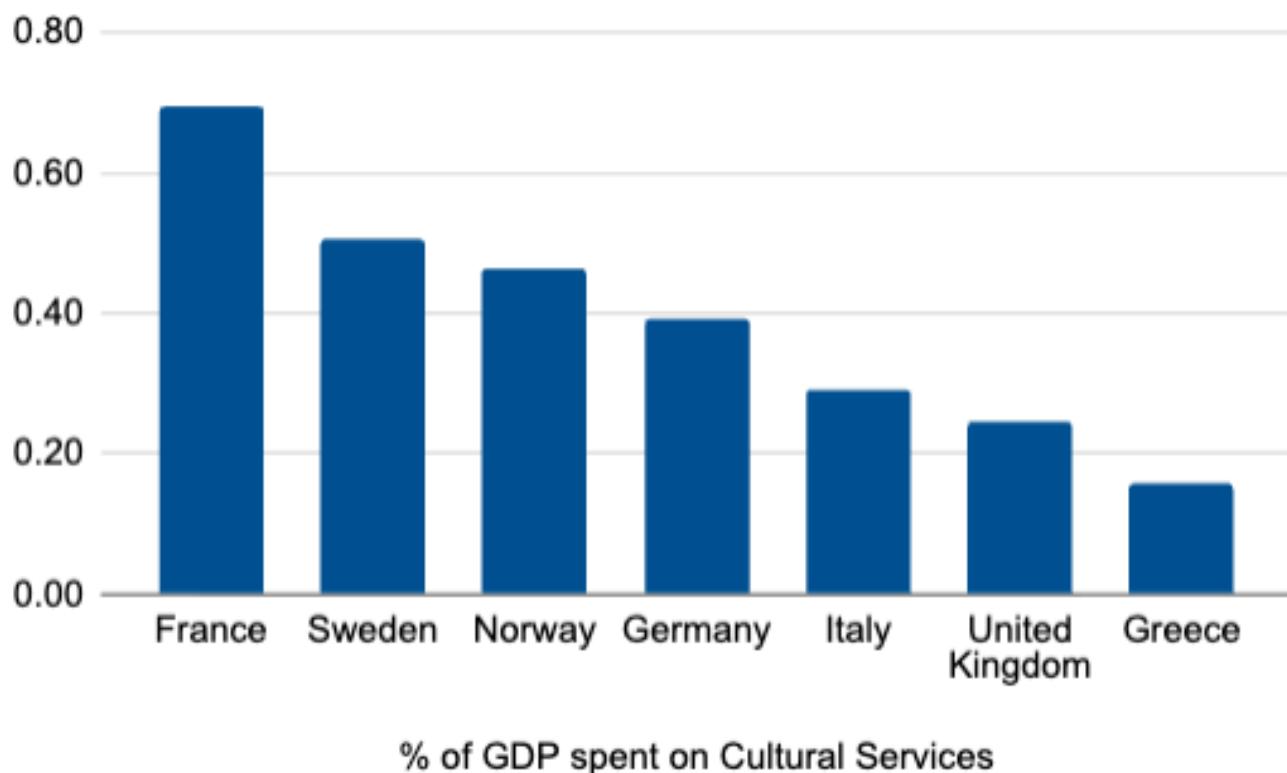
Throughout history thinkers and artists have captured the importance of art and culture. Picasso said "*Art washes away from the soul the dust of everyday life*", Frida Kahlo said "*They thought I was a Surrealist, but I wasn't. I never painted dreams. I painted my own reality*", finally, Degas said "*Art is not what you see, but what you make others see.*"

Great art can be a window and a mirror; an opportunity to understand other peoples' stories and perspectives, and to enable us to tell our own stories. Through art we can challenge, expose and help to heal societal problems and divisions.

The arts are also vital to the success of the UK economy and form a key driver of the Government's ambition for growth. In 2023, the Arts, Museums, Galleries, Archives and Libraries contributed [£10 billion in Gross Value Added](#) (GVA) to the UK economy, but the influence spreads beyond the direct impact. Across the whole of the creative industries £124 billion GVA was generated in 2023. A significant chunk of this money is dependent on the skills developed and the people working in the arts and cultural sector. Tourism benefits from the arts, as does the [hospitality sector](#). Cultural investment is one of the most successful interventions in regeneration. The arts help to engender our sense of place, our identity and social cohesion.

Yet despite all of these arguments for investment in the arts, the funding picture over the last decade has been bleak. The UK spends less on culture than most of the countries in Europe. In 2022, public investment in culture in the [UK was 0.25% of GDP](#), the lowest across a long list of European countries for whom there is comparable data (including France, Germany, Italy, and all of Scandinavia), and only higher than Greece (see figure 1).

Figure 1 - [Expenditure On Cultural Services As A Share Of GDP. 2022.](#)



In just one state in Germany, Berlin, The Senate Department for Culture and Europe allocates around €600 million (£525 million) annually to cultural funding - more than the combined annual budgets of Arts Council England for the National Portfolio (£458.5m per annum [2023-26]) and the Mayor of London's culture programme (£18.7m in 2024-25).^{1 2}

Whilst ACE funding does not represent the whole picture of how the arts are funded in the UK, its contribution is vital, and in many cases ACE's grants form the most stable source of income for the cultural sector.

In 2022-23, public funding for culture was made up of 51% from local authorities, 32% from grant-in-aid (GiA) allocated by central government (for Arts Council England, the British Library, Historic England and DCMS-sponsored museums), 11% from the National Lottery, and 7% from tax reliefs for theatres, orchestras and museums.³

Between 2009-10 and 2022-23, per person public spending on culture by Arts Council England and Local Authorities fell in real terms, by [18% and 48% respectively](#). Some local authorities have completely cut their spending on culture. At the same time the British Council has had to curtail its investment on culture, and NESTA, which enjoyed the benefit of a £250 million Government funded endowment fund for the creative arts, has pulled out of funding of the arts.

¹ Conversion based on an exchange rate of €1.00 = £0.87534 on November 28, 2025.

² Arts Investment Around the World_Policy, Place and Philanthropy - Eliza Easton, Erskine Analysis (Annex 6)

³ Calculated using GiA data from Total Income of DCMS-funded cultural organisations 2022/23, National Lottery using Arts council 2022/23 Annual Report, Local Authority Spending using the 2022/23 Local Authority Outturn and Tax Relief levels from the Creative industries tax relief statistics

The significant cut in public funding coupled with huge cost pressures has created immense challenges for organisations and individuals working in the sector. A failure to respond could be deeply damaging to one of the most precious jewels in Britain's crown: our world class artistic and cultural offer.

Access to artistic excellence should not be consigned to the privileged few, and a national Arts Council, free from political interference, is the best way to ensure that these benefits are realised across the country and by all the communities within it. We must continue to sponsor and fund the Arts Council; the need for such a body remains vital. Indeed I would argue that in the current fiscal climate and with the current fractured political discourse, the need for an independent body seems even more important than it was when it was created in 1946.

There have been attempts to exert more political control over ACE decisions in recent years and this has to stop. The Arts Council must remain free from political interference. This matters. It ensures that artistic freedom is protected, that creativity is not stifled and that public trust is maintained. Political interference, even by those with the best of intentions, could lead to political bias, or even censorship.

In this review we've travelled to each of the Arts Council regions, to cities, towns and rural areas. We've met hundreds of people from across the sectors, representing the different array of communities that ACE represents. I have personally spoken to nearly 600 individuals and between us we have talked to more than 700 people, individually and in groups, online and in person. From an artist operating from her kitchen table in Norfolk, to an internationally renowned institution in Liverpool, from a new and ambitious dance company in Sunderland to a world class orchestra for disabled people in Bristol. Through our Call for Evidence we've reached many other people, gathering their views and perspectives alongside those we've met personally. The details of our methodology can be found in Annex 4 of this report.

We've encountered a broad spectrum of views. We've sought to reflect these views and build a consensus, backed by evidence, to deliver a set of recommendations which should empower a strong Arts Council to support a thriving arts and culture sector for the next decade.

In working on this review I have been supported by an excellent small team of officials from the Department for Culture, Media and Sport who have deliberately maintained a firewall between them and the teams in DCMS who work most closely with the Arts Council. I have also been generously supported by a talented Advisory Panel of experts who have brought their own insight, accompanied me on my visits and meetings, and challenged my emerging thinking and views. I am enormously grateful to all of the people who have helped me. I could not have managed without them. This report often uses the word 'we' to describe what we have found. 'We' means me as the Lead Reviewer and my team working together.

B. The importance of trust

Recommendations

1. *The Government must retain the Arts Council.*
2. *The Government must maintain and strengthen the Arm's Length Principle at all levels of Government to ensure that arts funding is protected from politicisation and the Arts Council must rigorously uphold that principle.*

Background

Arts Council England is governed by a National Council appointed by the Government and supported by five Area Councils. ACE is an independent charity as well as an arm's length non-departmental public body accountable to the Department for Culture, Media and Sport.

In response to expenditure cuts, ACE cut its regional structure from nine regions to five areas in 2013. ACE also reduced its staff numbers, consolidated its property portfolio and reduced the number of executive directors.

Today, ACE employs 697 people in nine offices across England. It has 48 directors who work as area directors, sector specific leads and workstream directors.

ACE developed its strategy 'Let's Create' after a wide consultation. The strategy forms the basis of all its funding decisions and was designed to last for a decade, from 2020-2030.

Very soon after the strategy was launched we were hit by COVID. Despite the generous funding provided in the first instance by ACE's Emergency Response Fund and then through the Government's Culture Recovery Fund, much of the arts and culture sector is still struggling to recover, working to bring audiences back and dealing with ever-rising costs and responding to the loss of many talented individuals who simply did not return to the sector after COVID. [Recent research](#) by the National Theatre suggests that the business models used by the subsidised sector are no longer working.

What we heard

Everybody to whom we spoke wants an Arts Council that is properly funded, and the vast majority want an Arts Council that works at arm's length from politicians and is accountable to ministers at the Department for Culture, Media and Sport. Many expressed frustration about the decline in public funding to the Arts. Everybody recognised the importance of ACE to maintain and grow cultural work and to support individual artists, ensuring a pipeline of new talent.

Many people spoke highly of dedicated and committed individuals at ACE with whom they had interacted and worked. There was praise for some of the regional directors and for some relationship managers. There was also an understanding of the challenges that ACE itself faces because of funding cuts.

Many expressed support for the principles of Let's Create and were committed to ensuring that these were reflected in their work. Let's Create has undoubtedly impacted positively on diversity both in who is working in the Arts and who is enjoying arts and cultural experiences. Those who had recently secured

funding from ACE were obviously most supportive of the impact Let's Create has had on funding decisions.

But most people want to move on. Though the strategy was named Let's Create, many felt that its implementation stifled creativity and innovation.

For this and other reasons, we encountered considerable frustration from stakeholders, and I have concluded that there is a need to rebuild trust and respect in ACE so that the strong partnership-working that is vital to the health, development and success of the arts and cultural sector can flourish.

