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The culture sector and creative industries in London and beyond: a focus on levelling up, provision, engagement and funding

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Executive summary

This paper looks at the provision of cultural services in London and nationally, who engages with those services, and the role of public funding. It reviews developments in the sector that provides them, namely the creative industries, and the challenges it faces. There are chapters on: what drives the provision of cultural services and the creative industries; the threats faced such as Brexit, the pandemic, public spending restraint, and the cost of living crisis; and who, participates in culture. The final chapter considers the relationship between the provision of cultural services and creative industries in London and the rest of the country.

Finally, in the context of Levelling up policy, the paper considers the extent to which the progress of the sector in London might be said to be at the expense, or not, of the rest of the country.

The creative industries are a major part of London's economy, and contribute to its dynamism and growth. The taxes they pay make an important contribution to the public funds that London provided to the rest of the country pre-pandemic.

There is scant evidence that either the London economy, or the creative industries within it, are limiting either the UK economy, or its creative industries. This is not a zero sum game. Growth in London is not at the expense of elsewhere. In fact, London and the rest of the UK are interdependent. Some of the taxes London pays go for services elsewhere in the country. The UK would not be well served if London didn't continue to grow.

London's culture sector is an important part of its creative industries. It serves the wider South East, not just London. Per head of population for this broader geography public funding is not significantly out-of-line with the England average. Arts Council England (ACE) funding for National Partnership Organisations (NPOs) per head for London excluding nationally-serving organisations is in line with the national average.

The government's Levelling Up White Paper recognises the disparities within London, and that the city needs to level up. Despite this, London has received a small share of funds specifically for this purpose, and none of the significant additional funds for the arts in 2023/24 – this is on top of cuts to arts funding between 2009/10 and 2019/20. There are arguments that central government funding for culture has been, and remains, insufficient.

This is damaging to London, its culture sector and creative industries. And so, it is damaging to the UK.

London's culture sector and creative industries contribute to the success of the London and UK economies.

30p
in every pound raised pre-pandemic in taxes in London spent elsewhere

£13 billion
in taxes paid by London's creative industries in 2019/20

8% of all taxes paid in London 2019/20

£0.8 billion
total government spending on London's cultural services in 2019/20

<1% of all government spending in London 2019/20

Despite London's need to level up, it is being ignored to the detriment of its culture sector and creative industries. This is damaging for London and the UK.

12%
of England's most deprived neighbourhoods are in London

Zero
additional funds for the arts in 2023/24 went to London

18% growth in Arts Council England funding for national partnership organisations outside London

0% growth for London

4%
of government funds to support levelling up go to London

Levelling up main findings

London and the rest of the UK are interdependent

- Pre-pandemic around 30p in every pound raised in taxes in London was spent elsewhere in the UK. This, in part, helps to fund cultural organisations outside the capital. London's creative industries paid £13 billion in taxes in 2019/20, 8% of all taxes paid by the city. In contrast, government spending on cultural services was £0.8 billion in 2019/20
- In 2021/22 outside London only the South East also paid more taxes than the spending it received, and its net contribution per head was far less
- London trades more with the rest of the UK than the rest of the world, and for every pound consumed or invested in London, 24p of production is generated elsewhere in the UK
- London is accessible to the wider South East for jobs, leisure, and culture

The UK would not be well served if London did not continue to grow, and London's growth is not at the expense of other cities

- Many of the fastest growing cities in Britain since 1971 have been in the southern half (roughly south of a line between the Severn and the Humber)
- Urban growth relies on agglomeration economies – when firms and people cluster together. This applies for creative industries and the whole economy. It is not a zero sum game – growth in London is not at the expense of elsewhere

There is scant evidence that London is holding back other parts of the country

- Low shares of university graduates remain the primary constraint on growth for the regions. This is down to a lack of demand in the UK's countries and regions
- There is an issue with access to finance for firms outside the South East. This is a reflection of the operation of markets in those areas
- There is no evidence that the persistent income differentials between the UK's countries and regions are a result of a low propensity for UK residents to move
- There are transport infrastructure constraints outside London. The government's budget for infrastructure allows it to meet both the transport needs of London and the rest of the UK. London makes a significant contribution to the funding of its major transport projects
- There is a failure of public innovation policy to support clusters beyond the South East. On the other hand, the cost of office space in London has been crowding out investment associated with innovation

The February 2022 Levelling Up White Paper listed two policies to support levelling up cultural provision across the country. These have been implemented in opposing ways.

- A significant share of the £2 billion Culture Recovery Fund went to London as did other pandemic support. This reflects the relatively large number of businesses in London, including in the creative industries, and the pandemic's impact on London's labour market, described in more detail in the main findings
- The second policy was a significant increase in funding to Arts Council England for projects outside London. There was no extra money for the capital

Arts Council funding for England after inflation has been more than restored to where it was at its peak in 2009/10. Yet, London is £90 million a year worse off in 2019/20 prices

There are arguments that central government funding for culture in London has been and remains insufficient

- ACE funding for NPOs per head of population for London is in line with the national average once the small number of nationally-serving organisations are excluded
- Culture in London, accessed through commuter patterns and transport links, supports the residents of the entire wider South East
- Funding weighted by population for the wider South East is roughly in line with funding for England. This is the case for ACE funding, and all funding from central and local government
- London may receive more funding per head of its population, but it does not relative to its number of performing businesses, or attendees at performances
- London's local authorities have made an increasing and disproportionate contribution to the funding of cultural services. This is despite huge cuts in funding, and funding pressures. This contribution is at risk as local authorities come under further funding pressures

Arts Council England is implementing a significant and potentially damaging restructuring of its portfolio of National Partnership Organisations in London

- A quarter of funded organisations (66 out of 268) in London will lose grant funding with a threat to their viability
- Another 10% of organisations (24) will have to leave London to retain funding. The English National Opera will also have to leave London to retain funding, which was £12 million a year

Transferring organisations out of London does not 'level up'

- The provision of cultural services is not a zero sum game. Growth in London is not at the expense of elsewhere
- The provision of culture is one facet of economic development. Policies which increase aggregate demand, and the achievement of agglomeration economies, will have more of a direct impact on local economies
- The transfer is unlikely to lead to more cultural organisations, and so participation, outside London as it does not change demand
- Increased funding (which can change demand) could instead be used to encourage more touring and out-of-London projects by London-based organisations

There are other examples of the distribution of funds associated with Levelling Up which do not recognise London's needs

- Across 12 grants and funding pots connected with levelling up London has received 4% of funds
- London has 13% of the UK population, and accounts for 12% of neighbourhoods in the bottom quintile of deprived areas in England
- London receives half the funding through phase 1 of the UK Shared Prosperity Fund that it had from its predecessor, the European Social Fund
- Nearly a quarter of the 100 most deprived areas across England have received no money in rounds 1 and 2 of the Levelling Up Fund. 30% (seven) of these areas are in London

The additional monies for these funds do not compensate for the cuts to local authority funding

- Some £23 billion has been offered across the UK through grants and funding pots connected with the levelling up agenda
- Revenue expenditure by English local authorities fell by 23% or £29 billion between 2009/10 and 2019/20

The culture sector and creative industries main findings

The creative industries are economically important.
The only sectors larger than the creative industries in London are finance and real estate. Being engaged in culture is good for people's health and subjective wellbeing. There are clear rationales for public intervention to promote both social and economic development

Pre-pandemic around 30p in every pound raised in taxes in London was spent elsewhere in the UK.
This, in part, helps to fund cultural organisations outside London. The creative industries pay a significant proportion of London's taxes

Total public spending on cultural services, weighted by population, is relatively high in London, but not for the wider South East.
Indeed, the provision of culture in London also supports the wider South East. Further, much of London's funding for NPOs from ACE goes to a very small group of nationally-serving organisations – exclude this funding, and London's funding is in line with the rest of the country. In relation to the number of performing arts businesses and attendances at performances, funding for London again is not generous

The creative industries are also an important part of supply chains both within the capital and beyond

Central London is a major cultural hub and has yet to recover from the pandemic.
There are fewer commuters due to hybrid working. At the same time, international tourism has been down. Nevertheless, London's diverse cultural offer is still attractive. Despite this it's not clear how it will respond to the uncertain economic future for the Central Activities Zone (CAZ)

The size and importance of the creative industries places them at risk from several challenges.
These include Brexit, the pandemic and its aftermath, and public expenditure restraint. This puts culture under threat

The music, performing and visual arts sub-sector of the creative industries is particularly threatened by these challenges.
It remains at risk without continuing support to address Brexit and freedom of movement, further public spending restraint, and the cost of living crisis

The creative industries have weathered the pandemic thanks to substantial public support, and despite significant job losses.
Still, the income of cultural organisations fell markedly in 2020/21, and only recovered in part in 2021/22

Cultural services have suffered disproportionately from public spending restraint.
A sign of the pressure on cultural services is that cuts by Arts Council England to organisations have led to funding top ups from already under pressure local authorities

Public funding for culture is concentrated on central London.
Participation in culture is higher for those who live in inner London

Londoners demand the provision of culture.

This is because they have comparatively high income and earnings on average, as they reap the benefits of the agglomeration of jobs in the CAZ

Satisfaction with provision is less in London than in other major European cities.

Participation in culture is mixed, according to personal characteristics, with those on lower income less likely to take part

The creative industries, and within that the provision of culture, benefit from the clusters and agglomeration economies of the CAZ.

This sector was growing faster in London than elsewhere pre-pandemic

Creative hubs exist around the country. The factors which support their development in London also support their development elsewhere in Britain.

London has additional benefits from an extensive transport network, and large numbers of international tourists. Scant evidence exists that the creative industries in London are limiting the sector elsewhere. This is not a zero sum game

Explanation of findings

The creative industries are economically important.

The only sectors larger than the creative industries in London are finance and real estate. Being engaged in culture is good for people's health and subjective wellbeing. There are clear rationales for public intervention to promote both social and economic development

- The creative industries accounted for 12.6% of London's economy in 2019
  - Amongst the main sectors, the creative industries are only smaller than finance (17.4% of London's economy in 2019) and real estate (14.3%)
  - The other sectors in which London specialises are professional services (12.1%) and information and communication (10.8%)

- Increasing engagement in arts activities is associated with better health and wellbeing outcomes. Decreasing engagement is linked to steeper declines in health and wellbeing over time
- All forms of cultural engagement and all art forms are positively associated with happiness and relaxation

- The provision of culture may improve the effectiveness of education, developing skills for creative industries, and improving quality of life
- There may be wider benefits from public investment in the arts, culture and creative industries through knowledge, industry, and network spillovers

- Public funding of cultural services is primarily provided by local authorities and ACE (including lottery funding)
- Total public spending on culture was £0.8 billion in London in 2019/20, and £2.9 billion across England
- Spending on culture was 0.8% of all spending in London, and 0.5% of all spending in England
  - This uses the measure adopted by HM Treasury in its public expenditure statistics, and so provides a consistent definition across all public expenditure

Pre-pandemic around 30p in every pound raised in taxes in London was spent elsewhere in the UK.

This, in part, helps to fund cultural organisations outside London. The creative industries pay a significant proportion of London's taxes

- London has made positive (often large) net contributions to the Exchequer since 2009/10 prior to the pandemic
  - There was a surplus of £4,500 per person in 2019/20
- London returned to making a net contribution in 2021/22, of £4,300 per person
- In 2019/20, London's creative industries paid £13 billion in taxes on profits, earnings and business rates, 8% of all taxes paid in London
- Spending on cultural services in 2019/20 in London at £0.8 billion was just 0.8% of all public spending of £98.3 billion

Total public spending on cultural services, weighted by population, is relatively high in London, but not for the wider South East.

Indeed, the provision of culture in London also supports the wider South East. Further, much of London's funding for NPOs from ACE goes to a very small group of nationally-serving organisations – exclude this funding, and London's funding is in line with the rest of the country. In relation to the number of performing arts businesses and attendances at performances, funding for London again is not generous

- London has higher costs than elsewhere in England, and so any level of funds will buy less
- London was more than three times the size of the other large metropolitan areas in England in 2011. This includes in terms of workers who live in the area, all workers, population, and catchment population
- The capital receives the largest share of public spending on cultural services per head of the English regions. Spend per head is the lowest for the East and the South East
- Consequently, cultural funding weighted by population for the wider South East, whether Arts Council or via central and local government, is not vastly different to overall funding for England
- From 2005/6 to 2019/20 Londoners consistently engaged less than the England average with the arts and heritage. In contrast, residents of the East and South East engaged consistently higher than the England average with these art forms.

- London's share of ACE NPO grant funding is 33% for 2023-26
- Exclude the top 4 London-funded nationally-serving organisations and the share falls to 20%
- Exclude England's top 10 (which includes London's top 4) London's funding per organisation is at the England level

- Reflecting its dynamism, London receives the second lowest level of funding of the English regions of ACE spending per performing arts business
- London receives the fourth lowest ACE subsidy to NPOs of the regions per attendance

Finally, many London NPOs go on tour to the benefit of audiences elsewhere across the UK. It is also common for NPOs in other parts of the country to tour.

The creative industries are also an important part of supply chains both within the capital and beyond

- Creative firms benefit from locating in areas where there is agglomeration
- Cities stronger in knowledge-based services activities are associated with more vibrant high streets, and demand for leisure services, including culture
- London is strong in knowledge-based services activities and has a well-paid and skilled workforce. This translates to higher income households that spend more on culture and engage more
- This will naturally lead to a greater demand for cultural services

- The creative economy supports the local economy through demand for local services, such as cafes, bars and shops
  - Each creative job across the UK generated at least 1.9 non-tradeable jobs between 1998 and 2018
  - The creative sector is responsible for over 16% of non-tradeable jobs growth, and impacts will be larger in bigger clusters such as London
  - The extensive freelance activity in the creative industries may encourage working practices that make greater use of local services, compared with sectors with more office-based jobs

- The creative industries more broadly places demands on suppliers, and impacts through higher household income on higher household expenditure in a region
  - For every £1 of output (Gross Value Added (GVA)) generated by the arts and culture industry another £1 will be generated in supporting activity

- The film sector provides an example where supply chains are important across the UK, and so what happens in London benefits the rest of the country
  - In 2019, 78% of UK film sector output was in London
  - Planning consents for film studios rose by 45% between 2018 and 2021

  - Major film studios, such as at Leavesden, Borehamwood, and Elstree are nearly all outside the capital. Film studios are being built or expanded in Birmingham, Bristol, Belfast, Liverpool and Manchester
  - This supports jobs for creative talent behind the scenes, shoots in other parts of the country, and jobs in supporting industries such as gaffers, electricians, and accountants

- These are not estimates of additional output or employment in the economy. This is because some or possibly most of it will displace activity that would otherwise have happened

Central London is a major cultural hub and has yet to recover from the pandemic.