I recognise that there are factors outside the control of ACE that fuel people's frustrations - the lack of public funding, the pressure on funding from trusts and foundations, the failure to meet the rising inflation driven costs facing organisations and individuals, the perceived political interference in decision-making.

But there were also concerns expressed about issues that were within ACE's power to control and these concerns contributed to the loss of respect and trust that we encountered:

- Jennie Lee's White Paper said "*No one would wish state patronage to dictate taste or in any way restrict the liberty of even the most unorthodox and experimental of artists.*" This remains the case today and the almost universal plea from everybody who engaged with us was that we should protect the Arm's Length Principle. Democratically elected Ministers should set the overarching policy objectives but politicians should not have a role in making funding decisions. There was strong criticism of the previous Government's perceived interference in funding decisions during the last NPO round, and concern that the Arts Council did not defend the Arm's Length Principle. There were some local authority and mayoral representatives who wanted funding decisions devolved to them, but most people were strongly of the view that no elected politicians should take decisions on funding. All should be involved in debate and discussion, all should contribute to developing strategies, but funding decisions should not be made by politicians. We hope that our new devolved boards, explained later in the report, represent an acceptable way forward for all parties.

Recommendation 1: The Government must retain the Arts Council.

Recommendation 2: The Government must maintain and strengthen the Arm's Length Principle at all levels of Government to ensure that arts funding is protected from politicisation and the Arts Council must rigorously uphold that principle.

- Whilst there was overwhelming support for the equality principles underpinning Let's Create, responses to its implementation were often more negative. It was seen by many as a straight jacket; stifling artistic innovation and creativity. People felt they had to tick all the ACE boxes to secure funding, rather than explain their artistic strategies and ambitions. People viewed ACE as a command-and-control funding body, rather than a leader and facilitator in the cultural landscape.
- People felt that ACE was pursuing access to culture in an instrumentalist way and had lowered the priority given to the pursuit of artistic excellence. Art and excellence were sidelined. "*I got close to the end of the application form before I was asked what I was proposing to put on stage,*" one frustrated person said. Excellence and access **to** excellence were two principles that underpinned Jennie Lee's view of the arts. Though 'ambition and quality' are a core investment principle in Let's Create, ACE's current approach was seen as interpreting this in a way that fails to give proper value to artistic excellence and does not enable access by all communities **to** excellence. All of those who expressed that view recognised the importance of both extending participation in arts

and cultural activities, transforming the workforce and providing opportunities for people in their local communities to experience arts and culture.

- There was almost universal criticism of both the application processes and the reporting demands. The larger organisations employed people simply to handle ACE funding applications, while the smaller organisations frequently outsourced the applications to a growing industry of funding experts. So ACE money was being used to deal with ACE's procedural demands, which in my view is wasteful. We all want a rigorous application process and strong accountability for spending public money, but the present processes are inappropriately long, complicated, bureaucratic – and expensive. Government demands for information undoubtedly contribute to this unacceptably high level of bureaucracy.
- In the last NPO round every organisation, whatever its size and whatever the artform, was required to provide the same information. People felt the application processes and the reporting requirements were not sensitive to differences in size and artform of organisations applying for funding. So small museums that applied for funding provided the same information as a large theatre venue in one of our cities and towns. The systems were hugely and unnecessarily time consuming for everybody, from the ACE staff to the organisations, projects and individuals that ACE funds. More recently some changes have been introduced, and funding programmes have been designed in a way that is more proportionate for smaller organisations. This is welcome. But none of this has been helped by the recent collapse in ACE's Grantium system.
- There are fewer ACE staff and they have to spend more time dealing with the heavy workload emanating from the burdensome bureaucracy. So they have less time to support and advise the organisations ACE funds. Of course some ACE staff go to great lengths to work with their organisations, but too many organisations felt unsupported. Also the lack of communication led to a view that there was a lack of transparency in ACE's decision-making. When decisions not to fund are taken by ACE there is little feedback. Indeed when funding is cut, there is often minimum warning and inadequate explanation. When organisations find themselves in challenging circumstances there is too often nobody to turn to. I was very struck by the contribution of one director of a community based arts organisation working outside London. She had been a National Portfolio Organisation (NPO) for a long time and learnt the night before it was announced that she was to lose her funding. As with all the organisations she had around six months' notice before the end of her funding. But ACE funding constituted one third of her budget, so the decision was traumatic. She received no support or explanation from ACE. But, she said, when she got over the shock and started exploring alternatives she felt "liberated".
- ACE's decision to move away from artform and sector strategies was contentious. There was respect and support for some of ACE's directors, for example the literature sector spoke highly of ACE's engagement and support. Others felt there was a lack of understanding of their artform and sector, a view that was particularly strongly felt by the music and opera sector, where nobody could understand why both the Welsh National Opera and Glyndebourne lost their funding for touring at the same time as the funding for English National Opera was cut. Producing an opera strategy after the event did little to assuage the criticism.
- There were some instances where ACE is showing great initiative in responding to emerging challenges in the sector. The incentivised touring initiative was warmly welcomed and praised. Interestingly, it was co-created and could be used as a model for working with the sector in the future. This was an example of where ACE's role as a Development Agency and champion for the sector was positively received. People wanted more of this. They want to see ACE campaigning for the arts, helping to develop new initiatives and responding to changes in the world.

C. Tackling the arts and culture funding crisis

Recommendation

3. *Whilst recognising that the fiscal constraints limit the Government's ability to increase Grant in Aid funding for culture and the arts, the Government can and must find innovative ways of responding urgently to the underfunding that has undermined the arts over the last decade.*

We cannot do justice to this review without considering the financial context in which artists and organisations across the sector are operating. Most are experiencing severe financial challenges; some are in crisis. The cuts in public funding over the last decade and more, represent an existential threat to the health and vibrancy of the arts and culture sectors. In better economic times, the government should provide more grant-in-aid funding to the arts. This is a strategic investment that delivers positive economic and societal impact, contributing to growth, regeneration, social cohesion, and the pipeline for the wider creative industries. The modest resource needed to secure the long-term sustainability of the sector would have a disproportionately positive impact on the cultural sector, economic growth and the life of the nation. However, recognising the current budgetary constraints, I have focused on identifying a series of potential and innovative interventions to lever, incentivise, or directly provide additional funding into these sectors without increasing grant in aid funding from DCMS.

Incentivising growth

The cultural tax reliefs have proved to be an immensely successful way of supporting the cultural sector and enabling culture to contribute to growth. They have acted as a lifeline for organisations struggling to survive in a difficult economic environment. This success could be expanded upon to better incentivise growth, and to ensure that the critical role that touring plays in disseminating excellence across the country can be encouraged. Touring is vital to the cultural sector's sustainability and growth, therefore ensuring that all cultural tax reliefs from Theatre Tax Relief to the Museums and Galleries Exhibition Tax Relief (MGETR) are tweaked to drive further touring should be a priority for the Government. This would support growth and extend opportunities for people in underserved areas to experience excellence. Touring is explored in more detail later in the report. (See chapter G: the importance of touring)

ACE should adopt a proactive role in providing information for the sector on cultural tax reliefs. Many organisations, particularly smaller ones, struggle to navigate the complexities of these systems, resulting in under-claiming and lost revenue. ACE could develop clear and accessible guidance on what specific activities qualify for reliefs—such as Theatre, Orchestra, and Museums and Galleries Exhibition Tax Reliefs—and establish best-practice protocols for the application and claiming process. By demystifying the eligibility criteria and simplifying the procedural steps, ACE can empower the sector to fully utilise these government incentives, thereby maximising investment and bolstering financial resilience across the country.

Recommendation 3.1: The Government should consider amending the theatre tax relief to include the additional costs of touring, such as transport and accommodation costs. This would mirror the orchestra tax relief and help to give a new emphasis to touring to support ensuring much wider access to excellence while at the same time stimulating economic activity in underserved areas.

Recommendation 3.2: The Government should consider amending the orchestra tax relief to cover the international costs of touring, which have been exacerbated by Brexit, such as the costs of work permits, visas and transport.

Recommendation 3.3: The Government should consider speeding up payments of tax relief to ease cashflow problems. Adopting a system akin to the VAT relief model where payments are made within 30 days should be explored.

Maximising public investment

In order to make its money go further, ACE should be given the flexibility to create new and more innovative funding models. The organisation needs a trading body to do this and that will require amendments to the Royal Charter. ACE is trying to recycle its resources but is limited by its status as a charity. It recently introduced an ‘incentivising touring programme’ that offers groups grants for touring that are repayable. ACE predicts that the £5 million they invest through repayable grants will lead to over £11 million invested in touring over 10 years through recycling, thereby doubling the spending power of the initial public investment.

There have been instances where a production developed in the subsidised sector goes on to make money in the commercial sector – Matilda, War Horse, and One Man Two Guvnors are examples. The theatre that originally produced the play continues to enjoy some financial return from the commercial success. But nothing comes back to the Arts Council. If the Arts Council had a trading arm it could negotiate a return either through royalties, a percentage of the profits or through a one-off fee. Our discussions with commercial operators suggest that there could well be a mechanism for bringing some of the profits made from public investment back to the public purse.

Recommendation 3.4: The Government must consider enabling ACE to offer a wide range of financing options by having a trading arm. This would enable public funding to go further by moving beyond repayable grants and introducing loans, blended finance, social impact investment and equity investment.

Recommendation 3.5: The Government and ACE should consider devising a mechanism to bring money back to ACE when an NPO has produced a show that is a strong commercial success. In those circumstances ACE should enjoy a return through royalties, or a percentage of profits or a fee.

Incentivising additional private investment into arts and culture

At present c.65% of philanthropic giving to the arts [comes to London and the South East](#). Given the constraints on public spending and our desire to grow activity in under-served areas, I have considered ways of incentivising giving outside the M25. The Government should consider doubling the gift aid for those giving to events, shows and organisations that are delivering a cultural offer outside the M25. It is important to also note that while the proportion of arts donors is higher in London, research consistently

indicates that [the arts attract fewer donations](#) compared to causes such as animal welfare, environmental protection, and health.

The experience of our European neighbours offers models for leveraging private support. France's Aillagon Law of 2003 introduced generous tax deductions (of up to 60%) for corporate philanthropy. This has proven successful not just in multiplying the overall value of private investment in culture (which quadrupled in the subsequent decade), but crucially, in considerably widening the donor base. The success of this mechanism suggests that introducing a bespoke tax incentive, tailored to prioritise organisations and cultural activity outside of London, could provide a stimulus that would encourage companies to become active patrons. This would align with the government's mission to drive economic growth across the UK, helping to grow philanthropy outside London which in turn would grow the cultural offer in under-served areas.

Philanthropists also raised with us the importance of recognition to encourage philanthropic giving.

The cultural sector is facing a stark capital crisis, the scale of which is threatening the very fabric of the country's cultural infrastructure. This is not merely a case of cosmetic upgrades but an urgent issue of operational viability. The last big injection of capital took place under the previous Labour Government some twenty years ago. The boilers and lifts installed then now need to be replaced.

Research has highlighted a ["growing and urgent need."](#) disclosing that over three-quarters of arts centres are unable to complete planned building work, and 60% have undertaken no significant refurbishment in over a decade. This maintenance backlog is now forcing venues to close. There are additional pressures because of the discovery of failing materials and local authorities are less able to provide emergency support than they were in the past. In several cases, the cost of repair has been deemed so high that demolition is being recommended, demonstrating the critical urgency of this challenge.

While the government's £85 million Creative Foundations Fund for 2025-26 provides some comfort, [sector analysis suggests](#) these sums are insufficient to address the sheer scale of the challenge. More capital money is needed but other innovative solutions must be explored from leveraging greater private investment to ACE reimagining how it oversees its capital investments.

Many cultural institutions that received Culture Recovery Fund loans will struggle with their COVID loan repayments, in part because they are facing very costly and urgent capital demands. To help them through this crisis, the Government could consider deferring loan repayments for those cultural bodies that are also charities. This deferral should be conditional upon the organisations matching the deferred payment with an equivalent amount raised through philanthropy, with the resulting funds earmarked specifically for addressing their pressing capital needs.

The previous Labour Government gave NESTA an endowment fund of £250 million. The income from the fund was to be used "*to promote talent, creativity and innovation in science, technology and the arts.*" NESTA has now withdrawn from funding the arts. It would seem appropriate to give ACE an endowment sum to replace the investment lost. Again, this could be linked to philanthropic giving, in that ACE would be required to match each pound of endowment with a pound raised through philanthropy.

Recommendation 3.6: The Government should consider doubling the level of Gift Aid from £0.25 to £0.50 for shows, events and organisations that reach audiences outside London and the South East to encourage philanthropy outside the Capital.

Recommendation 3.7: The Government should consider introducing a new tax incentive akin to the French Aillagon Law to incentivise corporate giving outside London.

Recommendation 3.8: The Government should consider, when possible, creating a £250 million endowment fund for ACE that is structured in a way that levers philanthropic giving, with ACE raising £1 for every £1 they receive through the endowment. NESTA received a government endowment of £250 million, to invest in the arts and creative industries. NESTA has stopped funding the arts.

Recommendation 3.9: ACE should review legacy capital charges and title restrictions. These historical constraints impede organisations from securing private finance for capital investment. Such a review should look to establish a proportionate, time-limited framework to vary these charges, enabling organisations to leverage assets for urgent capital needs and unlock new investment.

Recommendation 3.10: The Government should consider deferring the repayment of specific Culture Recovery Fund loans awarded to charitable organisations. Such deferment should be conditional on the organisations proving an immediate need for capital investment and agreeing to a match-funding requirement: for every £1 of loan repayment deferred, the organisation must secure an additional £1 through philanthropic means for investment in their urgent capital requirements. To safeguard against income loss, inflationary adjustments must be applied to the deferred loan amounts.

There are many ways in which ACE could use its convening power to bring people together to provide support to the sector. Raising philanthropic funding serves as a good example. ACE should cultivate networks to discuss ways to grow philanthropic giving, particularly beyond London. ACE could help to raise the profile of those working in philanthropy, provide training programmes, facilitate mentorship initiatives and encourage new connections and knowledge-sharing conferences to broker relationships between arts organisations and philanthropists. There are lessons to be learnt from other sectors, like the Higher Education sector, which in 2023-24 raised £1.52 billion through philanthropic giving, while the arts raised £948 million.

ACE also has an important role to play in ensuring that prevailing attitudes and practices in arts organisations do not discourage corporations and individuals from donating to the arts. Boycotting sponsors of the arts and culture will often be more damaging to the arts than to the sponsor. Challenging boycotts can be difficult, but ACE has a leadership role to play in setting the parameters of what is and is not acceptable behaviour.

Recommendation 3.11: ACE should work with the sector to develop a better capability in philanthropic giving.

Recommendation 3.12: The Government should consider a new public recognition honour.

Longer term options

The government should explore other incentives to support arts and culture including:

- A tourism levy to ensure the benefits are felt where they are most needed;

Given that cultural assets and events are a core driver of success for the tourism sector, a tourism levy on overnight accommodation in England would be a fair way through which visitors would contribute directly to the maintenance and enhancement of the institutions they travel to see. Unlike fragmented,

voluntary local charges—such as those raised through existing Business Improvement Districts in some English cities—a national tourism levy, based on the experience of international comparator models, would ensure consistent policy across the country and effective revenue generation. Critically, this mechanism could allow for funds to be ring-fenced for investment in cultural infrastructure, regional regeneration, and local public services used by tourists. A nationally governed framework would enable the Government to redistribute a portion of resources collected in high-traffic visitor hubs towards under-served areas where less money will be raised from a tourist levy, thereby allowing for rebalancing cultural investment nationwide.

- **A consideration of charging international visitors for the national museums and galleries once ID cards are the norm.**

Should the recently announced introduction of ID cards achieve universal coverage, it would present a valuable opportunity to revisit the policy of free entry for international visitors to national museums and galleries. The ID card system would provide an efficient mechanism for maintaining free admission for UK citizens and all children, whilst allowing for a charging model for international tourists. Adopting this approach would align the UK with other countries, such as New Zealand and Singapore, that charge an entry fee to international visitors whilst retaining free entry for citizens and residents.

- **Consider how to address rising insurance costs for listed cultural buildings**

We have heard from cultural institutions, and in particular those with buildings that are listed, that have seen insurance costs rise sharply over the past few years, with some experiencing 200% increases. The government should examine the levers at its disposal to help these organisations, ensuring that heritage-listed cultural buildings can be preserved for future generations.

D. A new approach to funding organisations

Recommendations

4. ACE should replace Let's Create with a new, less prescriptive strategy that is both ambitious, simple and reflects the Government's ambition of excellence for all but that allows each organisation or individual to apply according to their strengths and the unique contribution they can make to delivering a vibrant and innovative creative sector that is consistent with the overarching strategy of the Arts Council.
5. There should be a completely new model for funding the National Portfolio Organisations.
6. ACE should radically reform its application and reporting requirements so that they are less bureaucratic and onerous for organisations but still ensure accountability for public money. ACE should also review its data requirements to demonstrate that the data it collects has a clear purpose and that the data demanded is appropriate for the different objectives of the different organisations and the different cultural disciplines.
7. All DCMS lottery funded bodies should consider working together to simplify and perhaps share their application processes and to agree, as far as possible, a common set of KPIs.
8. The Government should consider creating a statutory duty for local government to prepare a cultural strategy every 5 years which should encompass the arts, culture, and heritage.
9. ACE should review, simplify and reduce the number of its funding streams to make it easier and less bureaucratic for those applying for funding.

Background

ACE is a major player in supporting culture across England; it spent [£731m in 2024/25](#). This was a combination of grant-in-aid funding from the government and funding from the National Lottery, both of which are vital to the survival of the arts in England.

The framework for how ACE spends this money is outlined in Let's Create – the strategy that was designed to last a decade from 2020 to 2030. ACE consulted over 6000 people and commissioned several pieces of research to inform this strategy – the principles of which were broadly welcomed. Almost immediately after it launched, the global pandemic hit, and the arts and culture sector was significantly impacted. An impact that is still apparent today. [Recent research](#) by the National Theatre shows that the business models being used in the non-profit part of the performing arts sector are no longer working.

In the last National Portfolio Investment Programme round there were 1700 applications, double that of previous rounds, and the size of the portfolio grew to 985 organisations, who between them secured £445m per year.

Applications to be part of the current National Portfolio were made via Grantium. Potential applicants had to set out how they met each of the Let's Create outcomes and investment principles, as well as their track record on excellence and access.

Area Councils made decisions on who should be in the National Portfolio in their areas. This was based on assessments of the applications received and a balancing exercise that aims to ensure a fair mix of artforms, geographic need, diversity considerations and scale of organisation. All decisions were then referred up to the National Council to look at the programme in the round, and all decisions over £1 million must be made by the National Council. The review team has had access to papers from these decision rounds and can attest to the clarity of the governance around the setting of the criteria, and the use of those criteria in making decisions. The minutes and the papers showed the thought and careful consideration that had been given to a myriad of factors. However it remains unclear as to how and why decisions were taken in the last round to cut the English National Opera and the touring grants for the Welsh National Opera and Glyndebourne at the same time. It is difficult to understand how careful consideration of all the relevant factors was given and whether the impact of these decisions all being taken at the same time was discussed.

In the last round, a new offer of additional Transform and Transition funding was introduced, so that organisations whose funding was completely cut or substantially reduced could apply for financial support to ease their transition to their new financial circumstances.

The National Lottery Grant programme distributes c.£100million per year through three levels of support (under £30k, £30 - £100k, and over £100k). Applications for these funds are largely assessed and allocated by regional teams, with different layers of decision-making depending on the scale of the award. The review team has seen this process and can attest to the diligence of the decision makers and the good governance undertaken to ensure a fair process.

Since the last NPO round ACE has been working to reduce the bureaucracy and simplify the process, and the review team has seen examples of where this might be achieved. A new application process is being introduced for funds such as the [Creative Foundations Fund](#).

A simpler strategy

While the principles of Let's Create are not in question, the complexity of meeting up to three outcomes and all four investment principles, and the rigid implementation of these, has led to unintended consequences. People told us they felt stifled and constrained by this rigidity and that it undermined their ability to innovate. Although Let's Create talks about excellence as part of its 'Ambition and Quality' investment principle, people felt that the importance of excellence in the arts had been downgraded and that the Arts Council has become more interested in organisations meeting its bureaucratic targets, rather than demonstrating artistic innovation. Many felt that the strategy was trying to change society rather than facilitating great art, and that that should not be the role of the Arts Council.

Even those whose organisations were most aligned with the Let's Create strategy felt it was detrimental to them. One person running a highly respected cultural organisation with a strong track record of engaging with young people told us that because every organisation feels the need to undertake more engagement with young people, there is now a plethora of education programmes, which could be positive, but in practice there is a real mix of quality in these programmes. And sadly those with the genuine expertise to deliver an excellent and effective programme for young people lose out as a result. This view was shared up and down the country, by community organisations as

much as by arts institutions. Having community engagement that is a mile wide but only an inch deep will not properly increase access to excellence.

Of course ACE needs a strategy to inform its work, but a strategy should first and foremost facilitate artistic excellence as well as access to excellence. It must have a simple set of guiding principles that can be applied to support innovation and risk taking. The National Lottery Heritage Fund has four, more simple, [investment principles](#), the first of which is 'saving heritage'. This approach might be used as a good model.

At the same time, in determining a new strategy ACE would, of course, always want to ensure that arts and culture reaches everybody and especially those living in the poorest and under-served communities and that every funded organisation should reflect the equality values that underpin Lets Create. Just as we expect organisations to demonstrate financial sustainability we expect them to demonstrate a commitment to equality.