There are fewer commuters due to hybrid working. At the same time, international tourism has been down. Nevertheless, London's diverse cultural offer is still attractive. Despite this it's not clear how it will respond to the uncertain economic future for the CAZ

- In terms of world cities, London is the second globally for live music venues, fourth for music performances, fifth for each of cinemas, art galleries, and museums, sixth for theatres and public libraries, and eighth for major concert halls
- Tourism expenditure in the CAZ far outweighs that of workers
  - There was a £10.9 billion loss from tourism, and £1.9 billion from commuters in 2020 relative to forecast expenditure
- London was the third most visited city in the world in 2018 with 19.8 million arrivals
- Four out of five visitors to London say culture and heritage is the main reason to visit the city

- Across the country large cities and their city centres were the most impacted by COVID-19
- Inner London was the worst affected area – at March 2021 footfall was a third of its usual level
- Travel numbers on Transport for London (TfL) tubes and buses were four-fifths of pre-pandemic levels in March 2023
- Footfall has yet to return to pre-pandemic levels in the CAZ, although the recovery in numbers is stronger than for travel numbers

- Passenger numbers to Heathrow in July 2022 remained 19% below levels in July 2019
- By April 2023 passenger numbers were 6% below the numbers in April 2019
- London remains an important destination for leisure purposes
  - Research indicates the importance of the availability of cultural provision to the choice of where people live
  - After an exodus during the pandemic London's population has since recovered indicating the city's importance as a place both to live and work
- Visits by overseas nationals recovered strongly in 2022
  - By Q4 2022 activity in terms of stays, nights, and spend, was close to Q4 2019 levels

The size and importance of the creative industries places them at risk from several challenges.

These include Brexit, the pandemic and its aftermath, and public expenditure restraint. This puts culture under threat

Brexit has introduced restrictions on movement and trade

- Musicians have been particularly hit by restrictions to provide a service in the EU

- The Trade and Cooperation Agreement (TCA) did not cover services. This is very likely to impact the creative industries which are an export-oriented sector

Restrictions on movement and immigration following Brexit may have longer term impacts on the creative industries:

- Some 22% of cultural and creative sector employers hire at least one non-UK worker, rising to 52% in London
- International talent can provide talents and skills not available in the UK workforce, and so supports innovation and growth
- The visa system may deter people from coming to the UK. Further, there is a risk that the criteria for the immigration system may not match well to creative talent. This is because entry jobs in the industry are usually below the system's pay threshold
- In the year to September 2022, the period after the UK left the Single Market in January 2021, jobs held across the UK by EU nationals in the creative industries fell by 8.9%. In this time all jobs held by EU nationals rose 0.6%
- There has, though, been increased immigration from non-EU countries which more than compensates in aggregate
    - The share of non-EU nationals in creative industries jobs across the UK has risen from 7.6% in 2019 to 9.5% in the year to September 2022

The creative industries make a disproportionate net contribution to the UK economy through its positive trade balance. Brexit, and the introduction of trade barriers, put this at risk

- The UK creative industries ran a trade surplus, exports less imports, in 2020 of £7.3 billion with the EU, and £11.6 billion with the rest of the world
- In contrast, the whole UK economy had a trade deficit with the EU of £60.0 billion, and a trade surplus with the rest of the world of £16.1 billion
- The share of net trade to activity is larger for the creative industries than the whole economy
    - For the EU, the ratio of net trade to GVA in 2020 for the creative industries was 7%, and for the UK economy -3%
    - For outside the EU, the ratio of net trade to GVA in 2020 for the creative industries was 12%, and for the UK economy 1%
- The surpluses of the creative industries are larger than for the service sector as a whole. The goods sector runs trade deficits
- London is likely to make a large contribution to the trade surpluses of the creative industries
    - It is an export-oriented city, and accounts for around two-fifths of UK service exports
    - It is likely that part of the reason the creative industries are strong in London is due to the export orientation of the city

Job losses in the creative industries during the ***pandemic*** have been larger than for the wider economies in London and Britain. Cultural organisations have not recovered from the fall in income during the pandemic, see below

Cultural services have suffered disproportionately from public expenditure restraint

- This is explained in more detail below

The music, performing and visual arts sub-sector of the creative industries is particularly threatened by these challenges.

It remains at risk without continuing support to address Brexit and freedom of movement, further public spending restraint, and the cost of living crisis

- Along with the museums sub-sector it delivers culture directly to the public
- The London music industry accounted for 63% of music output in Britain in 2019
  - The term the music industry refers to music, performing and visual arts throughout
- Productivity (GVA per job) in the music industry in London at £70,000 per person is 92% higher than in Britain as a whole

- A series of restrictions with Brexit makes touring more complicated and costly, and so reduces viability and profitability
  - One study has found that the number of UK musicians booked to play European festivals has fallen by 45% since Brexit

- UK output fell at its peak by 65% during 2020, and suffered dips early in 2021 and 2022. These are likely to be associated with lockdowns. Output has subsequently recovered to around pre-pandemic levels
- Some 4.2% of music industry jobs were lost in 2021 compared with 2019. For design and music, many workers are self-employed, including freelancers. Hidden by the aggregate job figures, these sub-sectors used the flexibility of these employment patterns to manage changes in demand for services during the pandemic. For example, by reducing the use of freelancers during downturns

- London's cultural infrastructure of cultural and creative spaces fell from 3,900 to 3,800, or by 2.3%, between 2018 and 2019, and 2022. This is largely down to a loss of music, performing and visual arts spaces
  - There were 53 fewer commercial galleries, down by 15%, 31 fewer dance rehearsal studios, down by 11%, and 11 fewer music rehearsal studios, down by 11%
  - Available evidence is suggestive that there has been a slowing of the rate of closure of cultural and creative spaces
  - There have been increases in other types of spaces, particularly creative workspaces rising by 25, or by 20%

- Creative industries have received much financial support throughout the pandemic, including direct support mainly via the Culture Recovery Fund. This helped to alleviate some of the immediate impact
  - Cultural services in London received an additional £317 million in 2020/21, and £117 million in 2021/22 both over 2019/20. The corresponding figures for England are £1,066 million in 2020/21 and £492 million in 2021/22
  - Compared with 2019/20 the uplift in expenditure for cultural services was 44% in London and 39% in England. This was higher than for the wider economy at 31% for London and 26% for England
  - It is not possible to quantify other support for the creative industries and cultural services through other forms of support. This includes the Coronavirus Job Retention Scheme, or furlough, Bounce Back loans, and business rates relief
  - It is likely that the design of support for the self-employed during the pandemic excluded freelancers in the creative industries
- Nearly 30% of businesses in the music sector accessed the Culture Recovery Fund, and 94% accessed some form of public support
  - ACE awarded £892 million in England through the fund in total, primarily to the music and museums sub-sectors of the creative industries

- The Institute for Fiscal Studies (IFS) estimated in October 2021 that English councils would need a £10 billion increase in revenues between 2019/20 and 2024/25 to maintain all service levels
- No increase in cash settlements for above expected inflation worsens the situation
  - In the 2022 Autumn Statement the Chancellor of the Exchequer did provide additional money to local authorities, but specifically for schools and social care. There was no additional funding for ACE

- More broadly, the cost of living crisis is causing living standards to fall. In addition, unlike the pandemic, there is little in the way of state support
  - Rising costs are likely to lead to higher prices, especially as many businesses will not have recovered fully after the pandemic. See below for more detail on the challenges facing cultural organisations
  - Support is limited to the Energy Bill Relief Scheme and rates relief for retail, hospitality and leisure businesses, around £20 billion in total across the UK economy. The cost of living crisis is expected to have a lesser impact on the size of the economy
  - In comparison, public expenditure in England rose by £193 billion over the first year of the pandemic 2020/21
  - Rising prices will reduce the demand for services, even before an expected fall in household income, which will reduce demand further
  - The Office for Budget Responsibility (OBR) expects living standards after inflation to fall by 5.7% over 2022/23 and 2023/24. This is the largest two-year fall since records began in 1956/57
  - London may be coming through the cost of living crisis more strongly than the rest of the country. London's economy has been growing, while the national economy is stagnant. Growth, though, is not feeding through into higher incomes for all households
  - Expenditure on culture by households is non-essential and discretionary, and so an obvious source for savings for cash-strapped households
  - In the three months to March 2023, nearly half (47%) of Londoners have reduced spending on social activities
- As during the pandemic the consumer facing music sub-sector of the creative industries may well bear the brunt of cost of living pressures
  - Grassroots music venues had a profit margin nationally of 0.2% in 2022

The creative industries have weathered the pandemic thanks to substantial public support, and despite significant job losses.

Still, the income of cultural organisations fell markedly in 2020/21, and only recovered in part in 2021/22

- The UK creative industries have out-performed the UK economy as a whole, and by March 2023 exceeded pre-pandemic levels of output by 12.1%
- All sub-sectors, except for film and design, exceeded pre-pandemic levels of output at March 2023
- The music sub-sector declined at its peak by 64% in 2020, but has since recovered
- The number of enterprises across the economy and the creative industries continued to grow in 2020 in London and Britain. There was a decline for both geographies in the creative industries in 2021 and 2022 of around 4.5% a year - entirely the consequence of a fall in IT businesses

- But there were 7.1% fewer jobs in the creative industries in 2020 than 2019 in London
  - These losses were concentrated in the museums sub-sector (26.5% fewer jobs), advertising (21.3% fewer jobs), and IT (13.0% fewer jobs)
- This is worse than for other parts of the economy
  - London, in total, had 2.5% fewer jobs in 2020
  - The creative industries in Britain had 1.7% fewer jobs in 2020
  - Britain, in total, had 1.7% fewer jobs in 2020

- There was a marginal recovery in the creative industries in London in 2021
  - There were 6.7% fewer jobs compared with 2019 – in contrast, the advertising industry has nearly fully recovered
  - The situation worsened slightly in the creative industries in Britain in 2021, where there were 3.6% fewer jobs than in 2019

- Despite this more than 25% of companies in the creative industries across the UK adapted their business strategy or downsized during the pandemic in 2020. Companies in London were particularly likely to have downsized
- Some 85% of these firms nationally received some form of public support during the pandemic. Two thirds of these businesses used the furlough scheme. Over 40% of these businesses took advantage of Bounce back loans and business rates relief.

- In 2020/21 and 2021/22 the increase in public subsidy from all sources for ACE NPOs only partially replaced the loss of earned income
  - Income after inflation of London NPOs fell by 32% in 2020/21, and by 28% in England
  - Income after inflation of London NPOs was still 10% lower than 2019/20 levels in 2021/22, and 9% lower in England
  - Earned income of London NPOs fell by £337 million in 2020/21 while subsidy from all sources increased by £75 million
  - Earned income of London NPOs was £148 million lower in 2021/22 than in 2019/20, while subsidy from all sources was £54 million higher
  - All these figures are in 2021/22 prices

Cultural services have suffered disproportionately from public spending restraint.

A sign of the pressure on cultural services is that cuts by Arts Council England to organisations have led to funding top ups from already under pressure local authorities

- Local authority cultural spend per head in London fell by half in real terms between 2009/10 and 2020/21

- ACE NPO grant subsidy funding in London in 2019/20 was 64% of what it was in 2009/10. The equivalent figure for England is 88%
- The allocation of ACE NPO funding to London continues to fall in real terms
  - Some 32% of funds have been allocated to London for the 2023-26 funding round. This is down from 46% in the 2012-15 round
  - London-based organisations will receive zero increase, while total funding will rise by 18% in cash terms outside London

- ACE NPO grant subsidy funding has been steadily moving from London
- London's share of ACE NPO grant subsidy income (including lottery funds) declined from 51% in 2009/10 to 38% in 2020/21
- Funding for England has fallen by 12% from £505 million in 2009/10 to £446 million in 2019/20 after inflation in 2021/22 prices
- Funding for London has fallen by 36% from £259 million in 2009/10 to £167 million in 2019/20 after inflation in 2021/22 prices
- Over this time NPOs have garnered funds from other public bodies
- As a result English total subsidy income of NPOs increased
- For London while ACE grants fell by 55% in real terms between 2009/10 and 2019/20 the total subsidy fell by half this at 27%

- London local authorities have made a larger contribution to the deficit of NPOs than their English counterparts despite falling local authority funds
    - London local authority subsidy increased by 81% between 2011/12 and 2019/20, compared with 46% for England as a whole
- Local authorities are helping NPOs to stay viable. This leaves less money for other cultural services priorities, which puts them at risk

Public funding for culture is concentrated on central London.

Participation in culture is higher for those who live in inner London

- Some 45% of ACE NPO grant allocation to London for the 2023-26 funding round is to seven nationally-serving organisations predominantly in the centre of London
- Five local authorities, all in the centre, Tower Hamlets, Camden, Hackney, Southwark, and Westminster are expected to account for 50% of NPOs receiving funding
- There are expected to be six London local authorities with one NPO, and three with none
- Over a quarter of London local authority spending was by the City of London in 2019/20, nearly 25 times higher than the lowest spending local authority
- The five local authorities spending the most were the City of London, Waltham Forest (then the London Borough of Culture), Westminster, Greenwich and Tower Hamlets
- The lowest spending local authorities were Hammersmith, Sutton, Merton, Redbridge, and Kingston upon Thames
- Inner Londoners are more likely to visit cultural attractions in the next month (29%) than outer Londoners (16%)
- Attendance at cultural events during 2015-17 was highest in order of share of residents by City of London, Richmond upon Thames, Islington, Hackney and Southwark
- Attendance was lowest by share of residents of Bexley, Brent, Barking and Dagenham, Hillingdon and Havering

Londoners demand the provision of culture.

This is because they have comparatively high income and earnings on average, as they reap the benefits of the agglomeration of jobs in the CAZ

- The average income (after housing costs) of the top 10% of households in London pre-pandemic was at least £1,246 per week, compared with £954 for the rest of the UK
    - The corresponding income of the bottom 10% of households in London is less than £118 per week, compared with £185 for the rest of the UK
- Spending across the UK on culture is higher by higher income groups
- The top household income decile spends 5.1 times as much as the lowest decile
- This is higher than the ratio for all expenditure of 4.7
- Social grade ABC1 Londoners are more likely to visit cultural attractions (24%) than social grade C2DE (14%)
- Three in ten (29%) of Londoners with annual income of £70,000 or more expected to visit attractions, while 17% of those with income less than £20,000 expected to do the same
- Some 83% of people across the UK from the least deprived households engage with the arts and heritage. For those from the most deprived households, 59% engage with the arts, and 51% engage with heritage

Satisfaction with provision is less in London than in other major European cities.

Participation in culture is mixed, according to personal characteristics, with those on lower income less likely to take part

- London ranks eighth for resident cultural satisfaction across Europe's twenty largest cities
- London ranks thirteenth for cultural vibrancy across Europe's twenty largest cities

- Over a quarter (26%) of 25-34 year olds Londoners expected to visit a cultural attraction falling to 17% for 50-64 year olds
- White people in London are slightly more likely to visit cultural attractions
  - One in five (21%) of white people visited cultural attractions, compared with 18% for each of Asian, Indian, and Pakistani and Bangladeshi people, 16% of black people, and 19% of other and mixed heritage people
- Different ethnic groups in the UK may have different ways of engaging with culture
  - White people, and people of mixed heritage, are more likely to engage in the arts, heritage, and museums and galleries than other ethnic groups
  - Asian, black and the other ethnic group are more likely to engage with libraries
- Some 15% of Londoners who are limited a lot in their activities by health or disability visit cultural attractions, while 21% of people with no disability visit cultural attractions
- One in five (20%) of both men and women in London expected to visit a cultural attraction over the next month
- Across the arts, heritage, libraries, and museums and galleries, engagement is highest with the arts and lowest with libraries. This is irrespective of gender or age band for the UK population

- Participation in culture is multi-faceted. For example,
  - Childhood experience of engaging in all types of culture is positively associated with engaging in culture as an adult
  - Having a sense of influence on the provision of cultural and sporting opportunities strongly predicts engagement

- The previous section looked at engagement with culture across the income distribution

The creative industries, and within that the provision of culture, benefit from the clusters and agglomeration economies of the CAZ.

This sector was growing faster in London than elsewhere pre-pandemic

- The creative industries in London have similar characteristics to other successful sectors in London which gain from agglomeration, and have high productivity

- London specialises in all the sub-sectors of the creative industries
- Each sub-sector clusters in the CAZ
- This maximises access to the pool of skilled labour across the wider South East, and to enable knowledge transfer between businesses
  - It is attractive for people to work in the CAZ due to the higher salaries. There are also opportunities from a wider pool of jobs in creative roles. These are not necessarily in the creative industries
- London is an export-oriented city, and accounts for around two-fifths of UK service exports
  - The creative industries, unlike all industries combined, make a net contribution to the UK economy through its positive trade balance
  - Exports to GVA for the UK creative industries rose from 13% to 20% between 2015 and 2020

- As a result, London's creative industries were 46% more productive than the creative industries across Britain in 2019
- The corresponding ratio for the whole economies was 40%
- The productivity level of the creative industries in London in 2019 (£92,000 per job) was 15% higher than the whole London economy (£80,000)
- The productivity level of each sub-sector of the creative industries is higher in London than Britain

- The creative industries are growing faster in London than elsewhere, and faster than the London economy
- They are taking a larger share of the London and British economies
- The creative industries in London grew at 5.2% a year over the period 2010-19, and across Britain by 4.1%
  - London's economy grew by 3.0% a year over this period, and Britain by 2.1%
- Jobs in the creative industries in London grew by 3.3% a year between 2015 and 2019, and in Britain by 2.5%
  - All jobs in London over this period grew by 1.8% a year, and in Britain by 1.2%

- There is a more mixed picture on productivity growth rates
- The annual productivity growth rate of the creative industries in London over the years 2015-19 was 0.2%, and in Britain it was 1.0%
  - The annual productivity growth rate of the London economy over this period was 0.7%, and for Britain it was 0.8%

Creative hubs exist around the country. The factors which support their development in London also support their development elsewhere in Britain.

London has additional benefits from an extensive transport network, and large numbers of international tourists. Scant evidence exists that the creative industries in London are limiting the sector elsewhere. This is not a zero sum game

- There are 709 creative micro-clusters across the UK at the street, neighbourhood and town level. Around a third, 235, are in the London area.
- The factors which support the establishment of clusters such as access to skilled staff, proximity to customers, access to ideas, and good lifestyle and amenities. These are as important across the country as they are in London
- Proximity to universities helps in larger creative clusters for access to creative talent and the knowledge base, and knowledge exchange activities

- London's extensive transport network enables it to serve a much larger geography than elsewhere
  - Around 58% of London workers live in London compared with 68% for the West Midlands, and around 80% for Greater Manchester and West Yorkshire in 2011
  - London's population increased by 1.6 million on a typical day in 2019 from 9.0 million residents to 10.6 million with commuters, visitors, and others. This is a far larger increase than for any other English region

- Bullet points above address the importance of international tourism to London's economy

Chapter 1 – Introduction

This paper looks at the provision of cultural services in London and nationally, who engages with them, and the role of public funding. It reviews developments in the sector that provides them, namely the creative industries, and the challenges it faces. Finally, it considers whether or not the progress of the sector in London is at the expense of the rest of the country.

The culture sector is important for both social and economic reasons. Engagement with the arts has positive health benefits[1]:

- There is a positive association between arts participation and higher physical health, mental health, life satisfaction and self-efficacy scores
- Those who did not engage in arts activities were more likely to assess their own health as fair or poor
- Analysis of changes over time showed links between increasing engagement in arts activities and better results for health and well-being. Decreasing engagement in arts activities was associated with steeper declines in health and wellbeing over time

Other quantitative research[2] highlights the importance of cultural engagement to subjective wellbeing. All forms of cultural engagement and all art forms are positively associated with happiness and relaxation. The provision of culture may have wider benefits too. These include improving the effectiveness of education, developing skills for creative industries, and improving quality of life. However, evidence on what works is scarce[3]. There may also be wider benefits from public investment in the arts, culture and creative industries through knowledge, industry, and network spillovers[4]. There is stronger evidence for some of these effects than others.

The evidence for economic benefits from cultural investment is weaker. The What Works Centre for Local Economic Growth has reviewed the published evidence[5] on limited investments in the built environment or cultural assets. It has concluded that they are unlikely to deliver significant economic improvements in struggling areas. "It is difficult for these 'supply side' interventions to generate lasting impact on demand for locally supplied goods and services, which is necessary if they are to deliver economic growth. Even major projects in these areas may simply displace activity from one area to another."

Creative industries are often part of clusters, see Chapters 4 and 5, and these exhibit externalities. Policy actions to exploit externalities and increase investment and aggregate demand include planning policy, transport provision, and improving the education and skills of the workforce. That is, a more broadly based economic development strategy from which the creative industries might also benefit.

These wider social and economic benefits, including externalities and spillover effects, go beyond payment for a service, or willingness to pay for a service. As such they would not be captured by market mechanisms. Market mechanisms on their own would deliver sub-optimal levels of provision, and so there are market failures. This provides a rationale for public intervention, and there is significant public subsidy for cultural services. Research by Frontier Economics[6] has developed a classification for possible effects, Table 1.1. The first column lists possible wider benefits, and the other columns list the areas of provision which might be

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[1] Lakey J et al (2017), Culture, sport and wellbeing: findings from the Understanding Society adult survey, NatCen Social Research for the DCMS Culture and Sport Evidence (CASE) programme
[2] Fujiwara D and G MacKerron (2015), Cultural activities, artforms and wellbeing, Arts Council England
[3] Ridge M et al (2007), A Framework for evaluating cultural policy investment, Frontier Economics, A report prepared for DCMS
[4] Tom Fleming Creative Consultancy (2015), Cultural and creative spillovers in Europe: report on a preliminary evidence review, Arts Council England
[5] What Works Centre for Local Economic Growth (2021), Evidence briefing: Levelling Up Fund interventions and impacts
[6] Ridge M et al (2007), A Framework for evaluating cultural policy investment, Frontier Economics, A report prepared for DCMS

affected. There are both social rationales, such as for education and consumption, and economic rationales, such as to support regeneration and clusters. The rationales in red are those for which there is a relatively strong theoretical and empirical rationale.

Table 1.1: Potential market failures from investment in cultural provision

	Education	Consumption	Research	Architecture and renovation	Regeneration	Network building	Clusters
Externalities	🔴	🔵					🔴
Lack of information	🔴	🔴		🔵		🔵	
Quality of choice	🔵	🔵	🔵				
Coordination failure		🔵			🔴		🔴
Public good			🔴		🔴		
Transaction costs						🔴	

Source: Ridge M et al (2007), A Framework for evaluating cultural policy investment, Frontier Economics

Public provision of cultural services is delivered by multiple bodies. Primarily, local authorities, the Department for Digital, Culture, Media and Sport (DCMS), and ACE. HM Treasury Country and Regional Analysis[7] (CRA), part of HM Treasury Public Expenditure Statistical Analyses[8] (PESA), uses a consistent definition to record spending data for all these bodies. This includes non-taxpayer funded spending such as spending on the lottery and the British Broadcasting Corporation (BBC). It adopts the Classification of Functions of Government[9] (COFOG) definition produced by the United Nations. Section 8 is Recreation, culture and religion, of which 8.2 is cultural services, 8.3 is broadcasting and publishing services, 8.5 is R&D recreation, culture and religion, and 8.6 is recreation, culture and religion not elsewhere classified. In 2019/20, the last year before the pandemic, UK spending on broadcasting services (8.3) was £4.4bn. Some £3.9bn of this could not be attributed regionally – this is almost all expenditure by the BBC. In the absence of a means to attribute expenditure to London this is not considered further. Spending on cultural services (8.2) was £4.1bn, and on other services with a cultural component (8.5 and 8.6) was £0.2bn. Consequently, the analysis of this paper focuses on cultural services. This is mainly social, rather than economic, spending.

[7] HM Treasury (2021), Country and Regional Analysis
[8] HM Treasury (2022), Public Expenditure Statistical Analyses
[9] United Nations (2000), Classification of expenditure according to purpose, Statistical Papers, Series M, No 84

In 2019/20, spending on cultural services in London was £0.8bn, or 27% of spending across England of £2.9bn, Table 1.2. The single largest item of spending in England was by local authorities at £1.5bn, while for London it was by DCMS, and the bodies it is responsible for, notably ACE, at £0.5bn. London receives a relatively higher share of English DCMS funds whether ACE grants (35%), ACE distribution of lottery funds (33%), or the remainder (34%), which is mainly for museums and galleries. London's share of local authority expenditure is 21%. (In contrast, in 2019, it made up 13% of the UK population[10].) This leaves a small amount of remaining expenditure on cultural services, £10m in London, and £52m across England. This is disbursed by the Department for Levelling Up, Housing and Communities (DLUHC), and the Ministry of Defence (MoD) museums for each of the armed services.

Table 1.2: London and England spending on cultural services, £m 2019/20

	London			England		
	Total	current	capital	Total	current	capital
Local authorities	320	228	93	1494	1072	422
DCMS	469	362	107	1375	1006	369
ACE grant	*179*	*176*	*3*	*510*	*483*	*27*
ACE lottery	*69*	*66*	*3*	*206*	*189*	*17*
other	*221*	*121*	*100*	*659*	*334*	*326*
Other	10	10	0	52	51	1
Total PESA expenditure on cultural services	**799**	**599**	**199**	**2921**	**2128**	**793**
Total DCMS spending	843	710	133	3082	2522	560
Local authority spending on culture and related services	792	559	233	4834	3592	1242

Source: HMT CRA
Note: London local authority spending includes the GLA

Spending on cultural services in 2019/20 in London was 0.8% of all public spending of £98.3 billion. Across England spending on cultural services was 0.5% of all public spending of £543.1 billion[11].

The PESA definition of cultural services is narrower than that recorded by local authorities[12], and is a part of the local authority definition. The PESA definition includes most of culture and heritage, as well as library services. It does not include community centres and public halls, sports development and community recreation, parks and open spaces and tourism amongst other things. It represents 40% of total local authority spending in London, and 31% in England.

Other relevant funds are held by the National Lottery Distribution Fund (NLDF), and are apportioned to the arts, sport, heritage, and community causes[13]. The funds are managed by organisations such as ACE, Arts Council of Wales, Creative Scotland, Arts Council of Northern Ireland, the British Film Institute, and the National Lottery Heritage Fund. This report only considers ACE funding as its primary geographic coverage is England. This is the only element of expenditure which falls within HM Treasury's definition of cultural spending.

[10] Office for National Statistics (2021), Mid-year population estimates, extracted from NOMIS
[11] There was another £135.4 billion of spending which HMT CRA either does not attribute to a region, or is on spending outside the UK
[12] DLUHC (2022), Local authority revenue expenditure and financing
[13] DCMS (2022), National Lottery Distribution Fund Report and Account for the year ended 31 March 2022

DCMS spending is broader than cultural services. It also includes wider responsibilities for digital and sporting activities, and sectors such as telecoms, and tourism, and the creative industries. The creative industries were defined in the government's 2001 "Creative industries Mapping Document"[14] as "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property". An alternative definition is that cultural and creative industries "supply goods and services that we broadly associate with cultural, artistic or simply entertainment value"[15]. There are nine sub-sectors:

- Advertising and marketing
- Architecture
- Crafts
- Design and designer fashion
- Film, TV, video, radio and photography
- IT, software and computer services
- Publishing
- Museums, galleries and libraries
- Music, performing and visual arts

The sub-sectors of museums and music are those which most closely fit the COFOG definition of cultural services. The creative economy goes beyond providing these cultural services to the public. It also provides services to businesses. Appendix A gives more context on the creative industries. There is other GLA Economics research[16] which looks in more depth at the creative industries, and the creative economy. This paper finds that the creative industries locate in clusters. It brings a coherence to their activities, and their treatment as an entity.

The paper employs these definitions of cultural services and the creative industries with chapters on:

- Culture under threat in London
- Participation by Londoners in culture
- London as a locus of creative activity
- Culture in London not to the detriment of the rest of the UK

The last substantive section of the final chapter assesses Levelling up and culture in London.

As already mentioned, the Appendix has further additional information on the definition of the creative industries, the location of jobs across London, and the contribution of the self-employed.

[14] DCMS (2001), Creative industries Mapping Documents 2001
[15] Caves R (2002), Creative industries: Contracts between arts and commerce, Harvard University Press
[16] Rocks C (2017), London's creative industries – 2017 update

Chapter 2 – Culture under threat in London

2.1 Introduction

Cultural services and the creative industries are important to the economy and society. As such they have been affected significantly by major developments over the last decade. These include Brexit, the pandemic and its aftermath, and public expenditure restraint. This chapter considers how these developments have manifested themselves, and their implications. It also provides an assessment of the cost of living crisis, and further public spending restraint.

There are the following sections:

- Overarching economic drivers – Brexit
- Overarching economic drivers – COVID-19
- Overarching economic drivers – public expenditure restraint
- London specific factors – slow return to central London
- Conclusion

2.2 Overarching economic drivers - Brexit

The UK left the EU on 31 January 2020, and after a transition period left the Single Market at the end of the same year. The replacement TCA came into effect from January 2021. It does not cover services, which are almost all creative industries activities [17]. The effect of the TCA is to erect trade barriers. These have been, and will continue to be, to the detriment of the UK economy. These and other impacts of Brexit were discussed in a previous GLA Economics publication[18].

Specifically, for the creative industries there is no longer freedom of movement. This may lead to:

- Difficulties for individuals to travel into another jurisdiction for the purpose of providing a service
- Non-recognition of UK-awarded qualifications by the EU requiring recognition by each Member State

Musicians have felt a range of impacts on the movement of goods and services from Brexit, and this has affected their ability to tour in the EU, Box 2.1. The rules may make touring impractical and unviable. One study has found that the number of UK musicians booked to play European festivals has fallen by 45% since Brexit[19].

[17] Only the crafts sub-sector is in the manufacturing sector
[18] Hope M (2019), The economic impact of Brexit on London, GLA Economics
[19] Best for Britain (2022), Tough gig: 45% drop in British acts booked for European festivals post-Brexit, 21 July

Box 2.1: Impact of Brexit on musicians[20, 21, 22, 23, 24]

UK musicians can no longer travel and work freely across the EU. Each EU member state can set its own requirements for paid work.

Further, musicians may have to complete additional paperwork, which may incur costs, to transport their instruments and equipment. This may include:

- applying for an Economic Operators Registration and Identification (EORI) number if travelling with merchandise to sell
- completing the customs forms to get an ATA carnet, or instruments passport, to get a waiver for a van at border control
- completing a CITES Musical Instrument Certificate (MIC) if an instrument is subject to endangered species regulation, for example it contains ivory
- passing through the right part of customs at an airport or ferry terminal, which may not be easy to find, to present paperwork
- higher taxation on merchandise sales over £1,000
- higher costs of returning to the UK on a "freight" route as equipment is now a declarable item

Cabotage rules impose restrictions on UK hauliers over the number of stops they can make in the EU, although the government has announced a dual registration system to address this.