Recommendation 4: ACE should replace Let's Create with a new, less prescriptive strategy that is both ambitious, simple and reflects the Government's ambition of excellence for all but that allows each organisation or individual to apply according to their strengths and the unique contribution they can make to delivering a vibrant and innovative creative sector that is consistent with the overarching strategy of the Arts Council.

In order to support this simpler strategy, ACE should consider how to ensure that excellence and access to excellence across all artforms is better understood and delivered. ACE's role as the national body for the arts is essential here, but to be effective ACE needs to demonstrate a greater understanding of the arts ecosystem. People have told us that developing artform strategies would help. The delivery plans that sit underneath Let's Create go some way to meeting the concerns expressed, but these are not widely known or understood in the sector. We are not advocating for strategy documents for every sector and sub sector that become out of date before they are published. However, there does need to be a more nuanced approach to determining the needs of different artforms and sectors that recognises the differences between them. ACE should give its Artform Directors more authority within the organisation so that they can influence decisions taken centrally that might affect artforms.

The National Portfolio

Recommendation 5: There should be a completely new model for funding the National Portfolio Organisations.

To address the challenges we have identified, this paper sets out a suggested way to both strengthen national decision-making whilst also strengthening the regional voice in decision-making and ensuring that artistic excellence is properly balanced with other outcomes.

Arts organisations should set out how they intend to contribute to ACE's overarching strategy. Every organisation will have its own unique contribution and that should form the basis of their application. They should also set out how they think their success should be measured and they should set their own KPIs, having regard to ACE's overarching strategy. The changes proposed mean that rather than demonstrating how an organisation meets the rigid criteria set out in Let's Create, the organisation will demonstrate how its particular contribution will meet the looser overarching strategy. This new approach will mean that ACE can still deliver its strategy, but it will do so based on the strength of the

contribution of individual organisations, rather than on their ability to tick all the boxes required by the current application process.

We are suggesting the reconstitution of panels of artform experts that existed until 1998/1999 to advise, not decide, on the applications submitted by organisations. These panels should comprise artists from each artform who would serve a maximum of 5 years so that the panels are regularly refreshed. We've spoken to many people who would give of their time freely. We think their views would add value, and while these would have to be appropriately managed by ACE, we do not judge that this would create much additional bureaucracy.

In the first instance, after applications have been submitted, the National Council, cognisant of their strategic aims and informed by advice from panels of artform experts and their own Artform Directors, would take decisions on organisations that have a national and international significance. This should prioritise national organisations with the ability to: support talent pipelines across the country; deliver excellent artistic outputs; and tour across the country.

Strengthening regional decision-making

All other decisions in the National Portfolio should be delegated to new regional boards covering smaller areas than at present, perhaps reflecting the geographical coverage of Combined Authorities. This does not mean more regional offices, just geographically relevant decision-making boards. At present the South East Area office covers East Sussex to Norfolk and Surrey to Buckinghamshire, making awareness and sensitivity to local needs much more difficult.

Representation on these boards should reflect the local community and its diversity, with local artists, cultural institutions, community group representatives and education partners being involved. Clearly, locally elected councillors and mayors would also take part, but to ensure that we maintain the Arm's Length Principle, community representatives should make up the majority on the board. The decisions that this board makes should reflect a diversity of funding recipients informed by local circumstances.

A flexible and sustainable portfolio

Planning cultural programmes happens many years in advance, with cultural organisations engaged in long term planning to manage both their estates and their cultural offer. Yet the entire portfolio faces a cliff edge every three years, and all National Portfolio Organisations have to reapply every time, despite the fact that over 70% of the portfolio stays the same. This is inefficient for both ACE staff and the organisations it supports, and probably has a detrimental effect on the quality of the culture on offer. Every organisation is treated the same. There is only ever a year's notice, or as in the last round, around six months' notice, before funding is completely pulled. There are a range of options that should be considered to make the process less burdensome and more sensitive.

ACE should consider lengthening the cycle from three to five years.

There is no need for all organisations to be considered for funding at the same time. There could be a rolling programme of applications as happens with National Lottery funding. This would release ACE staff to provide more regular support to the organisations that ACE funds.

ACE could consider assuring certain organisations - based on an assessment of their quality and contribution - that they would receive at least 80% of their funding in the next round. This would provide some certainty for long-term planning.

The ability to hold organisations to account does not have to be administered through an application process and can be managed through regular check-ins and partnership work.

Many NPOs spoke highly of the support they were given by their relationship managers. But others felt that ACE's role as funder trumped any efforts to share problems or engage in discussions that might help enhance the performance of the NPO. Again, there is clearly a challenge for ACE with the staff reductions they have experienced. But nevertheless, ACE should consistently be working actively with its funded bodies.

Across all funding streams there should be greater transparency and feedback on decisions. ACE should be open about how many applicants there were and the success rates. If people receive meaningful feedback then they can make informed decisions about whether and how to apply in the future. This will also increase trust in the decisions made.

Reporting requirements

The present reporting requirements are not fit for purpose. They are too onerous and there is widespread scepticism about whether ACE uses all the data it demands. We heard from a new entrant who was so proud to have built up his organisation from a reliance on project funding to finally become an NPO. This was marred by the fact that his full-time job changed from producing art and working with new musicians to dealing with all the paperwork and bureaucracy of being an NPO.

A more proportionate and targeted approach to reporting must be found. Introducing a system whereby NPOs set their own KPIs on which they expect to be judged would be transformative. Clearly ACE would need to negotiate with NPOs to develop KPIs that are acceptable to both ACE and the NPO. Both sides could then buy into the relevance and importance of the data they were required to produce.

DCMS and Treasury also need to review their demands for data so that everybody can be confident that the data required of them is really relevant and will be used.

Recommendation 6: ACE should radically reform its application and reporting requirements so that they are less bureaucratic and onerous for organisations but still ensure accountability for public money. ACE should also review its data requirements to demonstrate that the data it collects has a clear purpose and that the data demanded is appropriate for the different objectives of the different organisations and the different cultural disciplines.

Better partnerships

We heard that the pressures experienced by applicants applying to the Arts Council for funding are felt most acutely by smaller organisations. They are caught between a constant cycle of applications to the Arts Council and other trusts and foundations, with needing to find time to actually practice their art. Some told us that applying for grants is a full time job and that given the low success rates, most of the work they are putting in turns out to be nugatory. It would obviously help if ACE made grant applications simpler, but special attention should be focused on individuals applying for smaller grants. One size cannot fit all.

In our view there is scope for public funders to work more closely together to help artists and artistic organisations. People can apply to ACE, the National Lottery Community Fund and the National Lottery Heritage Fund. All have different application forms – and more importantly different KPIs.

Recommendation 7: All DCMS lottery funded bodies should consider working together to simplify and perhaps share their application processes and to agree, as far as possible, a common set of KPIs.

We encountered dismay across the country at the cuts to local authority funding for the arts. People we talked to recognised the difficult challenges local authorities face, but they regretted the withdrawal of many local authorities from the funding of culture. To maintain the link between local authorities and their cultural infrastructure I would recommend a statutory requirement for local and regional authorities to regularly publish a cultural strategy, just as they have a complimentary duty to “*provide a comprehensive and efficient library service*”. We’ve met some very dedicated officers and local authority representatives, but they are often fighting an uphill battle against other pressures for resources. Communities ought to be able to enjoy the great benefits that a thriving arts and culture offer can give them, and creating a statutory requirement could act as a catalyst to encourage investment and support across the country.

Recommendation 8: The Government should consider creating a statutory duty for local government to prepare a cultural strategy every 5 years which should encompass the arts, culture, and heritage.

Other funding streams

The National Council should continue to take decisions on grants for national priorities that fall outside the NPO programme, organisations that support communities not defined by place - for example its successful ‘All in’ accessibility programme.

The Regional Boards can oversee the framework for National Lottery project grants in their areas and ensure that funding meets local needs. They should also be responsible for selecting the recipients of grants awarded under our proposed new National Programme for Individuals covered later in this report.

Overall, ACE should look to simplify its application processes to save staff time and ease the burden on organisations and individuals that look for project funding. ACE should reduce the number of pots of funding so that the application processes are easier to navigate, and look to increase its discretionary funding to support new needs and emerging priorities.

Recommendation 9: ACE should review, simplify and reduce the number of its funding streams to make it easier and less bureaucratic for those applying for funding.

E. A new approach to funding individuals

Recommendation

10. ACE should introduce a new National Programme for Individuals, using money from existing funding streams. The purpose would be to support emerging and mid-career individuals to ensure a diverse talent pool by providing individuals with funding of around £30,000 per year and mentoring support. The programme should be for individuals from low income backgrounds, under-represented groups and under-served areas. Up to 500 individuals could be supported from existing funding pots and the programme could be expanded through other sources of funding.

Background

Artists are a critical, foundational part of the cultural ecosystem. However, the conditions supporting them are increasingly precarious. Across the sector, artists are facing severe and systemic challenges - from significant barriers to sustaining professional development and long-term careers to chronic low pay and inadequate working conditions.

The professional context for individual artists in the UK is defined by a deep-seated financial precarity that jeopardises the long-term health and diversity of the creative sector. Despite the creative industries' significant contribution of [c.£124 billion to the UK economy](#) in 2023, the individuals who drive this success are among its most financially vulnerable workers. A [2024 report](#) found that the median annual income for a visual artist is just £12,500, which is significantly lower than the full-time national minimum wage of £23,795. This is symptomatic of a broader issue, where 73% of creative and cultural freelancers, many of whom have high qualifications, earn [less than £25,000](#) a year from their freelance work.

The freelance nature of the sector, with a [self-employment rate of 32%](#) (more than double the UK national average), means many artists lack fundamental workplace protections, such as sick pay and pensions. This financial instability has been severely compounded by the cost-of-living crisis and has led to a 'burnout crisis', with nearly [80% of culture workers](#) reporting they have considered leaving the sector due to overwork and financial pressure. Artists from under-represented backgrounds are disproportionately affected; for example, disabled artists have a median income of just £3,750, and female artists earn [40% less than men](#). In this environment, a career in the arts becomes [increasingly inaccessible](#) for those without independent wealth or family support.

Current ACE activity

ACE currently provides support to individual artists primarily through two National Lottery funding streams: National Lottery Project Grants and the Developing Your Creative Practice (DYCP) fund. The Project Grants programme is open for applications all year round, providing grants from £1,000 upwards to support a wide range of creative and cultural projects. The DYCP fund, launched in 2018, is a dedicated scheme for individual practitioners to develop their work and practice, with grants of up to £12,000 available.

There is immense demand for support from these funds, arising from the precarity outlined in the previous section. The DYCP fund is highly competitive; for example, in Round 17 of the programme, it received 1,944 applications but [funded just 21% of them](#). ACE has responded to this high demand, increasing the budget and streamlining access to funding, for instance by increasing the DYCP maximum grant award to £12,000. They have also raised the lower grant threshold for National Lottery Project Grants to £30,000 to speed up decision-making.