Fergus Linehan directed his last Edinburgh international festival in August 2022. He described the UK's post-Brexit visa rules as a "disaster" for the arts and for artists by stifling collaboration and making it harder for British artists to tour abroad.

The creative industries are an important sector for the London and UK economies – Chapter 4 provides more evidence on this. There is a risk that changes to UK immigration policies from January 2021 following Brexit may have a particular impact. The changes will continue to provide access to the UK for high skilled workers, and extend access for non-EU migrants. But, they will also limit entry by low skilled workers, which is a new restriction for EU nationals[25]. The effect of these changes for London is that payrolled employment[26] of EU nationals was little changed from June 2016 to December 2022. The employment of non-EU nationals surged after the new immigration regime came into effect[27].

The European Commission's Cultural and Creative Cities Monitor looks at cities across the EU and beyond. Analysis shows that UK cultural and creative cities excel in Europe in their ability to attract and integrate foreign creative professionals. More than one in five (22%) of cultural and creative sector employers hire at least one non-UK worker. This rises to 52% in London. International talent can provide talents and skills not available in the UK workforce, and so support innovation and growth. The visa system could deter people coming to the UK. There is also a risk that the criteria for the immigration system may not match well to creative talent. This is because their first job may have been below the pay threshold for the system[28].

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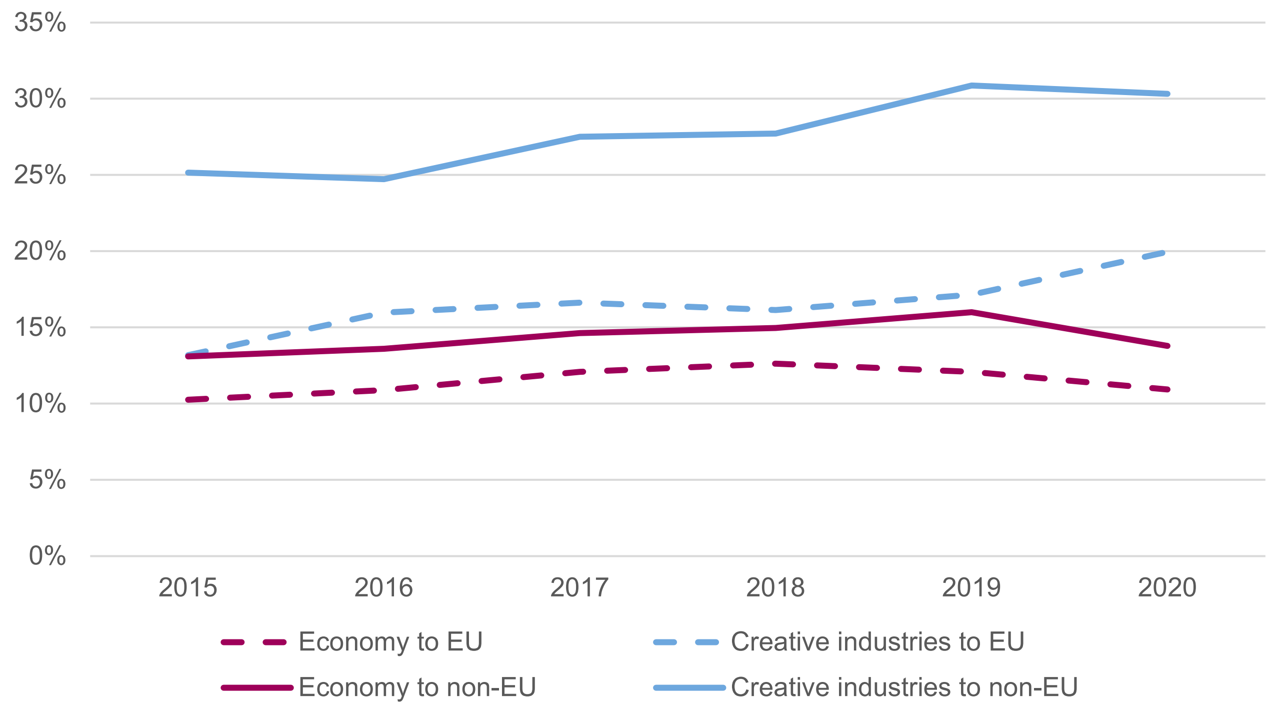
20 Dray S (2021), Impact of Brexit on UK musicians performing in the EU, House of Lords Library
21 O'Carroll L (2022), Brexit stage left: British band tells of farcical barriers encountered on EU tour, The Guardian, 10 August
22 Carrell S (2022), Post-Brexit visa rules a 'disaster' for arts, says Edinburgh festival director, The Guardian, 10 July
23 UK Music, Touring and working in the EU
24 Krol C (2022), Brexit touring regulations to be eased to help UK-based musicians, New Musical Express, 10 May
25 HM Government (2020), 'The UK's points-based immigration system: policy statement'
26 A measure of payrolled employee jobs from HMRC tax records
27 Kutasi A (2023), Payrolled employments by nationality, GLA Economics
28 Montalto V et al (2021), What does Brexit mean for UK cultural and creative cities?, European Urban and Regional Studies, Vol 28 (I), pp47-57

Evidence on jobs held by EU nationals reinforces these concerns. In 2019, and the year to October 2022 around 8.8% of UK jobs in the creative industries were held by EU nationals. For the economy overall, the proportion fell from 8.3% to 7.5%. There was, though, a 5.7% growth in jobs held by EU nationals over the period 2019 to the year to September 2020 (and before the new immigration regime). All jobs held by EU nationals fell by 5.3%. In the year to September 2022 jobs held by EU nationals in the creative industries fell by 8.9%, while all jobs held by EU nationals rose 0.6%[29].

There has, though, been increased immigration from non-EU countries which more than compensates in aggregate. The share of non-EU nationals in creative industries jobs across the UK has risen from 7.6% in 2019 to 9.5% in the year to September 2022. Similarly, the proportion of all jobs held by non-EU nationals has risen from 4.6% to 5.8%. In the year to September 2022 jobs in the UK in the creative industries held by non-EU nationals rose by 16.3%. The corresponding figure for all jobs is 15.0%.

The creative industries also have a disproportionate influence on UK trade, which places it at particular risk from Brexit. UK economy exports to output (GVA) rose from 10% in 2015 to 11% in 2020. At the same time for the creative industries there was a corresponding increase from 13% to 20%. For exports outside the EU they rose (in proportion to GVA) from 13% to 14% for the UK economy between 2015 and 2020. For the creative industries the increase was from 25% to 30%, Figure 2.1.

Figure 2.1: UK creative industries and economy exports to GVA to the EU and elsewhere, 2015-2020



Source: DCMS sectors economic estimates, and ONS

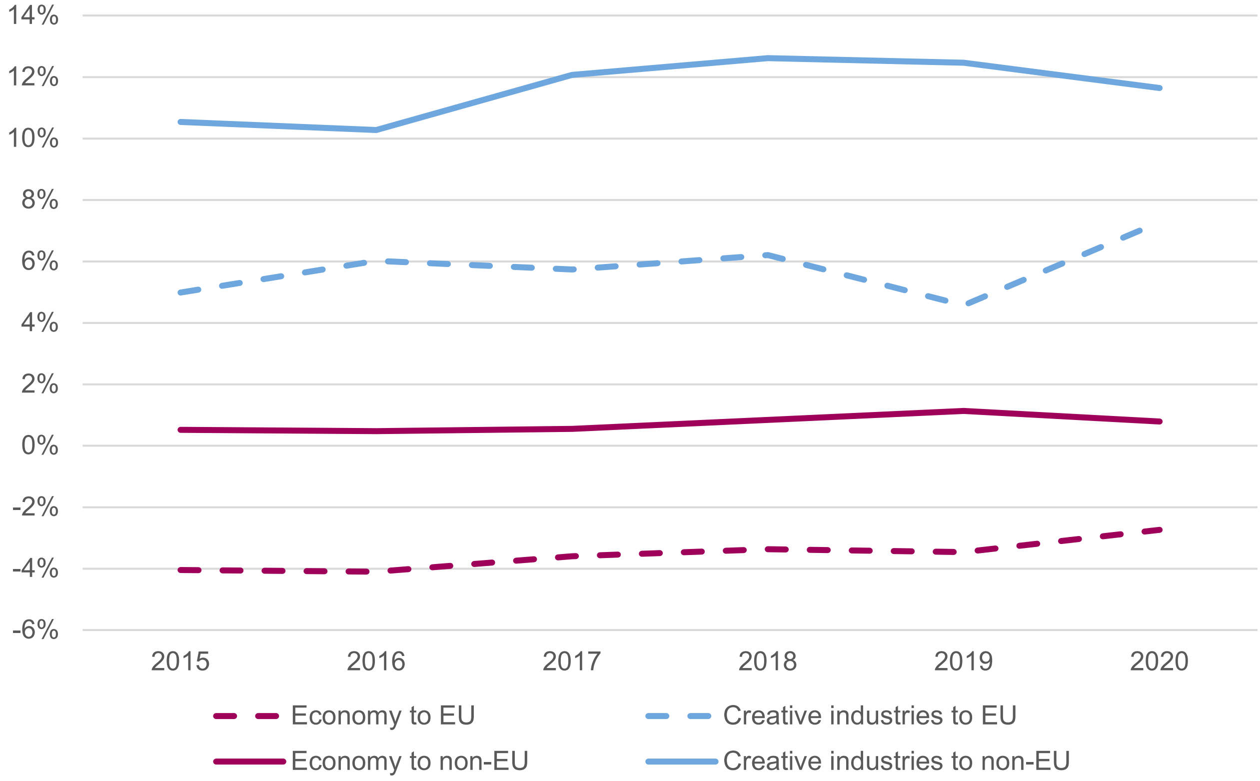
As a comparison, UK service exports to the EU were 4% of GVA in 2020, and to the non-EU were 6% of GVA in this year. (And as a corollary UK goods exports are in deficit with the EU and the rest of the world.) London is an export-oriented city, and accounts for around two-fifths of UK service exports[30]. It is likely

[29] GLA Economics estimates of DCMS Sectors Economic Estimates, derived from the ONS Annual Population Survey
[30] Hope M (2020), An update on London's trade, London's Economy Today supplement, August

that one reason the creative industries are strong in London is the export orientation of the city. This will be to the benefit of the sector and London.

Unlike all industries combined trade in the creative industries makes a net contribution to the UK economy. This is because there is a positive net trade balance as exports exceed imports. The trade balance is more positive for trade outside the EU than inside the EU, Figure 2.2. The service sector overall also has positive trade balances – as a ratio of GVA these were 1% with the EU in 2020, and 3% outside the EU. The balances for the creative industries are far higher, at 7% and 12% respectively. In other words, the creative industries ran a trade surplus in 2020 of £7.3 billion with the EU and £11.6 billion with the rest of the world. In contrast, the whole UK economy had a trade deficit with the EU of £60.0 billion, and a trade surplus globally of £16.1 billion.

Figure 2.2: UK creative industries and economy net trade to GVA to the EU and elsewhere, 2015-2020



Source: DCMS sectors economic estimates, and ONS

The most significant creative industry sub-sectors for trade are IT and film. The former accounts for around half of the total by exports or net trade, while the latter makes up a little under a fifth. Other sub-sectors where net trade to GVA is higher than that for all creative industries are crafts, publishing, museums and music. Only crafts does not have a trade surplus, Table 2.1.

Table 2.1: Trade by UK creative industries sub-sectors, 2020

	share of world CI exports	Exports/GVA world	Exports/GVA EU	Exports/GVA non-EU	share of world CI net trade	Net trade/GVA world	Net trade/GVA EU	Net trade/GVA non-EU
Creative Industries	100%	50%	20%	30%	100%	19%	7%	12%
Advertising and marketing	10%	33%	19%	14%	7%	9%	4%	5%
Architecture	1%	16%	4%	12%	3%	13%	2%	10%
Crafts	7%	973%	271%	701%	-3%	-172%	-331%	159%
Design and designer fashion	1%	12%	6%	6%	1%	9%	4%	5%
Film, TV, radio and photography	16%	48%	29%	19%	19%	21%	11%	10%
IT, software and computer services	48%	56%	18%	37%	51%	22%	10%	12%
Publishing	9%	49%	22%	27%	13%	27%	13%	14%
Museums, Galleries and Libraries	1%	85%	2%	82%	1%	32%	-1%	33%
Music, performing and visual arts	6%	49%	11%	39%	8%	22%	3%	19%

Source: DCMS sectors economic estimates, and ONS

The Office for National Statistics (ONS) business survey data suggests that goods exporters have been disproportionately impacted by the end of the EU transition. Meanwhile, services exporters have been disproportionately impacted by the pandemic. Additionally, at the same time a large share of both categories (over 35% of trading businesses facing an export challenge in each case) have been impacted by both[31]. The pandemic has impacted on travel-related trade whether tourism, or people going abroad to provide a service. Other trade without the movement of people has been less affected. Examples include selling services, such as legal or financial advice, or by setting up subsidiaries in other countries. In fact, such trade has become relatively more important[32]. Before the pandemic, international connectivity was already important for the UK's creative clusters. Around one in ten of the members of creative meetups (on the online events platform Meetup.com) are based outside the UK. In fact, 41% of international participants in UK creative meetups are based in EU countries[33]. This is another example where the introduction of trade barriers with Brexit might adversely affect the creative industries.

2.3 Overarching economic drivers – COVID-19

2.3.1 Impacts on business

COVID-19 restrictions have had a broader adverse impact on economic activity. DCMS has produced early estimates for UK economic growth for the creative industries during the pandemic[34]. The creative industries have weathered the pandemic better than the economy overall. The UK economy declined by over 25% between January and April 2020, and the creative industries by 20% by May 2020. The creative industries, though, have recovered more strongly first reaching pre-pandemic levels of output (February 2020) in June 2021. In contrast, the UK economy achieved its pre-pandemic levels of output (January 2020) in May 2022. It has since slipped back marginally. By March 2023 the creative industries exceeded pre-pandemic levels of output by 12.1%, Figure 2.3. Chapter 4 discusses pre-pandemic trends more fully.

The experience of the sub-sectors of the creative industries has varied widely. For example, the IT sub-sector had fallen by 6% by May 2020 (from the March 2020 peak), while the music sub-sector fell by 64% (between February and May). Both have since surpassed pre-pandemic levels of output, the IT sub-sector first in March 2021, and the music sub-sector in March 2022. By then all sub-sectors, except for design, had returned to pre-pandemic levels of output. By March 2023, the film sub-sector had slipped back, and both it and the design sub-sector had output below pre-pandemic levels.

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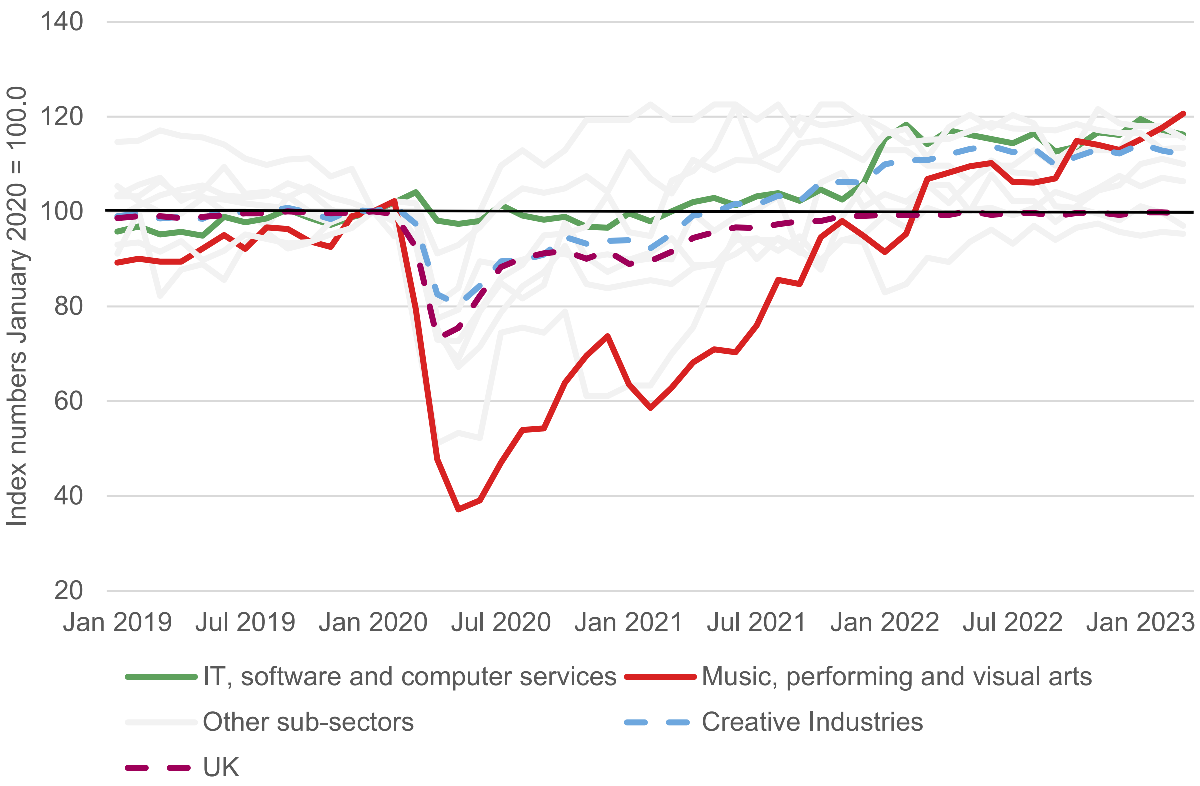
[31] GLA Economics (2021), London's Economic Outlook, Autumn 2021, December
[32] GLA Economics (2022), London's Economic Outlook, Spring 2022, June
[33] Mateos-Garcia J and Bakhshi H (2016), The Geography of Creativity in the UK, NESTA
[34] The latest sub-sector ONS data for London is for 2020. More recent ONS UK data is not available to the disaggregation needed to produce robust estimates for the creative industries. The method adopted by DCMS tracks well the trends for actual data where it is available for past trends.

Figure 2.3: Output (GVA) after inflation of UK creative industries, selected sub-sectors, and UK economy, January 2019 – March 2023, index numbers January 2020 = 100.0



Source: DCMS sectors economic estimates

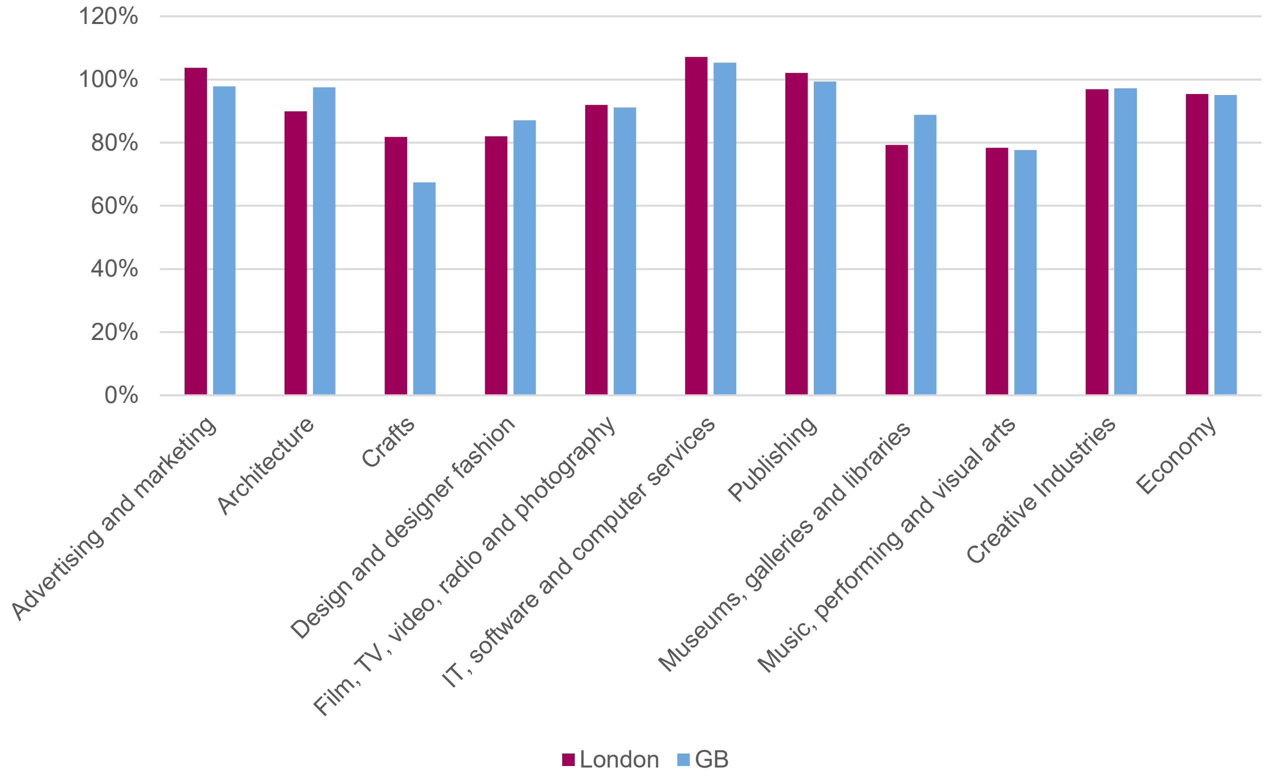
The recovery of several creative industry sub-sectors has not been smooth, particularly the music sector. It suffered dips early in 2021 and 2022, likely to be linked to lockdowns. Another vulnerability is the cost of living crisis, which brings pressure both from rising costs and households having less money to spend on leisure[35]. The OBR expects living standards (as measured by real household disposable income) to fall by 5.7% over 2022/23 and 2023/24. This is the largest two-year fall since records began in 1956/57[36]. Rising prices erode real wages, and reduce living standards, as do freezes in personal tax allowances. The squeeze on real incomes, rise in interest rates, and fall in house prices all impact on household consumption expenditure. In the three months to March 2023, nearly half (47%) of Londoners have reduced spending on social activities[37]. The OBR is expecting a fall in GDP of 0.2% over 2023, compared with a 25% fall during the pandemic.

Output in the creative industries in London suffered similarly to the UK over 2020, and marginally less than for the respective economies as a whole[38]. The decline in GVA in cash terms for the creative industries for both geographies was around 3%. The decline for the entire economy for both geographies was around 5%. (Where the data is available comparisons are normally of volume effects. These take into account that

[35] Higgins C (2022), Soaring MDF prices, extortionate interval drinks, cash-strapped audiences: the arts are staring inflation in the face, The Guardian, 19 August
[36] OBR (2023), Economic and fiscal outlook - March 2023
[37] Polling by YouGov on behalf of GLA for March 2023
[38] The method is to take 2-digit SIC estimates of GVA for London and Great Britain, and pro-rata to 4-digit SIC estimates of GVA using BRES employee jobs data. It is a comparison of nominal output, and does not take into account differences in price inflation between London and Great Britain which may distort comparisons.

inflation may differ in the two geographies.) Across the sub-sectors London performed better for advertising, IT and publishing, and worse for design and museums, Figure 2.4.

Figure 2.4: Estimates of changes in nominal GVA creative industries and its sub-sectors and whole economy, London and Britain, 2019 to 2020

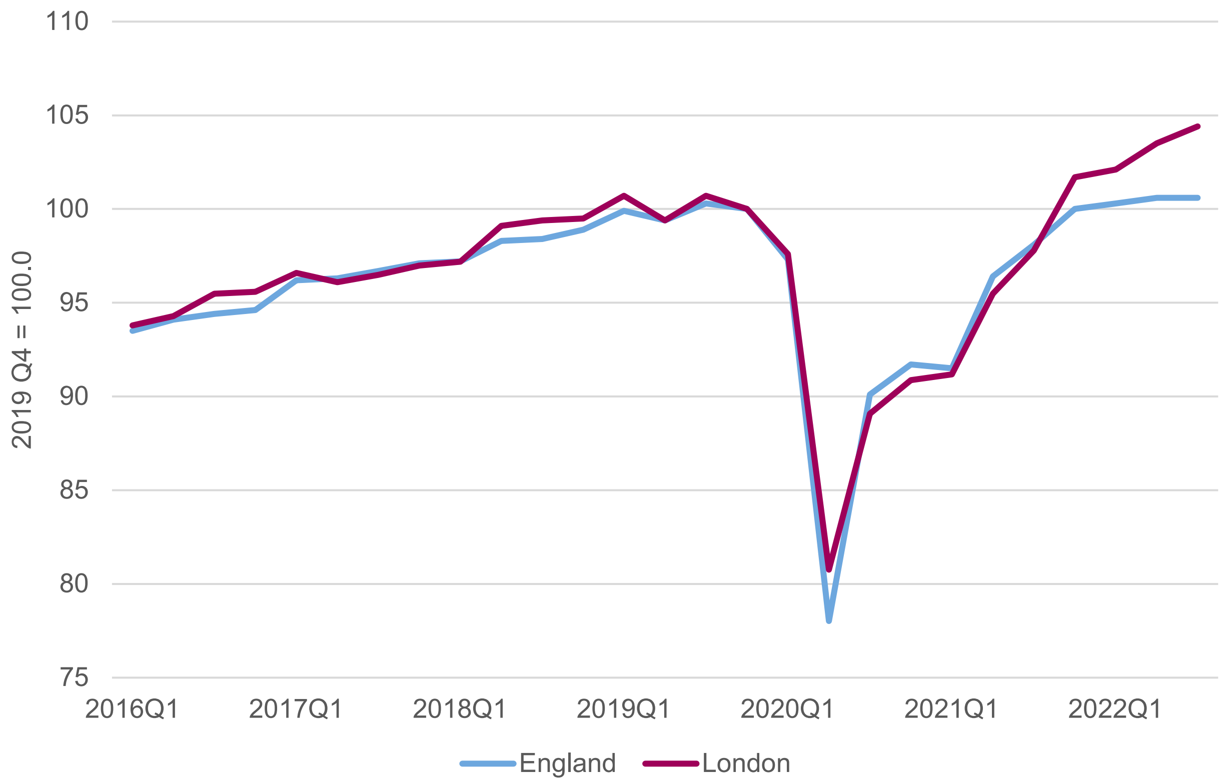


Source: GLA Economics estimates of ONS annual regional GDP/GVA estimates, and BRES

More recently, the emerging evidence is that London is coming through the cost of living crisis more strongly than the rest of the country. The latest ONS regional GDP estimates indicate that London and the North West are the only regions of England to have re-attained pre-pandemic levels of output. Up to Q3 of 2021 London's recovery had been similar to that for England. Since then, London has recovered more strongly. In the year since 2021 Q3 London grew by 6.8%, while England's economy grew by 2.5%, Figure 2.5. Many households in London will be coping reasonably well as a result, although wages are not keeping up with prices[39]. At the same time, 20% of Londoners are 'financially struggling' and another 28% are 'just about managing'. Up to January 2023, the proportion 'financially struggling' was 5 percentage points higher than a year ago[40].

[39] Watson J et al (2022), The cost of living – August 2022 update, GLA City Intelligence
[40] Polling by YouGov on behalf of GLA for March 2023. Respondents classed as 'financially struggling' are those who answered either "I am having to go without my basic needs and/or rely on debt to pay for my basic needs" or "I am struggling to make ends meet"

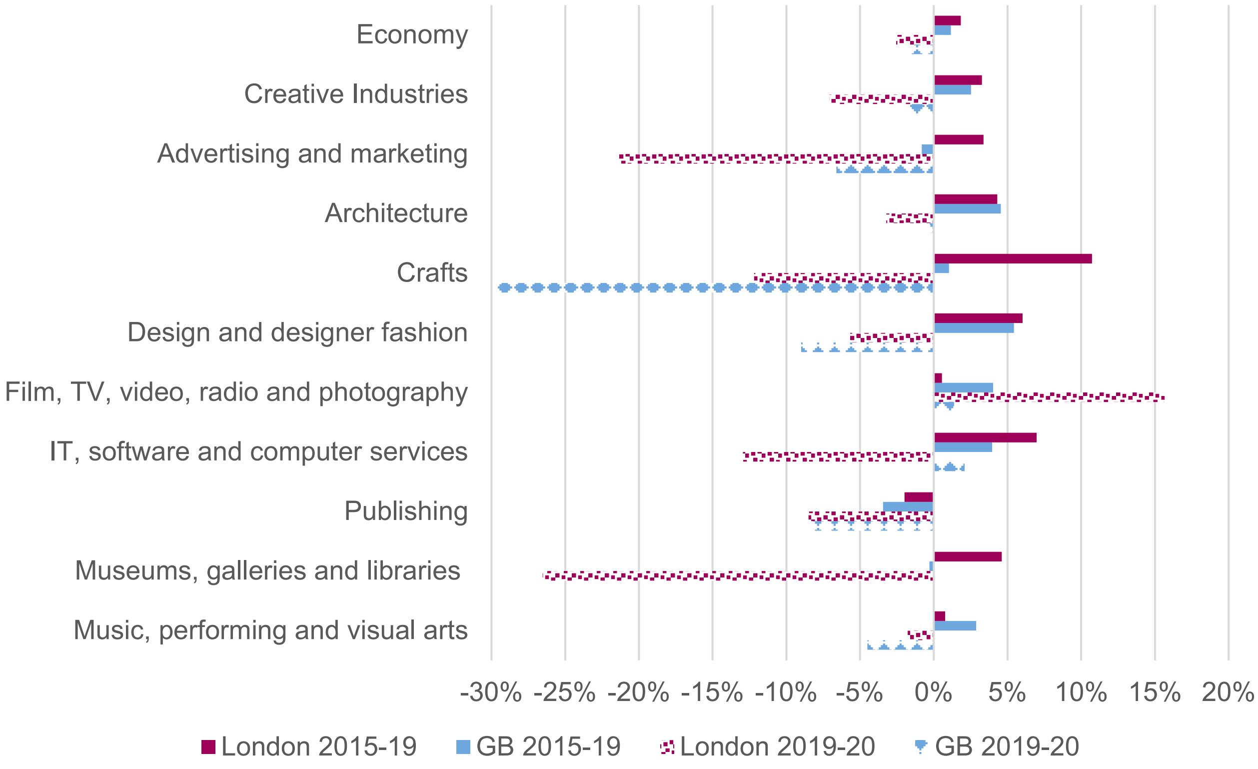
Figure 2.5: London and England GDP growth, 2016 Q1 to 2022 Q3, index numbers 2019 Q4 = 100.0



Source: ONS Quarterly regional GDP statistics

The picture on jobs will have been influenced by the Coronavirus Job Retention Scheme, or furlough, and support for the self-employed. In the period before the pandemic, 2015-19, jobs grew across all the creative industry sub-sectors in both London and Britain. The exceptions were advertising and museums (in Britain) and publishing (London and Britain). For both London and Britain jobs growth in the creative industries was stronger than for the wider economy. London performed better than Britain for both the creative industries and the whole economy. These trends are discussed more fully in Chapter 4. In 2020, London lost a greater share of its jobs, at 2.5%, than Britain, 1.7%. The creative industries in Britain performed similarly to the whole economy, losing 1.7% of jobs, while London performed markedly worse losing 7.1% of jobs. London lost 26.5% of jobs in the museums sub-sector, 21.3% in advertising, and 13.0% in IT. Although there had been a significant loss in output in the music sub-sector, only 1.8% of jobs were lost in 2020. In contrast, Britain lost 29.6% of jobs in the crafts sub-sector, which was 0.3% of all creative industries jobs in 2019, Figure 2.6. In London, a loss of employee jobs in this sub-sector was offset by higher self-employed jobs. Bucking the trend jobs in London in the film sub-sector grew by 15.7% in 2020, and by 1.4% in Britain.