ACE has demonstrated awareness of the endemic issues facing the workforce by commissioning the comprehensive Creative and Cultural Freelancers Study (2024), which surveyed over 5,000 practitioners. The resulting report quantified the chronic challenges facing the sector. ACE has committed to using these findings to inform future interventions and actions. Initial steps include setting out formal Fair Pay and Good Practice expectations for organisations working with freelancers, that it encourages its National Portfolio Organisations to adopt, and appointing a dedicated Director for Individual Practitioners to embed strategic support across its operations.

Beyond direct funding, ACE also supports individual artists indirectly by investing in other organisations that provide services to individuals, such as advocacy, training, and professional development. An example of this is funding for A-n The Artists Information Company, which offers its members a range of resources including bursaries and a legal helpline.

What we heard

A significant and recurring concern was the disconnect felt between ACE and the freelance community, who make up a large proportion of the arts workforce. Many self-employed cultural workers, particularly in rural or under-represented areas, feel invisible within the current funding systems. While schemes like DYCP are acknowledged, there is a clear view that they primarily benefit more established or recognised artists who take on leadership roles. It was felt that the schemes did not adequately support the wider freelance community's training and career development needs. Furthermore, it was noted that the current project-to-project grant structure can inadvertently force artists to take on managerial or organisational roles, which distracts them from their core artistic practice. The sector has called for the creation of direct funding and development pathways specifically for artists and freelancers, arguing that the current model, which largely channels support through institutions, is insufficient.

The sector also highlighted the need for ACE to use its influence to advocate for improved statutory rights and financial protections for freelancers, such as sick pay, parental leave, and pension access, to bring their entitlements in line with those of PAYE employees. There is a strong drive for greater transparency in pay structures across all ACE-funded programmes and for fair pay for emerging cultural professionals. There is also a plea for a reduction in the administrative burden of funding applications, as the process is disproportionately difficult for small organisations and independent artists to navigate.

A way forward

Recognising that artists and freelancers are essential drivers of the cultural ecosystem I recommend creating a new programme for individuals.

Recommendation 10: ACE should introduce a new National Programme for Individuals, using money from existing funding streams. The purpose would be to support emerging and mid-career individuals to ensure a diverse talent pool by providing individuals with funding of around £30,000 per year and mentoring support. The programme should be for individuals from low income backgrounds, under-represented groups and under-served areas. Up to 500 individuals could be supported from existing funding pots and the programme could be expanded through other sources of funding.

Building on the successes of the DYCP scheme, this programme would provide financial and professional support directly to individual artists. The initiative would offer funding for both emerging and established artists, providing around £30k per annum to the individual together with robust mentoring support. The programme would be administered through a blended approach of open application and targeted outreach. Artists from low-income backgrounds, under-represented groups and under-served areas would be prioritised. Crucially, the fund would also seek to maximise its long-term impact by creating events and networks for all participants, prospective applicants, and alumni, fostering a more sustainable and connected artistic community. Over time this would build a strong alumni base who can strengthen the programme as it matures. The individuals who secure funding through this programme could also play a role as artists in residence in schools, as outlined in the next section. If the DYCP yearly budget was refocussed to deliver this new programme for individuals, we estimate that up to 500 individuals could benefit each year.

To address the significant bureaucratic burden associated with applying for funding for both this programme and other programmes, I suggest a radical simplification of application processes and a push to 'say no quicker' to unsuccessful applicants, saving artists considerable time and nugatory work. Additionally, an increase in transparency across all funding decisions will offer clearer insight into success rates and the rationale behind funding choices, helping to demystify the system. Crucially, the revamped NPO process will require large NPOs to support the ecosystem in their regions, with a specific focus on talent development and nurturing individual artists.

To sustain the creativity, vibrancy and innovation this ecosystem relies upon, we must ensure that public investment, particularly through ACE, is strategically and effectively deployed to provide meaningful, direct, and equitable support to the artists themselves.

F. The role of education

Recommendations

11. *The Department for Education, Department for Culture, Media & Sport and Arts Council England should consider working together on a specific project with philanthropists, trusts and foundations to create a joint fund that would support improvements to the cultural offer in schools. This would reinforce the excellent new proposals in the Curriculum Review and could contribute to the cost of training and paying for specialist teachers, and transport costs to visit theatres or museums.*
12. *ACE should leverage its relationships with NPOs and encourage them to strengthen their focus on talent development to ensure good coverage across England. This may include artists in residence opportunities.*

Background

ACE's efforts in this space are guided by Let's Create and delivered through a multi-faceted approach. ACE collaborates with DfE to promote the value of subjects like art, dance, drama and music. This is articulated through initiatives like Artsmark, Cultural Education Network, Music Hubs, Creative Collaboratives, Youth Music, National Youth Dance Company and In Harmony.

ACE uses research and data to support the argument for cultural education. The Talent 25 programme is ACE's 25-year research study carried out in partnership with De Montfort University that follows children from diverse backgrounds in Leicester from birth to the age of 25. The aim is to gather data on the sustained impact of high-quality creative experiences on a child's development, wellbeing and sustained cultural participation.

ACE supports young people in both formal and informal educational settings. They view their investment as a vital part of their role in maintaining a talent pipeline.

The majority of NPOs undertake innovative and effective work with children and young people, often in partnership with schools. Project Grants support a wide range of creative and cultural activities, with a requirement that they demonstrate a clear benefit to the broader community beyond just the pupils involved. BookTrust, the UK's largest children's reading charity, receives significant public funding from ACE as a designated NPO.

What we heard

DfE is responsible for creative education in the curriculum. Many people expressed concerns to us highlighting a lack of capability, opportunity and commitment to the teaching and learning of creativity - music, drama, art, dance and more - in schools. The accountability measures used to track academic progress are seen to be biased against arts and creative subjects. Teaching hours for art and design have been cut and the number of teachers has fallen. The pipeline for new teachers has suffered a devastating [84% drop in recruits](#) since 2020/21. In my experience, it is becoming more infrequent to find a music and song teacher who can play any musical instrument in the classroom; they depend on streamed music. Fewer children visit a theatre, a museum or a library as the cost of transport makes the

trip unaffordable to the school. Dance is too often classified as a sports activity. Children's opportunities to engage with culture are diminishing. Creative subjects are increasingly viewed as optional, extra-curricular activities. There is a very disturbing growing divide between the artistic and cultural experiences of children educated in the private sector and those educated in the state sector. This is not just wrong, but it will impact negatively on the talent pipeline if it remains unaddressed.

The way forward

Creative education should be central to every child's experience, throughout their school journey. There is a wide body of research showing that creativity in the classroom will enthuse and inspire young people; it will also support the development of a range of skills that boost children's success in learning and in life. From cognitive skills to mathematical skills, to soft skills such as working collaboratively, instilling confidence and enhancing problem solving, creative experiences in education bring profound benefits to young people. For the creative sector and the creative industry, developing the pipeline of a future generation of talented artists and performers is vital to maintaining a vibrant cultural sector.

If all children are to benefit, creative education needs to be built into the national curriculum. That is clearly a task for DfE. Offering extra-curricular experiences also adds value and this is where the Arts Council can play a role.

It is very heartening to see that DfE is demonstrating a renewed commitment to cultural education through its comprehensive Curriculum and Assessment Review. I was encouraged to hear that DfE intends to fully revitalise arts education, starting with a consultation on a new curriculum. This welcome change will rightfully establish creative subjects as distinct disciplines at the heart of the curriculum, ensuring that the rigour and expertise currently seen in the best schools is extended to all. Critically, this will be supported by the removal of the system that currently measures school success primarily on a narrow range of subjects (English Baccalaureate) and through a consultation on reforming the key overall school performance score (Progress 8) from next year, placing arts subjects on an equal footing with other subjects. Beyond the curriculum itself, there are plans to address the importance of enrichment (extra-curricular activities and experiences) by guaranteeing a new core enrichment offer for every pupil, with the arts as one of five key domains. This vital work, alongside the government's announced plan to establish a National Centre for Arts and Music Education marks a very welcome positive programme of change that will help to restore the embedding of creative subjects into the core educational experience for every child.

Alongside the new focus on creativity within the curriculum, there are opportunities for co-operation between cultural organisations, and between ACE and DfE that would enhance children's experiences. There is already a great deal of fantastic work going on across the country that is opening up opportunities for children.

There is a strong desire among those with whom we consulted for ACE and DfE to work more closely together in developing arts education and youth programmes. Many called for greater integration with the education sector, better collaboration between DfE and DCMS and more robust support for the arts in schools to ensure excellent cultural and artistic experiences for all children. People also highlighted the importance of creative education for fostering a successful arts and culture sector, as it creates career pathways and nurtures future audiences. Students from [disadvantaged backgrounds](#) are especially dependent on schools for accessing the arts, as they are less likely to have exposure outside of the educational system. Education leaders noted that artistic events, such as shows hosted within the school

environment, were significantly more effective in engaging young people than the workshops that were currently on offer.

What ACE can achieve working in partnership with DfE and others

I have no doubt that both DfE and ACE want to do more and do it better for children, and I am pleased to see DfE accept responsibility for reinstating arts and culture into mainstream learning through its response to the Curriculum and Assessment review. Effective and well-targeted cultural education, within and outside of the curriculum, requires strategic co-operation between ACE, DCMS, and DfE. DCMS and DfE should be consulted when ACE is developing its strategic priorities related to education and DCMS and ACE should be consulted when DfE develops the cultural education offer.

There are many excellent initiatives to bring culture into schools that could be replicated. For example, the Orchestra of the Age of Enlightenment has moved its offices into a Camden secondary school enabling the orchestra to enjoy an economical home with rehearsal facilities and enabling the school to brilliantly enrich not just its music education, but also to use music to enhance its physics and maths teaching.

We welcome DfE's new plan for cultural education and the ambition it signals to create an entitlement to high quality arts education. In order to maximise the impact of these changes, our discussions with trusts, foundations and philanthropists suggest that there are opportunities for funding and collaboration that would bring in more resources to strengthen the offer for children at school.

Recommendation 11: The Department for Education, Department for Culture, Media & Sport and Arts Council England should consider working together on a specific project with philanthropists, trusts and foundations to create a joint fund that would support improvements to the cultural offer in schools. This would reinforce the excellent new proposals in the Curriculum Review and could contribute to the cost of training and paying for specialist teachers, and transport costs to visit theatres or museums.

The fund could be used in the following ways to:

- establish Visual and Performing Arts Education Hubs: these could help schools to reverse the decline in arts education by developing artist-led curriculum support for each artform, providing continuing professional development for staff, and developing cultural experiences and extra-curricular activities. These hubs should be badged under the new National Centre for Arts and Music Education.
- create a cultural enrichment fund aimed at addressing the decline in children's engagement with arts, culture and heritage in schools. The fund would provide grants of up to £1,500 per trip to state-maintained schools in England, covering up to 90% of costs for cultural enrichment trips, including transport, tickets, and staff cover.
- set up a programme of artists in residence. Based on the Artist-Teacher model, this would place professional artists in schools for extended periods to deliver high-quality, curriculum-based arts education during school hours. This could be linked to the new National Programme for Individuals and our recommendations to enhance access to excellent art in under-served areas of the country
- establish a programme to help schools purchase musical instruments and equipment for other artforms to support the creative curriculum offer in schools.