Figure 2.6: Changes in jobs creative industries and its sub-sectors and whole economy, London and Britain, 2015 to 2020

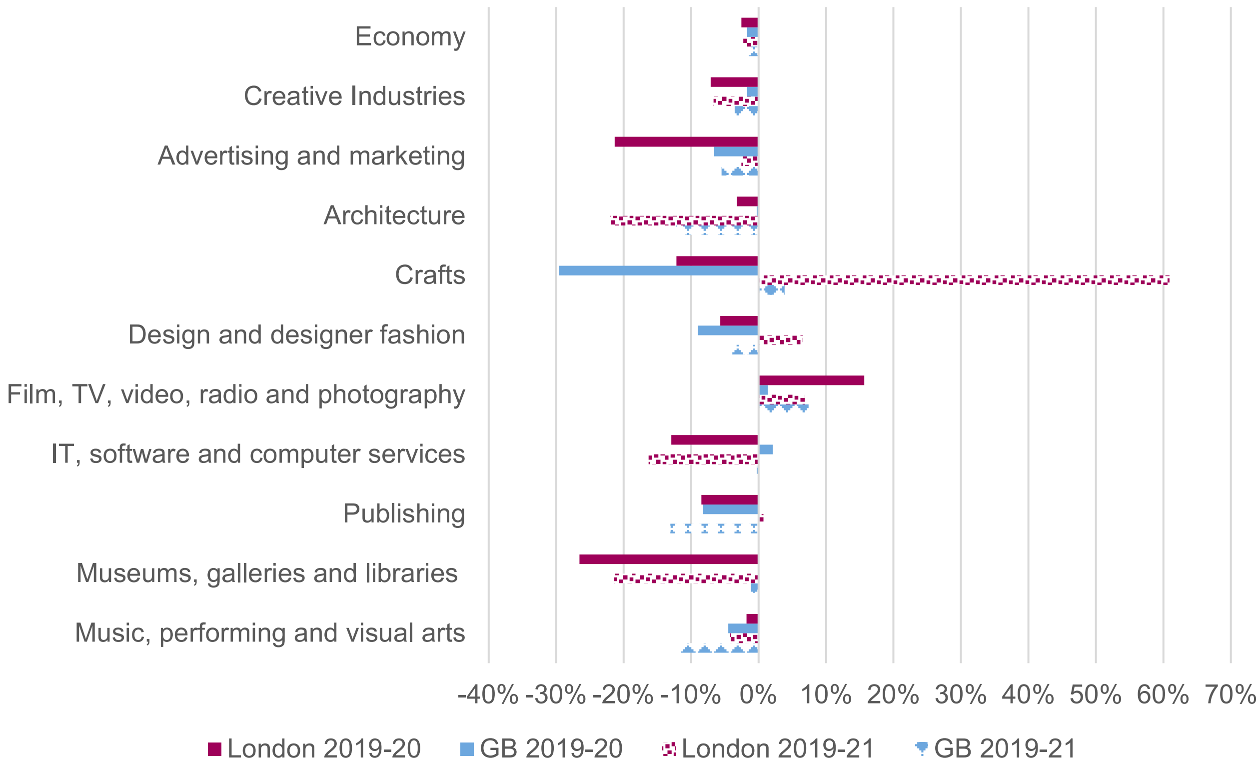


Source: GLA Economics estimates of ONS Workforce jobs, BRES and APS

By 2021, the jobs position for the London and British economies had improved slightly, but still remained below 2019 levels. Jobs in both London and the UK only returned to Q4 2019 levels in Q2 2022[41]. For the creative industries the jobs situation improved slightly in London with an improvement in 2021 of 0.4 percentage points to a decline of 6.7% on 2019 job levels. It worsened for Britain by 1.9 percentage points to be 3.6% below the 2019 level. There were some significant sub-sector variations indicating the pressures on the creative industries over the last few years. In London, the publishing sector returned to its pre-pandemic level of jobs, while architecture declined to be 22.0% below this level in 2021. The museums sub-sector recovered slightly although was still 21.4% below its 2019 level, while the position of the music sub-sector worsened by 2.4 percentage points to be 4.2% below its 2019 jobs level by 2021. The design industry more than recovered to have jobs 6.6% above 2019 levels, the advertising industry nearly recovered from a fall in jobs of 21.3% in 2020. There were jobs losses in the film sub-sector falling by 8.8 percentage points in 2021, compared with 2019, although jobs remained 6.9% above pre-pandemic levels. That is, there was considerable divergence in trends across sub-sectors in London and Britain, Figure 2.7.

[41] Hope M et al (2022), London's Economy Today, September

Figure 2.7: Changes in jobs creative industries and its sub-sectors and whole economy, London and Britain, 2019 to 2021, percentage change from 2019

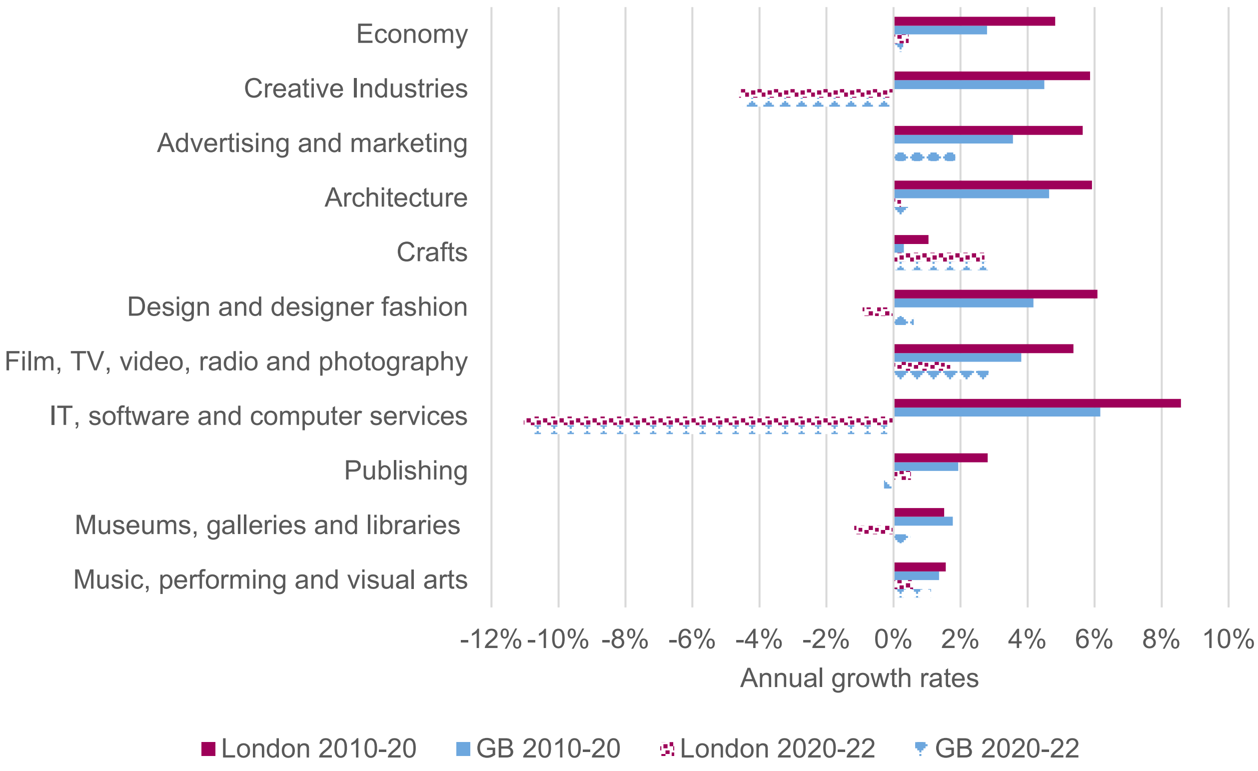


Source: GLA Economics estimates of ONS Workforce jobs, BRES and APS

For some sub-sectors, specifically design and music, a significant proportion of jobs are held by self-employed people, including freelancers. Hidden by the aggregate figures these sub-sectors used the flexibility of these employment patterns to manage changes in demand for services over the pandemic – see Appendix A for more information.

Despite the challenges for output and jobs the number of enterprises across the London and British economies has continued to grow through the pandemic to 2022. Again, the creative industries were growing more strongly in London than Britain before the effects of the pandemic in 2020. But, in 2021 and 2022 there has been a decline in the number of businesses in the creative industries in London and Britain of around 4.5% a year. This is entirely the consequence of a fall in the number of IT businesses. The number of businesses across other sub-sectors grew between 2020 and 2022, Figure 2.8. Chapter 4 discusses pre-pandemic trends more fully.

Figure 2.8: Changes in enterprises creative industries and its sub-sectors and whole economy, London and Great Britain, 2010 to 2022



Source: ONS Business counts

Analysis of 200,000 businesses[42], identified through scraping websites has also found that the creative economy over the first year of the pandemic was surprisingly resilient. As with the analysis of output above, the research finds that the music sub-sector has been hit hard. Venues have had to close their doors and thousands of self-employed workers have been out of work. However, other creative businesses have managed to survive and even thrive across all creative sub-sectors. Almost one in five (18%) of businesses were hiring more employees, while 23% laid off employees, with net employment change close to zero. 15% of creative businesses increased the number of freelancers, while 58% of businesses reduced their numbers. Freelancers were important for those businesses that introduced new products during the pandemic. Only 4% of companies[43] had definitely closed or appeared to be no longer trading. (The research did not look for firms that may have set up in this time.) More than 25% of the companies downsized or changed. This includes through new products or services, changes in their marketing, or adopting new digital ways or selling. Companies in London were most likely to downsize. Perhaps unexpectedly, the impacts of the pandemic appeared to be relatively evenly spread across the UK. Businesses operating within creative micro-clusters in places like rural Wales, or small Midlands towns, were just as likely to show resilience as those in big cities.

Some 85% of creative industries firms received some form of public support during the pandemic. This rise to 100% in the museums sub-sector, and 94% in the music sub-sector. The most common was furlough, used by two-thirds of businesses. Over 40% of businesses took advantage of Bounce Back loans and

[42] Seipel J et al (2021), Creative Radar 2021: The impact of COVID-19 on the UK's creative industries, Creative industries Policy and Evidence Centre

[43] This is of 675 contacted companies. Responses were collected from 976 firms in January – March 2020. Other results in this paragraph relate to 417 re-contacted over April and May 2021

business rates relief. The Culture Recovery Fund (discussed below), the largest of the funds specifically targeted at cultural organisations, was taken up by 7% of firms. This rose to nearly 30% for the music sub-sector, and two-thirds for the museums sub-sector, the main target of the fund, Table 2.2.

Table 2.2: Proportions of creative industries firms receiving main forms of public support

	Received any support	Furlough	Culture Recovery Fund	Other public grant	Bounce back loan	Business rates relief
Advertising and marketing	82%	56%	1%	27%	48%	35%
Architecture	80%	64%	0%	24%	32%	41%
Crafts	100%	87%	7%	67%	47%	92%
Design and designer fashion	87%	81%	0%	37%	47%	45%
Film, TV, video, radio and photography	92%	83%	2%	41%	55%	43%
IT, software and computer services	63%	39%	0%	28%	25%	20%
Publishing	86%	71%	0%	31%	39%	26%
Museums, galleries and libraries	100%	88%	67%	50%	38%	71%
Music, performing and visual arts	94%	69%	29%	44%	37%	46%
Creative Industries	85%	67%	7%	35%	41%	40%

Source: Creative Radar 2021: the impact of COVID-19 on the UK's creative industries[44]

2.3.2 Changes in public expenditure

The government put in place a range of programmes and initiatives to support businesses and households through the pandemic[45]. England public expenditure grew by £193 billion to £922 billion in 2020/21 an increase of 26%. Identifiable COVID-19 support scheme expenditure accounted for £85 billion. It has not been possible to identify separately all additional spending in data held centrally by HM Treasury or the ONS, particularly where it used existing funding mechanisms. Total expenditure in London increased by 31%, or £41 billion, to £173 billion[46]. Identifiable expenditure was £18 billion. It is not possible to quantify support for the creative industries and cultural services of support which was not specifically for cultural services.

One gap has been the coverage of support for the self-employed through the Self Employment Income Support Scheme (SEISS). SEISS provided payments once per quarter worth 80% of pre-pandemic profits up to a cap of £7,500 (per quarter) for eligible self-employed workers who have been adversely affected by the pandemic. It has been paid to at least 2.6 million people, at least three-quarters of the potentially eligible self-employed population. However, around 1.8 million self-employed people and around 700,000 company owner managers were not eligible. This included 1.3 million self-employed people who had less than 50% of their income coming from self-employment. More than half of these self-employed people had total personal incomes of under £25,000. They also had relatively low levels of self-employment profits (more than half had profits under £5,000 per year)[47]. This issue may have been particularly prevalent in the creative industries, where the use of freelancers is extensive, see Appendix A.

In comparison, during the cost of living crisis there is much more limited support through the six month Energy Bill Relief Scheme to March 2023 estimated to save all UK businesses £18 billion, and extended in a more limited form until April 2024 at a further cost of £545 million. Further, there is business rates relief. This will benefit eligible retail, hospitality and leisure properties in England for 12 months from April 2023, and will cost £2.2 billion[48,49]. The less generous support will reflect, in part, that this crisis is likely to be less

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[44] Seipel J et al (2021), Creative Radar 2021: The impact of COVID-19 on the UK's creative industries, Creative industries Policy and Evidence Centre
[45] Hope M (2020), Early impact of government initiatives to address effects of the coronavirus, London's Economy Today supplement, April
[46] ONS (2022), Country and regional public sector finances
[47] Cribb J et al (2021), Who is excluded from the government's Self Employment Income Support Scheme and what could the government do about it?, IFS
[48] HM Treasury (2022), Autumn Statement 2022: documents
[49] HM Treasury (2023), Spring Budget 2023.

damaging to the economy. Both for the pandemic (costed in the figures above) and the cost of living crisis (uncosted) there is implicit additional help available. This includes through the automatic stabilisers of more benefit payments as unemployment rises, and lower tax take from businesses as profits fall.