Employment Pathway

Whilst these initiatives will strengthen cultural education and in turn broaden the creative talent pool, the transition from education into employment needs to be improved. A decline in degree-level qualifications and a [lack of entry-level jobs](#) hinders young artists, and favours those who can afford lower-paying initial roles. The National Portfolio for Individuals will provide a pathway into employment for some, and a programme of artists in residence will help, but ACE should implement clear strategies to enhance talent development pathways nationwide and integrate the principle of talent pipeline support across its initiatives.

Recommendation 12: ACE should leverage its relationships with NPOs and encourage them to strengthen their focus on talent development to ensure good coverage across England. This may include artists in residence opportunities.

G. The importance of touring

Touring is facing a crisis. Funding cuts together with rising costs have forced many organisations to either stop touring altogether or to cut the number of days and the number of places they tour. The cost of transport, the cost of overnight accommodation and the cost of moving everything from scenery to instruments to costumes has made touring increasingly unaffordable for a growing number of arts and cultural bodies. A small rural theatre that attended one of our roundtables was facing closure because the visiting theatre companies could no longer afford to bring their plays to the only theatre in this rural area. If we really do want to ensure more and more communities access excellence, we have to rescue touring.

Touring matters to all cultural disciplines. Orchestras have been particularly badly hit by the post-Brexit decision to remove any costs associated with working in Europe from being eligible for tax credits. So the costs of visas, work permits, costs associated with customs requirements have all been deemed inadmissible for tax credit purposes because they do not represent UK-based expenditure. Touring abroad is an effective soft power tool, but touring in Europe is especially important to orchestras because the concerts are very successful and profitable. Orchestras use those profits to subsidise their work in the UK from putting on concerts, to education work with young people.

Touring is hugely important in enabling more people, especially those living in under-served communities, to access and experience excellence in the arts. Touring also enables work by underrepresented groups to be experienced by more people. For instance, work created by deaf and disabled and neurodiverse artists in England is world-leading - more should be done to promote this work and recognise its place on a global stage.

The Arts Council recognises the importance and potential of touring and so, in addition to their existing lottery strand for touring projects, launched the Incentivising Touring Scheme for theatre and dance. This provides a repayable grant and is designed to make it easier and more attractive for theatre and dance productions to tour. It aims to reduce financial risk for producers and increase confidence and investment from boards and investors.

Bringing art and shows to towns around the country benefits those living there. But it also helps the local economy. [Research](#) has shown that almost 50% of the audience who go to a show that is touring are not local, so their visit adds real value to the local economy, especially when the audience spends money on food, drink and accommodation. Further research shows that of every £1 spent on tickets, £1.40 is spent in [the local economy](#).

We urge:

- the Arts Council to do even more to encourage touring to enable access to excellence for families and communities living in under-served areas.
- the Arts Council to support NPOs that have the capacity to share their work more broadly across the UK and to encourage organisations to do more.
- the Government to consider enabling ACE to set up a trading arm so that they can use their limited resources in a more commercial way. That would enable them to recycle their monies and expand their Incentivising Touring Scheme.
- the Government to consider amending the Theatre and Orchestra Tax Credit schemes so that touring becomes an affordable option for theatre, orchestra, opera and dance companies. Government should also look to ensure that other cultural reliefs, such as Museums & Gallery

Exhibition Tax Relief, are aligned in maximising their ability to support greater touring across the country.

H. Building a cultural offer from the ground up

Recommendation

13. ACE should launch a new programme to grow culture in under-served areas. ACE would employ two community arts workers in each identified area, to be tasked with identifying local artists, bringing them together with local community organisations and schools to develop a genuine bottom up cultural offer and opportunities.

Background

England's cultural infrastructure is highly concentrated in major cities, particularly London, leaving some towns and rural counties under-served; often lacking theatres, galleries, music venues, or regular arts programming. In villages and small towns the only regular arts offer may be a film screening in the town or village hall. This creates a stark divide between the cultural 'haves' and 'have-nots'.

Cities including London and major regional cities such as Birmingham, Bristol, and Manchester, have received a significantly larger share of ACE funding compared to other areas since 2018.⁴ The major Birmingham cultural organisations reminded us that it had been a deliberate act of policy to focus on large conurbations, from Margaret Thatcher's desire to have institutions that could demonstrate economic and audience impact, to when the New Labour Government promoted regeneration through culture, primarily in the larger cities, like Liverpool, Manchester and Newcastle. Just over a quarter of the population of England live in one of its Core Cities, but over half of the total money spent by ACE is spent there, though more recently funding has been redistributed more widely. Past governments deliberately created what is seen today as a problem.

In Jennie Lee's White Paper, she wrote: "*Nor must Government support be given only to established institutions. New ideas, new values, the involvement of large sections of the community hitherto given little or no opportunity to appreciate the best in the arts, all have their place*". That vision holds true today and ACE has an important duty to support areas and create opportunities where there is less infrastructure and less investment. We want all communities to enjoy access to excellent art and we want to encourage creative individuals living in every community to feel that there is a future for them in the arts. Culture enriches the lives of individuals but it also helps to strengthen peoples' sense of belonging to, and pride in, a place. Culture can often serve as a catalyst for regeneration; think of cultural regeneration in Liverpool or the Turner Gallery in Margate or the Angel of the North on a hill near Gateshead.

Current ACE activity

ACE strives to create more access and opportunities for people living in under-served areas. It runs a series of programmes in pursuit of this ambition.

⁴ Data extracted from Arts Council England's Culture and Place data explorer. Place classification derived from [Centre for Towns settlement Taxonomy](#), with Core cities defined as all London Boroughs and Nottingham, Bristol, Manchester, Liverpool, Sheffield, Newcastle upon Tyne, Birmingham and Leeds. Full methodology available on request

ACE identified 54 Priority places where their investment has historically been too low. These were selected with a methodology that was based on the current provision, the needs of the area, and the opportunity for development, based, for example, on their judgement of the ambition of local leaders. These priority places do not come with specific funding, but ACE has committed to using its existing channels of funding to ensure that money is redirected towards them - for example by looking to support new NPOs in the areas, ensuring that project grant funding goes to those areas, and using the new place partnerships scheme to support them.

The Creative People & Places (CPP) scheme was established in 2012 and is targeted at the least culturally engaged places in England. The next round of partners has just been announced and ACE will invest £43million in 45 programmes, covering 63 local authority areas, between 2026 and 2029. ACE supports local consortia of both cultural and community partners to work with local people to determine what cultural work in their area should be supported. ACE's own evaluation shows that to date, the programme has reached 18 million people and that over 80% of the audiences attracted by the projects were not regular consumers of the Arts.

Another scheme, 'Place Partnerships' is funded by the National Lottery Project Grant and provides investment of over £100,000 to projects that are intended to make a long-term difference to the cultural and creative life of the local community, led by a consortium of partners that can demonstrate clear local need.

There are a series of other interventions that ACE deploys to support place-based work including Cultural Compacts and Local Cultural Education Partnerships.

In the last NPO round, London based applicants were asked if they would be prepared to move out of London and this was made a condition of funding. ACE did this to meet the target set by the previous government to move significant funding out of London. Twenty four organisations moved, including the English Touring Opera which moved to Sheffield and The Poetry School which moved to Leeds. In addition, the English National Opera (not an NPO) moved some of its activity to Manchester.

Postcode politics

We heard from many people that asking organisations to move postcodes is not sensible, does not really change what is offered locally and can be damaging for organisations. It is often simply tokenistic and has been perceived by some to be patronising. I recognise that the directive from the previous Government to redistribute funding outside of London was a major factor in determining the 'postcode' approach. Sustainable and effective support for communities across England demands a more nuanced approach. There can be merit in relocating organisations. The BBC's move to Salford has proved very successful, however the change had a long lead-in time, was carefully planned and came with significant capital investment. Merely changing postcodes is not the right approach, especially when it is enacted without real thought or planning. Building a cultural offer from the ground up will take longer, but will be a more sustainable way to achieve the important goals I have set out in this section.

What we heard

Views on the impact of ACE's interventions were mixed. We heard from many that the CPP programme is making a positive difference to local communities. On my regional visits I saw how inspirational CPP projects such as No More Nowt in County Durham can engage communities with creativity and open up opportunities for them to visit great art in institutions that would otherwise be out of reach.

For some organisations, art is a way of engaging a disadvantaged part of their community – for example we saw a group of ex-prisoners enacting their version of Hamlet in Manchester, where the emphasis was

on participation. The challenge for the Arts Council is to achieve both excellence and participation together.

Every community boasts artists! In Norfolk we heard from a theatre maker working from her kitchen, a dance professional working from home and a creative writer bringing people together in a local bookshop. These artists and other local creatives want to develop the offer within their communities, but do not know where to start. They said things like "*There's a real lack of knowledge about how we navigate the Arts Council*", "*How do we access them? How do we fill out forms? How do we find specialists within the Arts Council that understand the cultural subgenre that I have to offer that I'm trying to showcase.*"

On our regional visits we met people struggling to keep going with their artistic work. ACE needs to find more ways to galvanise those artists and help them work with their communities to build up a cultural offer from the ground up. The CCP programme provides evidence on which the Arts Council can and should build.

A way forward

To address the concerns raised, I propose a new scheme that targets under-served areas. ACE's new regional boards should identify those areas based on data and on their knowledge of the local need.

Recommendation 13: ACE should launch a new programme to grow culture in under-served areas. ACE would employ two community arts workers in each identified area, to be tasked with identifying local artists, bringing them together with local community organisations and schools to develop a genuine bottom up cultural offer and opportunities.

By identifying excellence among local artists (who want to contribute to their locality), the community arts workers can then work through schools and community organisations with the artists to create more opportunities for local people to access and participate in artistic events. Some of these areas will have a weak local infrastructure. There may only be a hall used for a film club, a small local museum, a library or a youth centre. But all of these facilities could be venues that artists could access to put on shows and events. The community workers should build local consortia and connect into regional networks, drawing from nearby NPOs or other arts and cultural centres to support the expansion of a local offer. This programme must be owned by the community it represents. Then the offer becomes sustainable and also supports stronger cohesion in the community. The local community may also choose to use the resources to remove barriers, such as transport costs, so that they can visit world class cultural institutions and enjoy excellent shows and exhibitions that are taking place close by.

This scheme should come with an allocation of National Lottery funding, taken from existing National Lottery programme funds.

A pilot programme would cost c.£120,000 per area, per year. Funding one of these projects in each of the 54 Priority places would cost in the region of £6.5m per year. Some of this could be funded from the existing place programmes.

The plethora of ACE's current place-based interventions should be simplified. There are too many initiatives, it is difficult to navigate the options, and there is an unnecessary administrative cost that comes from having too many separate funding streams.