All country and regions of the UK saw a large increase in public expenditure during the pandemic[50]. London had the largest change in Exchequer spending per person across the countries and regions of the UK, moving from a surplus of £4,500 in 2019/20 to a deficit of £800 in 2020/21. The capital made greatest use proportionately of the furlough scheme, had the largest per head increase in Universal Credit claimants, and has a disproportionate share of businesses. Health was the second biggest contributor to expenditure, and London also received significant additional support for its transport networks. Extra support for cultural services was relatively small in absolute terms compared with other areas of expenditure.

Nevertheless, in proportionate terms there was a significant increase for cultural services. In London, there was an increase of £317 million, or by 40%, to £1,116 million. In England, it was by £1,066 million, or by 36%, to £3,987 million. Local authority expenditure, by the COFOG definition, decreased by 6%, or £19 million, in London, and by 0%, or £1 million, across England. By the broader measure of cultural services local authority spending fell, by 10%, or £82 million, in London, and by 7%, or £325 million, in England. This may reflect that there was less demand for certain services when there were restrictions on social mobility, the priority attached to the arts, and the increased risk of closure of arts companies. The largest increase in expenditure on cultural services has been on DCMS supported activity. In London, this increased by 72%, or by £335 million, to £804 million. The single largest item was ACE grants which increased by 131%, or £235 million, to £414 million. For England, there was an increase in DCMS spending of 78%, or £1,077 million to £2,452 million. ACE grants increased by 148%, or £753 million, to £1,262 million, Table 2.3.

[50] GLA Economics, London's Economy Today, Issue 238, June

Table 2.3: London and England spending on cultural services, cash £m 2019/20 and 2020/21

London	**2020/21**			**additional funds on 2019/20**		
	Total	current	capital	Total	current	capital
Local authorities	301	222	79	-19	-5	-13
DCMS	804	711	93	335	349	-14
ACE grant	414	403	11	235	227	8
ACE lottery	63	63	0	-5	-2	-3
other	327	245	82	106	124	-18
Other	10	10	0	1	0	0
Total PESA expenditure on cultural services	**1116**	**943**	**173**	**317**	**344**	**-27**
Total DCMS spending	1395	1265	130	553	556	-3
Local authority spending on culture and related services	710	511	199	-82	-48	-34

England	**2020/21**			**additional funds on 2019/20**		
	Total	current	capital	Total	current	capital
Local authorities	1495	1112	383	1	40	-39
DCMS	2452	2045	407	1077	1039	38
ACE grant	1262	1191	71	753	708	44
ACE lottery	184	182	2	-22	-7	-16
other	1005	671	334	346	337	9
Other	40	39	1	-12	-12	0
Total PESA expenditure on cultural services	**3987**	**3195**	**792**	**1066**	**1067**	**-1**
Total DCMS spending	4600	4066	534	1518	1544	-26
Local authority spending on culture and related services	4509	3387	1122	-325	-205	-120

Source: HMT CRA
Note: London local authority spending includes the GLA

By 2021/22, there continued to be additional expenditure on cultural services, although at a lesser level than in 2019/20. Total expenditure in London was 15% higher (£117 million) in cash terms at £916 million, with the largest increases through DCMS supported activities. Local authority expenditure was little changed from 2020/21, although by the broader definition of cultural services there was a further fall to £692 million. Similarly for England total cash expenditure was 17% (£492 million) higher in 2021/22 than 2019/20 at £3.4 billion. Again, the largest increases were through DCMS supported activities. However, unlike London, local authority expenditure was at 2019/20 levels both by the narrower and broader definitions of cultural services.

The additional ACE resources during the pandemic came from[51]:

- A £160 million Emergency Response Fund from ACE reserves and other funds, of which £105 million was distributed in 2020/21

[51] ACE (2021), Arts Council England Annual Report and Accounts 2020-2021 and ACE (2022), Arts Council England Grant-in-Aid and National Lottery Distribution Annual Report and Accounts 2021-22

- A £1.9 billion Culture Recovery Fund funded by the government. As well as ACE, the fund has supported Historic England, the National Lottery Heritage Fund, the British Film Institute, and the other UK Arts Councils. £689 million was awarded by ACE in 2020/21, and another £147 million in 2021/22, a total of £836 million according to ACE annual reports. (This should be consistent with other expenditure figures in this report.) The ACE website is reporting that total payments have reached £892 million.[52] Over 2,000 organisations in England have received awards, and over 650 in London.

That is, the total extra funding from the Emergency Response Fund and the Culture Recovery Fund in 2020/21 was above the increment to funding in HM Treasury records, reported above[53]. How ACE resources were distributed during the pandemic is discussed further in the next section in the context of trends in the income of arts providers. Box 2.2 reports on the data available to analyse ACE funds and their regional distribution.

Box 2.2: Arts Council England funds and their distribution

ACE came into existence in 1994 as a successor body to the Arts Council of Great Britain[54]. Until 2001/2 ACE disbursed funds to ten regional arts boards, one of which was London, for onward distribution. Thereafter there has been central distribution of funds. As noted in Chapter 1, the ACE receives grant-in-aid funding from DCMS and lottery funding.

ACE has a number of means, in addition to COVID-19 related expenditure, to disburse funds such as grants to NPOs (£340 million in 2021/22), and lottery funding for NPOs (£73 million), Arts Council national lottery project grants (£101 million), Music education hubs (£78 million), Capital expenditure (£73 million), Development funds (£65 million), and the Culture investment fund[55]. Funding goes to a broad range of activities including the arts, dance, literature, museums, music, theatre and the visual arts. It is also delivered in a diverse range of ways. This includes through arts centres, rural touring, carnival arts, festivals, and participatory and education events. Attendance might be at a production, exhibition day, film screening, festival or school performance[56].

Funding of NPOs is on a three-to-four-year cycle[57] when there is a refresh of the panel of supported organisations. While the number of funding agreements has been fairly steady in London between 2012 and 2026, there has been more variation at a national level, Table 2.4. For the 2015-18 cycle 46 organisations joined the national portfolio and 60 left, while 16 chose not to re-apply[58]. For the 2018-22 cycle ACE welcomed 187 organisations into the portfolio[59], and 276 are joining for the 2023-26 cycle[60]. Inevitably, some organisations will lose funding, either entirely, or in part.

[52] ACE Culture Recovery Fund [extracted on 11 January 2023]
[53] Although all the figures will ultimately come from ACE, and are reported through the Online System for Central Accounting and Reporting, there may be subsequent revisions to the data or slight variations in accounting treatment, or it may be because baseline expenditure in 2020/21 was below that of 2019/20
[54] Dempsey N (2016), Arts Funding: Statistics, House of Commons Library, Briefing Paper number CBP 7655
[55] ACE (2022), Arts Council England Grant-in-Aid and National Lottery Distribution Annual Report and Accounts 2021-22
[56] ACE (2019), National Portfolio Organisations: key data from the 2017/18 annual submission
[57] The 2018-22 cycle has been extended by a year because of the pandemic
[58] ACE NPO investment factsheet, 2015-18
[59] ACE NPO investment factsheet

[60] GLA Economics calculations of Investment Programme data

Table 2.4: NPO funding agreements, London and England

	2012-15	2015-18	2018-22	2023-26
London	252	241	268	257
England	716	689	840	985

Source: ACE NPO investment factsheet for 2012-15 and 2015-18, and Investment Programme data for 2018-22 and 2023-26

Note: figures are for ONS regions. Funding for organisations in Wales has been attributed to the West Midlands, as this is where delivery will be predominantly.

GLA Economics calculations are that there will be 56 joiners in London to NPO grant funding for the 2023/26 cycle and 67 leavers. High profile organisations not successful in receiving funding included the Donmar Warehouse and the Barbican Centre[61]. At a national level there will be 276 joiners and 131 leavers. 24 other organisations will transfer out of London, of which 5 will newly receive NPO grant funding. They are expected to account for £8.2 million, or 1.9%, of annual expenditure, that is an annual grant of £0.34 million per organisation transferring[62]. This is part of the ACE Transfer Programme to encourage organisations based in London to establish elsewhere in England – discussed in more detail in Chapter 5. Additionally, the English National Opera (ENO) received an offer of separate funding to establish a base outside London, and was one of the organisations to lose its general funding.

As well as the public expenditure data reported in this paper the only other ACE data at a regional level is for NPOs. This will provide a partial picture of regional arts funding. There is data on funding agreements, and from an annual survey[63]. The data from funding agreements is a prospective allocation of funds to NPOs. This does not include other ACE funds, including lottery funds, open to arts organisations including NPOs. The annual survey of NPOs reports all monies received. In this source ACE subsidies include all funds paid by ACE including lottery funding. So, figures from the two sources may differ because plans may not come to fruition, and because the survey includes a broader range of ACE funding.

ACE records funding where an organisation is based, and not necessarily where it is spent. Some organisations spend time touring, and establishing digital platforms to the benefit of audiences outside the area where they are based[64].

2.4 Overarching economic drivers – public expenditure restraint

2.4.1 Local authority spending

DLUHC publishes consistent annual data on local authority expenditure. This means for this element of expenditure on cultural services it is possible to construct a time series to look at the effect of public expenditure restraint[65]. The main elements of local authority expenditure are education, highways and transport, social care and public health, housing, and cultural, environmental, regulatory and planning services[66].

The effect of the restraint on public spending has been that English councils' non-education spending per resident fell by almost a quarter in real terms between 2009/10 and 2019/20. Most of this was in the early

[61] Sherwood H (2022), ENO to relocate as arts funding diverted away from London, The Guardian, 4 November
[62] GLA Economics calculations of Investment Programme data for 2023-26
[63] ACE NPOs Annual Data Survey
[64] ACE (2013), Response to Rebalancing our Cultural Capital Report
[65] HMT CRA data is only published for the last five years, and is subject to revision year-on-year. It is not possible to be confident that any time series of data is on a consistent basis
[66] DLUHC, Local authority revenue expenditure and financing England

part of the 2010s, when deep cuts to central government grant funding were combined with a cash-terms council tax freeze[67].

In 2019/20 around a third of English local authority expenditure was ring-fenced for education, and so not available for council spending decisions. Councils' budgets have become increasingly focused on social care and those with the greatest needs – social care services accounted for 57% of planned service spending in 2019/20. Cuts have been larger to more discretionary areas of spending, and where it is relatively easier to raise income from fees and charges. Spending per person on planning and development is down in real terms around 60% between 2009/10 and 2019/20, on cultural services (broad definition) and housing services over 50%, and on transport over 40%[68].

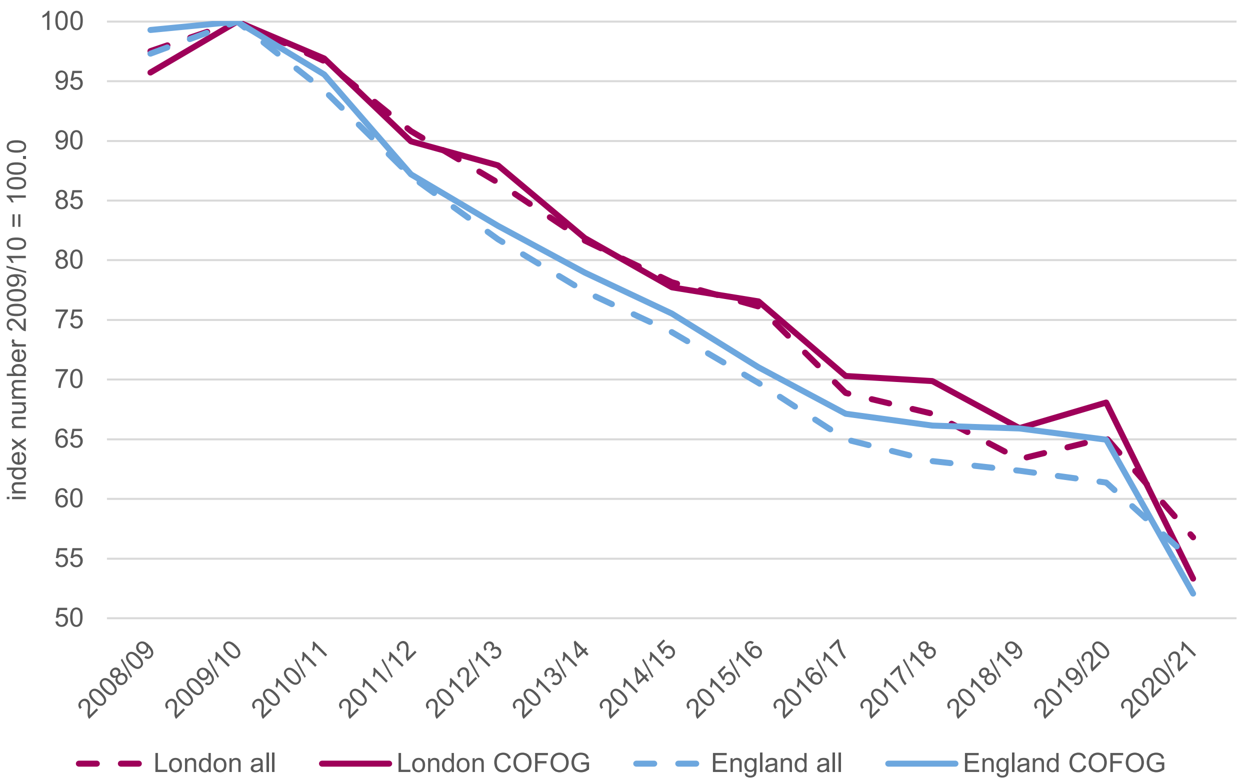
Local authority cuts in current expenditure have been slightly deeper by the narrower COFOG definition than the broader definition used by local authorities. Between 2009/10 and 2020/21 by the narrow definition spending in London fell by 47% after inflation, and in England by 48%. There was a mild recovery in 2019/20 before the pressures of the pandemic took effect on local authorities. By the broad definition of cultural services the fall for London has been 43%, and for England 45%, Figure 2.9. On a per head basis, reflecting the growing population, cultural spend in London in 2020/21 was half what it was in 2009/10 after inflation by the narrow definition, and 47% of what it was by the broad definition[69].