Other interventions

We have made other recommendations in this report that should also help to raise community voices and help to ensure that excellent art and culture is available for all:

- Our proposed National Portfolio for Individuals, and our proposed cultural education and educational enrichment funds will be targeted at under-served areas;
- The new proposed framework for decision-making with regional boards covering smaller geographic areas should ensure that funding is more closely linked to community needs;
- Our suggestions on simplifying application processes and having better systems (later in this report) should reduce the disproportionate impact and barriers that smaller organisations and artists face with the current bureaucracy; and
- Our suggestion that lottery funders work better together should make it easier for communities to apply for the funding they need to invest in cultural regeneration.

I. ACE as a development agency

Recommendations

14. *DCMS and ACE should define ACE's role as a development agency, and this should involve strengthening its work on advocating, convening, sharing best practices and supporting the sector on new and difficult challenges. ACE should work with all relevant organisations, whether or not they are ACE funded.*
15. *ACE should review and publish a data and reporting strategy that clearly communicates how it will collect, interpret, store and share the reporting and evaluation data it collects. The data must be made available in a genuinely useful way to all stakeholders.*
16. *ACE should ensure that under-represented groups are represented across the organisation at all levels. Work to support and promote diverse groups both within the organisation and in the funded organisations should always be a priority.*

Background

The role of a development agency was originally proposed in the principles established in 1946. Later, Jennie Lee talked about supporting unorthodox and experimental art works, the importance of promoting arts education in schools and communities, and encouraging the development of regional arts structures. While the term development agency has always been present since ACE's inception, interpretation of what the term means has been confused.

The last review of the Arts Council, the Tailored Review, published in 2017, offered recommendations to enhance ACE's function as a development agency. These included fostering financial sustainability, cultivating local partnerships, and integrating libraries and museums into its operational scope. The review also recommended more learning and skill-sharing, greater collaboration with experts in areas such as digital skills and support for leadership development.

ACE has formed networks to pursue these objectives by convening groups, such as the Digital Culture Network (DCN), which helps arts organisations build digital skills. The website now features resources and information about the DCN's initiatives, such as the Digital Culture Compass and annual surveys.

What we heard

The discussion around ACE's role as a development agency was raised by many groups and individuals during our consultation. Whilst views differed, a strong and consistent theme emerged: people thought ACE had shifted its emphasis from fulfilling its development agency role to focusing on its role as funder. In part, that might be the result of staff cuts, but at the same time the enormous burden associated with the bureaucratic demands of the Let's Create funding application and reporting processes meant staff and the organisation had prioritised their role as funders over their role as developers. Introducing a new application form and a monitoring process that is far less burdensome will release staff to better fulfil ACE's important development role for the arts and cultural sectors.

ACE funds 'Investment Principles Support Organisations' (IPSOs) to support its development role, like the Clore leadership, Brass Band England, the Association of Independent Museums, and Kids in Museums. These bodies do support the development of arts organisations but people felt that ACE

should make more direct use of its leadership role and actively play a more prominent and forthright role on behalf of the arts community. ACE should consider whether some of the advocacy work conducted by organisations it funds should be carried out by ACE itself.

A defined and balanced role

Strengthening its development role is important and will enable the Arts Council to act as a catalyst for the sector, helping to promote a flourishing future. People want the Arts Council to speak for the whole sector, championing their work, arguing for resources, sharing learning, encouraging collaboration, developing skills and capabilities, convening stakeholders, providing strategic leadership, promoting robust evaluation, thinking about the impact of changes like AI on the future, and engaging in public advocacy for the cultural sector - utilising the rich data that it collects.

The role of the Arts Council in promoting funding of the arts

The Arts Council has a delicate role in relation to funding for the arts. It is itself a government body and therefore needs to lobby for resources behind the scenes with civil servants and ministers. However, it can still maintain the Arm's Length Principle and use the power of the evidence it collects to make the general case for Arts funding. Also, it can support organisations by providing them with data to argue the case for funding.

Convener

As a convener, ACE should leverage its convening power to facilitate the sharing of insights, encourage sector-wide learning, support continuing professional development, develop peer networks, bring local people together to work on common issues, promote collaboration on challenges like philanthropy and facilitate shared consideration of future challenges like the impact of AI on the sector's work.

Many respondents urged the Arts Council to involve arts organisations that it did not fund, as well as those that were supported financially through one of its programmes. Bringing universities into the conversation and community stakeholders could add great value to all in the sector. The Arts Council is uniquely placed to bring people together to innovate, identify issues, problem solve and collaborate.

Consideration should also be given to encouraging more organisations to evolve their business models to drive financial sustainability. This could include exploring different ways of working together to efficiently create more impact. This is already happening in Birmingham where Ikon Gallery, Birmingham Royal Ballet and the City of Birmingham Symphony Orchestra are in conversations around various collaborative approaches, to be further developed in 2026/2027. ACE has a role in sharing these best practices across the sector.

Advocate

As an advocate, ACE should champion the sector's vital role in society but remain careful not to stray into publicly campaigning against the Government. ACE must ensure that it upholds a robust and collegiate relationship with the government while protecting the Arm's Length Principle.

ACE enjoys a privileged position in the culture and creative ecosystem. Using this, it should adopt a more open, forward looking, and strategic approach to understanding the needs and challenges of different sectors, bringing in frontline experts and working more collaboratively with a wide range of stakeholders. By working in this way, ACE can better demonstrate the value of the arts and promote their importance to the public, to funders and to the sector.

Recommendation 14: DCMS and ACE should define ACE's role as a development agency, and this should involve strengthening its work on advocating, convening, sharing best practices and supporting the sector on new and difficult challenges. ACE should work with all relevant organisations, whether or not they are ACE funded.

Data and analysis

The Arts Council is sitting on a wealth of data and analysis that people felt is not properly shared with arts organisations to help them to develop their work and plan their future. Working more closely with the organisations it funds to help them think strategically is important. There were also questions as to whether there was untapped potential with the analysis and data the Arts Council collects and whether the Council itself uses it effectively to advocate for the Arts. There was significant support for the Arts Council strengthening its voice and focus on its development role.

Recommendation 15: ACE should review and publish a data and reporting strategy that clearly communicates how it will collect, interpret, store and share the reporting and evaluation data it collects. The data must be made available in a genuinely useful way to all stakeholders.

Diversity

A commitment to promoting equality in everything we do in the arts should be wired into all our work. We should all aim to ensure that the experience and expertise of under-represented groups is recognised and supported. The work that is created and the people who create it should properly reflect the diversity in our communities.

ACE has been successful in getting more funding to a more diverse set of recipients across a number of the protected characteristics. But we heard mixed views on ACE's approach to diversity. We heard from musicians who had been told that because their music compositions were for the steel pans they were "inherently risky". We heard that music representing the black and Asian diasporas was still under-represented among NPOs. We heard that there should be more effort put into understanding how reasonable adjustments could better support colleagues with disabilities in the workforce, both within ACE and in the organisations it funds. We heard that sometimes the narrative on diversity feels tokenistic. Our Call for Evidence showed a greater proportion of respondents had a negative rather than a positive view in relation to how well ACE engages with diverse communities.

So while important progress has been achieved, I recommend that ACE looks at how it can strengthen its commitment to diversity. This should include ensuring that decision makers - including those sitting on the National Council and the new regional boards, senior managers and relationship managers better reflect the diverse communities they serve. Consideration should be given to whether there are perverse outcomes for diverse artists and diverse work inherent in the structures, systems and services throughout the organisation. For example, the risk framework should embrace artistic output from diverse communities, and where it classifies content as risky, ACE must be clear that it isn't treating minority groups unfavourably.

Recommendation 16: ACE should ensure that under-represented groups are represented across the organisation at all levels. Work to support and promote diverse groups both within the organisation and in the funded organisations should always be a priority.

J.ACE's role supporting libraries and museums

Recommendations

17. *DCMS should review whether the development role for libraries would be better done by the British Library with a transfer of resources to the British Library if they agree to take on the role.*
18. *ACE should work with DCMS and the whole museum sector (including those national museums funded directly by DCMS) to develop a strategic framework and create a specific long-term plan for museums.*
19. *ACE should take a more proactive role in raising awareness of the Acceptance in Lieu, Cultural Gifts scheme and the Government Indemnity Scheme.*
20. *ACE should adopt a more pragmatic approach to risk appetite in relation to the Government Indemnity Scheme, and this should be supported by the Government.*

Background

The Museums, Libraries and Archives Council (MLA) was a non-departmental public body that promoted and supported museums, libraries, and archives in England from its formation in 2000. In 2010, the government announced its abolition, with its functions transferred to Arts Council England for museums and libraries, and The National Archives for archives.

Museums and libraries became part of Arts Council England's responsibilities in 2011. This merger broadened ACE's mandate to encompass the support and development of libraries and museums, alongside several statutory functions relating to cultural property, for which ACE was allocated some budget. This transfer was part of a broader government initiative aimed at reducing public spending and cutting the number of non-departmental public bodies.

The Tailored Review of the Arts Council in 2017 advised that "*The Arts Council needs to ensure that museums and public libraries, and the particular development needs of both sectors, are fully integrated in the organisation's culture and strategic priorities....Building on its successful record of partnerships to date, the Arts Council should be creative in identifying more diverse partners with whom to collaborate, and should set an ambitious focus on finding expertise beyond the arts and culture sectors to build capabilities within the arts, public libraries and museums' sectors.*"

Libraries

Libraries continue to struggle to find their place within Arts Council England. The clear and overwhelming view of stakeholders is that ACE, as a development agency for libraries, has not proven successful over the last fourteen years. Libraries talk about a lack of integration within the organisation, often feeling sidelined in decision-making and considered only as an afterthought. The sector feels that ACE undervalues libraries, viewing them as an uncomfortable fit with its other sectors. We spoke to individuals from the library sector who were vocal about their lack of interaction with ACE and their discomfort sitting among other ACE stakeholders at roundtables.

Reporting requirements for ACE funding are considered to be ill-fitting and burdensome for libraries, particularly for multi-site library services, and disproportionate to the relatively small amounts of funding received.

Libraries are struggling with the funding cuts they have endured from local authorities. Obviously ACE is in no position to substitute for that loss of funding, although libraries can get funding via the Libraries Improvement Fund, through lottery grants or by being selected as an NPO, but the fact that ACE cannot offer funding beyond this simply adds to the frustration of library staff with the Arts Council's role. They do not see a purpose for them with the Arts Council and feel that ACE simply adds to the administrative burdens faced by the sector.

We have reflected on this problem and spoken to key stakeholders.

These discussions have led me to the view that the British Library would be the most appropriate institution to fulfil the development agency role for the library sector.

Recommendation 17: DCMS should review whether the development role for libraries would be better done by the British Library with a transfer of resources to the British Library if they agree to take on the role.

If a consensus cannot be established between the British Library and the library sector, DCMS should work with representatives of the library sector and the Arts Council to consider what measures can be taken to strengthen confidence among libraries and enhance support for them while remaining within the ACE family.

Museums

We heard positive feedback regarding the specific, tangible support ACE provides to museums, particularly the impact of funding streams like the Museum Estate and Development Fund. The knowledgeable and helpful Museums Team was highly praised, as were the successful initiatives fostering innovation, cross-sector collaboration, new cultural programming, and the Museums Accreditation Scheme.

While ACE has worked to raise the profile of museums within the arts and culture ecology, further efforts are still needed to ensure these institutions are not perceived as less important than the performing and visual arts in terms of ACE's strategic priorities or funding decisions. We encountered criticisms of ACE's role as a development agency for museums compared to their support for other sectors, despite the improvements that have been achieved. ACE should retain its role as the Development Agency for Museums. However this role must be strengthened. People expressed a strong desire for ACE to create and own a strategy for museums that would clarify its role and define its aims.

Recommendation 18: ACE should work with DCMS and the whole museum sector (including those national museums funded directly by DCMS) to develop a strategic framework and create a specific long-term plan for museums.

Museums do not feel sufficiently represented and considered by the Arts Council beyond the dedicated team, particularly at board level - although there is now representation on the board. The best example of this is ACE's reporting system, Illuminate. It is designed for conducting surveys connected to 'events'. This works for theatres and ticketed venues but does not fit well with how museums operate.

Statutory Functions

Arts Council England performs administrative and statutory functions for the Secretary of State, with some powers formally delegated. The functions include operating and maintaining the Acceptance in Lieu Panel, administering the Cultural Gifts Scheme, administering the Government Indemnity Scheme and providing secretariat and administrative support to the Reviewing Committee on the Export of Works of Art. These functions were previously administered by the MLA and/or DCMS.

We heard that people think these schemes are effectively run and that there are good relationships between ACE and key partners in delivering the programmes.

However, on the Government Indemnity Scheme, people commented that since the global pandemic, the approach to risk has tightened up to such an extent that it is less effective in delivering its goals. Fewer works are being shown in museums and galleries around the country. One individual described the situation as a “ticking time bomb” as items are reevaluated due to the tightening of rules.

The Cultural Gift Scheme could be better publicised and marketed so that potential donors know about it. ACE could convene stakeholders to devise an information and marketing programme

The administration of the Acceptance in Lieu Scheme was mostly praised, however some felt that more could be done to raise awareness of the scheme amongst museums nationwide. Independent museums in particular felt that the scheme was not for them and did not know how to fully engage with the processes. Museums felt that the benefits of the scheme were enjoyed by too few museums and it might be that new incentives could be introduced to encourage a more equitable distribution of works of art.

Recommendation 19: ACE should take a more proactive role in raising awareness of the Acceptance in Lieu, Cultural Gifts scheme and the Government Indemnity Scheme.

Recommendation 20: ACE should adopt a more pragmatic approach to risk appetite in relation to the Government Indemnity Scheme, and this should be supported by the Government.

K. A radical systems overhaul

Recommendation

21. ACE should invest in a comprehensive overhaul of its systems, and the Government should consider supporting it to do so with additional funding.

Background

In order to manage its core functions, ACE employs digital systems such as Grantium and Illuminate, and it also uses its website as an information hub.

ACE introduced Grantium, an online grant application system, in 2016. Its aim was to streamline the application process by eliminating physical correspondence and centralising all applications within a single user account. Grantium quickly became the primary platform for all ACE funding programmes, managing applications, assessments, payments, grant monitoring, and reporting.

Traffic on Grantium has steadily increased, with applications rising by 26% since 2020, now reaching approximately 16,000 annually. Recognising existing issues, ACE began work around 18 months ago on scoping and designing a new 'Smart Grants' platform. Alongside this new platform, ACE also developed plans for a comprehensive overhaul of its digital infrastructure, including:

- Redesigning its service delivery model to simplify and accelerate processes.
- Automating key processes.
- Upgrading obsolete systems to ensure IT infrastructure is fit for purpose and mitigates cyber risks.

Grantium serves as the primary user interface for ACE, complemented by other data systems such as the Culture and Place Data Explorer, the National Investment Dashboard, and Illuminate.

Launched in 2023, Illuminate is a platform designed to collect and present activity and audience data, offering valuable insights into the operations of funded organisations for the organisations themselves, for funders, and for the public. Despite criticism, such as a perceived overemphasis on performance data that is not relevant or helpful for museums, Illuminate has provided previously unavailable data for a range of interested parties on funding distribution and audiences. Illuminate, starting with the 2023-26 National Portfolio, helps report on funded activities and audiences, and assists with surveys and ticketing data.

Guidance for applicants and for successful recipients of grants, on how to apply for funding and how to record audience data is available on ACE's website.

What we heard

Throughout the review, there was almost universal criticism of the systems that ACE uses, with Grantium receiving the bulk of the complaints, even before this summer's crash. Grantium has become such a byword for complexity that one group of artists told us that people had been put off from applying for funding simply because they had heard it was so difficult to navigate the process.

ACE produces comprehensive guidance alongside its systems, but people told us that the guidance is difficult to follow and exacerbates the challenges faced.

While nobody defended these systems, the challenges are more acute for some than others. The burden is disproportionately felt by individual artists and smaller organisations who have less capacity to devote the time required.

ACE provides additional support for people with disabilities which is welcomed by those that use it. However several people told us that it was important to transform the systems so that they could be navigated without the need for additional support. As a champion for diversity and inclusion, ACE should reflect its commitment to diversity in the design of its internal and external facing systems.

ACE has been in discussions with DCMS for some time, making the case for investment in its systems as part of its transformation programme. The time for quick fixes is over, and fundamental reform is required, and that requires substantial investment.

In the funding model section of this report, I urge lottery funders to work more closely together and to consider a shared application process and common KPIs. If agreement is reached on this, the changes would need to be reflected in the development of new systems.

A way forward

In the section on the new funding model, I emphasise the need to simplify the application process and cut the amount of information collected. This approach must inform any new system that ACE adopts.

Any new set of systems must be user-friendly and accessible. ACE should use 'off the shelf' software that has been proven to be successful in other contexts rather than designing something from scratch. Any new solution should look to meet some of the challenges for applicants identified in the 'New approach to funding organisations' section. This could include a 'single front door' to the funding streams, in that applicants should be directed to the appropriate fund and the information required of them should be proportionate and relevant.

ACE has started to implement a 'dynamic questions' approach, which essentially means that the system only shows you the questions relevant to the person or organisation applying. The idea behind this is that smaller organisations can provide less information than larger ones etc. This addresses the 'one size fits all' criticisms that we heard.

Alongside the system, ACE should consider simplified guidance to help applicants navigate the process. The aim must be to save time and effort for both applicants and for the ACE staff who are responsible for considering applications.

Recommendation 21: ACE should invest in a comprehensive overhaul of its systems, and the Government should consider supporting it to do so with additional funding.

L. The relationship between ACE and Government

Accountability to Central Government

As an Executive Non-Departmental body, Arts Council England is accountable via DCMS to Parliament. It is one of 42 public bodies that DCMS sponsors, and there is an established set of documents and meetings that ensure appropriate oversight and challenge.

There is regular and substantial engagement between DCMS and ACE at all levels. The CEO meets senior civil servants often, and there are formal sponsorship meetings quarterly, where risks, issues and progress are discussed. This relationship is close, but I am told that it is not cosy and that there has been robust and constructive challenge in both directions. There are examples of where this relationship has been particularly strong, for example during COVID, when ACE and DCMS worked together to ensure additional funding for the arts.

ACE also has direct relationships with other Government Departments - notably DfE in relation to the management of the Music Hubs. In our education section we have proposed a greater level of consultation and co-operation between DfE, DCMS and ACE so that the decisions each body takes produce a more coherent offer for children and students.

ACE has to comply with a series of functional standards which are determined by the Treasury and the Cabinet Office. These set out requirements for public bodies in how, among other things, they manage grant distribution, deal with risk, and work to prevent fraud from taking place. These standards ensure the proper use and accountability of public money. This is obviously important but the interpretation of these standards should be applied proportionately and not gold plated unnecessarily.

Jennie Lee's White Paper said "*No one would wish state patronage to dictate taste or in any way restrict the liberty of even the most unorthodox and experimental of artists.*" This remains the case today and the almost universal plea from everybody who engaged with us was that we should protect the Arm's Length Principle. Democratically elected Ministers should set the overarching policy objectives but politicians should not have a role in making funding decisions. There was strong criticism of the previous Government's perceived interference in funding decisions during the last NPO round and concern that the Arts Council did not defend the Arm's Length Principle. There were some local authority and mayoral representatives who wanted funding decisions devolved to them, but most people were strongly of the view that no elected politicians should take decisions on funding. I hope that our new devolved boards represent an acceptable way forward for all parties

Oversight and enforcement

During this review people and organisations have argued that ACE should have a greater role in overseeing the organisations it funds in relation to their compliance with various standards, regulations and laws. This includes issues such as safeguarding and protection from harassment or abuse, adherence to the public sector equality duty and ensuring that employment practices such as paying fair union rates are always adopted.

These issues are very serious and important. While there are laws to protect people from certain activities, including in equality and employment law, the nature of the arts and culture sector means that these can sometimes be challenging to enforce. This is because the workforce is highly mobile with a

high proportion of freelancers, there is a large volume of very small organisations that do not necessarily have HR functions or appropriate policies or procedures, and the power structures can make it difficult to challenge behaviour.

As a development agency, ACE has a role in raising awareness of these issues across the sector and using its convening power to bring people together to improve the understanding of the importance of these issues and sharing best practice in protocols and policies. As a funder, ACE must conduct due diligence on the organisations it funds. It does this by examining, among other things, an organisation's own policy in relation to the public sector equality duty. ACE should consider whether there is more it can do to raise awareness and hold the individuals and organisations it funds to account for their conduct.

However, ACE is not an enforcer; it does not have the powers to act and it is not funded to do this work. There are organisations being established to tackle some of these issues, such as the Creative Industries Independent Standards Authority which was created by the industry to improve standards and to tackle bullying, harassment and discrimination. It launched a standards framework and in future intends to support the sector through training, accreditation and a confidential reporting service among other actions.

M. Thanks

I'd like to extend my sincere thanks to all the many individuals and organisations that have taken time to engage with this review. A list of organisations can be found in Annex 7. From conversations, to meetings, to visits and to the Call for Evidence, I have been heartened by the passion and commitment shown by those who wrote to me, whom I met, who took part in the survey, all of whom I listened to. I've been grateful and overwhelmed by the desire to contribute in meaningful, thoughtful and constructive ways. It just shows how important this review is, and why it was a privilege to conduct it. Thank you to you all.

List of Annexes

1. Purpose and role of Arts Council England
2. Supporting data
3. Terms of reference
4. Methodology of the review
5. Feedback from call for evidence
6. Arts Investment Around the World: Policy, Place and Philanthropy - Erskine Analysis
7. Contributors to the review