[67] Ogden K et al (2021), What's happened and what's next for councils?, Institute for Fiscal Studies Green Budget, Chapter 7

[68] Harris T et al (2019), English local government funding: trends and challenges in 2019 and beyond, IFS

[69] These figures may not tally exactly with IFS figures because they may use a different measure of inflation, and they appear to use forecast local authority expenditure, and this analysis uses outturn figures

Figure 2.9: Local authority current expenditure, after inflation, on cultural services, London and England, 2008/9 to 2020/21[70], index numbers 2009/10 = 100.0[71]

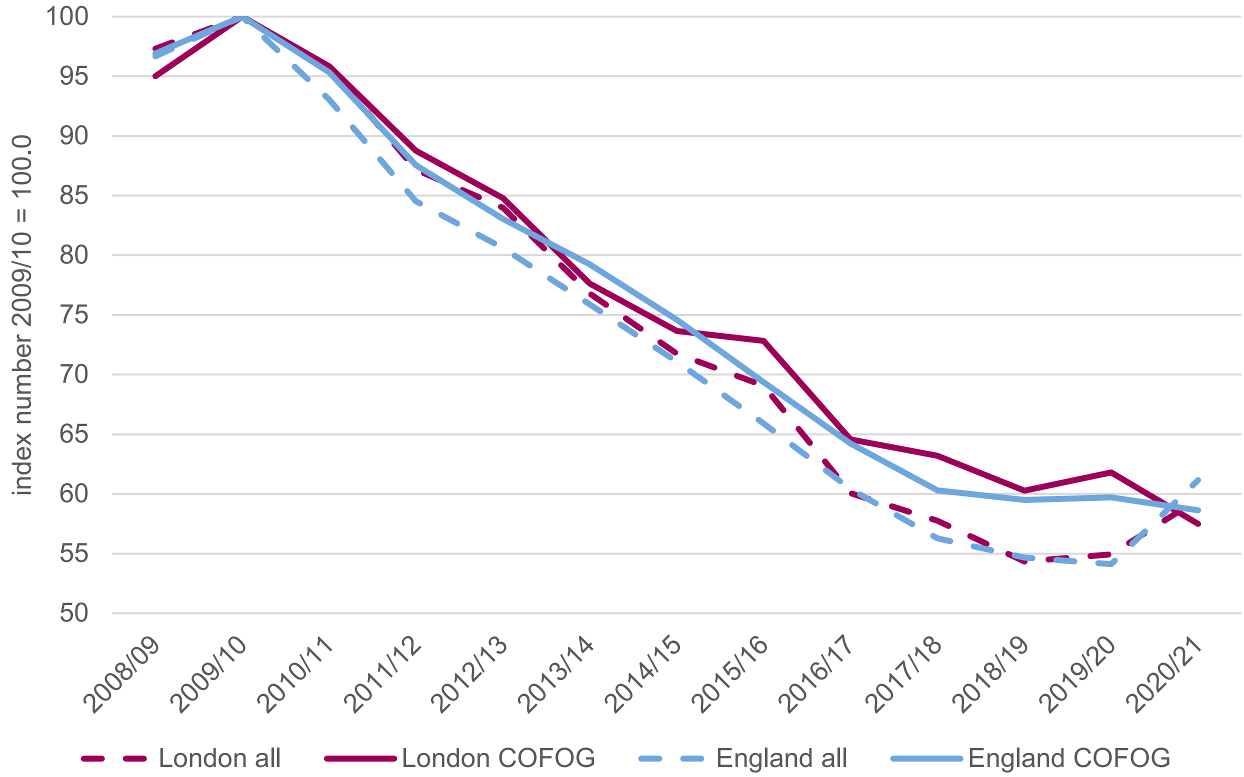


Source: DLUHC Local authority revenue expenditure and financing England, outturn data
Note: Inflation measure is the GDP deflator

It has been noted that local authorities can levy fees and charges as a source of income. Figure 2.10 repeats Figure 2.9 for net cultural spend, that is spend after income. By this measure spend has fallen slightly less between 2009/10 and 2020/21. For London by the narrow definition of cultural services it has been by 44%, and by the broad measure by 40%. Prior to 2020/21 by the broad measure the trend in net cultural spending was below that for cultural spending. This is either because local authorities were unable, unwilling, or unaware of the opportunities, to raise fees and charges. Local authorities took steps to raise fees and charges in 2020/21 for broadly defined, but not narrowly defined, cultural services. The analysis below suggests that local authorities have targeted funds on ACE NPOs. These are organisations which mostly they will not own, and so will not be able to levy fees or charges.

[70] These figures show a fall in expenditure in 2020/21 as they are after inflation, while the earlier table shows an increase as it is in cash terms
[71] DLUHC has not published a time series to 2009/10 for outturn capital expenditure data by service by local authority, so it is not possible to produce the counterpart of this chart for capital expenditure

Figure 2.10: Local authority net current expenditure, after inflation, on cultural services, London and England, 2008/9 to 2020/21, index numbers 2009/10 = 100.0



Source: DLUHC Local authority revenue expenditure and financing England, outturn data
Note: Inflation measure is the GDP deflator

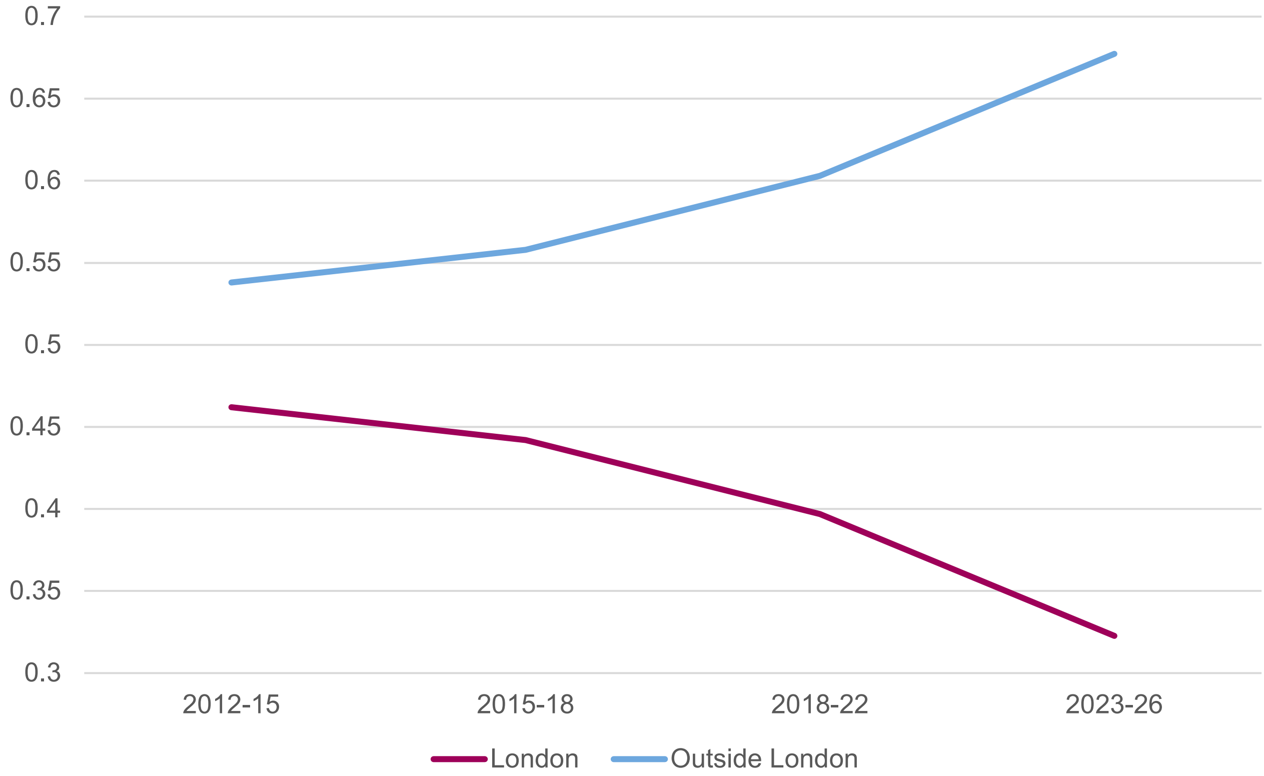
On the basis of current funding there may well be further cuts in local authority spending on cultural services over the medium term. The IFS estimated in October 2021 that the pandemic is likely to affect councils' spending and income-generating capacity over the next few years. Assuming these pressures abate, councils will still face underlying growth in service demands and costs. Under central IFS projections, English councils would need a £10 billion increase in revenues between 2019/20 and 2024/25 to maintain service levels[72]. At the time of writing the position looks worse. Government settlements with local authorities are in cash. Inflation has been higher over the last year than the 2% normally used to be in line with the target for the Bank of England. In the 2022 Autumn Statement the Chancellor of the Exchequer did provide additional money to local authorities, but specifically for schools and social care[73]. Departmental spending plans remained largely after the Spring 2023 Budget[74]. There was no additional funding for ACE either.

2.4.2 Arts Council England spending

ACE has provided figures on the expected distribution of NPO grants between London and the rest of the country over the four funding rounds from 2012 to 2026. At a time of declining public funding London's share had fallen from 46% to 40% by the 2018-22 funding round, and to 32% for the 2023-26 funding round, Figure 2.11.

[72] Ogden K et al (2021), [What's happened and what's next for councils?](), Institute for Fiscal Studies Green Budget, Chapter 7
[73] HM Treasury (2022), [Autumn Statement 2022: documents]()
[74] HM Treasury (2023), [Spring Budget 2023: documents]()

Figure 2.11: Arts Council England expected distribution of grants specific to NPOs between London and the rest of the country, 2012-2022



Source: ACE NPO investment factsheet and Investment Programme 2023-26 Data

The awards for the next NPO funding cycle are in cash. However, it is clear that London-based organisations will receive a real terms cut in funding due to the current high level of inflation[75]. Between the 2018-22 and 2023-26 funding rounds, London-based organisations will receive no increase, while total funding will rise by 11% in cash terms[76]. There will also be distributional impacts between organisations in London, and parts of the capital. This is discussed in Chapter 3.

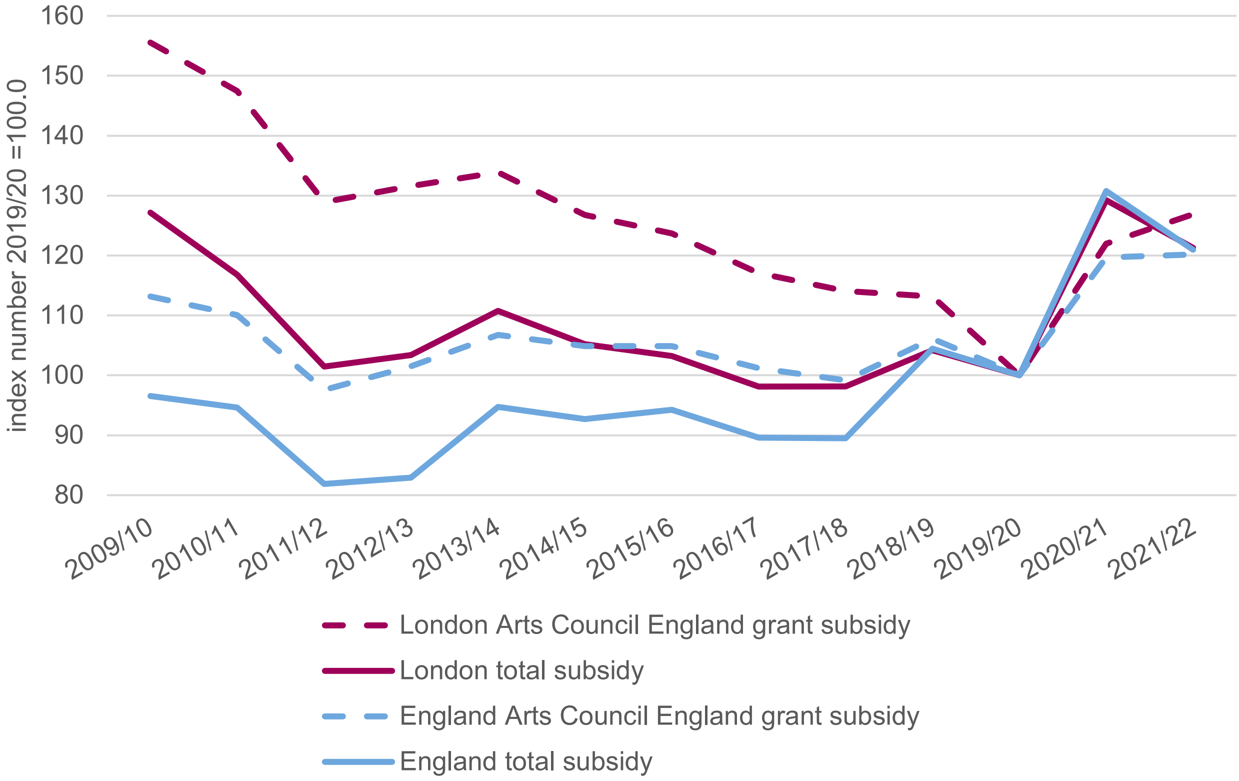
London's ACE NPO total grant subsidy funding in 2019/20 was 64% of what it was in 2009/10, a decline from £259 million to £167 million, or by over £90 million, after inflation. The re-allocation of funds away from London has protected other regions. For England as a whole spending in 2019/20 is 88% of what it was in 2009/10 after inflation, a fall in funding from £505 million to £446 million, Figure 2.12. By this measure, London's share of ACE NPO grant subsidy has fallen from 51% in 2009/10 to 38% in 2020/21. This is in line with the figures in the previous chart, which used a narrower measure of grant subsidy. See Box 2.2 for an explanation of data sources.

NPOs may receive public subsidy from a range of other sources, such as: local authorities; charities and other funding bodies. Examples include arts and cultural bodies, universities or research boards, health trusts or local economic partnerships; other government departments; and the EU[77,78]. During the pandemic this will also include wider government support such as the furlough scheme. Once this wider range of

[75] What that cut will be is not known because the future level of inflation is not known
[76] Donelan M (2022), Arts Council England 2023-2026 Investment Programme: Announcement of National Portfolio Organisations and Investment Principles Support Organisations, and GLA Economics calculations
[77] ACE (2019), National Portfolio Organisations: key data from the 2017/18 annual submission
[78] ACE NPOs Annual Data Survey, Annual Survey Guidance

subsidies is taken into account the decline in subsidy income, after inflation, between 2009/10 and 2019/20 in London is half what it was only looking at ACE-specific subsidies. It falls by 27% rather than 55% from its 2009/10 level. In contrast, across England total subsidy income rises, and so organisations have more than offset the loss of income from ACE. Despite this, non-ACE subsidy remained a small part of NPO funding, as explained later. During the pandemic in 2020/21 subsidy to NPOs increased from both all sources and ACE, but by more in proportionate terms from all sources. Total subsidy fell back in 2021/22, while remaining 20% above the level in 2019/20. In contrast, ACE grant subsidy to London NPOs rose in proportionate terms to a level in 2021/22, compared with 2019/20, higher than the corresponding increase for total subsidy – this cannot be from the Culture Recovery Fund, whose funding subsided in 2021/22 as reported earlier. England retained its 2020/21 boost in ACE grant subsidy in 2021/22, but unlike London did not benefit from a further enhancement to its subsidy.

Figure 2.12: ACE total NPOs grant and total subsidy, after inflation, London and England, 2009/10 to 2021/22, index numbers 2019/20 = 100.0



Source: ACE NPOs Annual Data Survey
Note: Inflation measure is the GDP deflator

The increase in subsidy to NPOs to offset the decline in ACE funding has come from both local authorities and other sources of funding. In 2011/12 London local authority subsidy was at 55% of it 2019/20 level, compared with 69% for England, indicating a relatively larger increase in contribution of 81% from London local authorities compared with 46% for England as a whole. In terms of other subsidies, the relative increase has been similar for these geographies. In London at 2011/12 they were at 37% of their level in 2019/20, and at 38% in England, Figure 2.13. The increase in other subsidies took hold after 2017/18, after a new ACE funding cycle began. This was when there was less money spread across more organisations, and suggests that NPOs became more active in raising funds from other sources to make ends meet. As earlier analysis has suggested it was additional funds from other sources of subsidy, probably including government pandemic-related support, and not local authorities, which mainly supported NPOs during the pandemic in 2020/21. By 2021/22, the funding from other sources in London had returned to pre-pandemic levels.

Figure 2.13: NPOs, non-ACE subsidy, local authorities and other, after inflation, London and England, 2009/10 to 2021/22, index numbers 2019/20 = 100.0

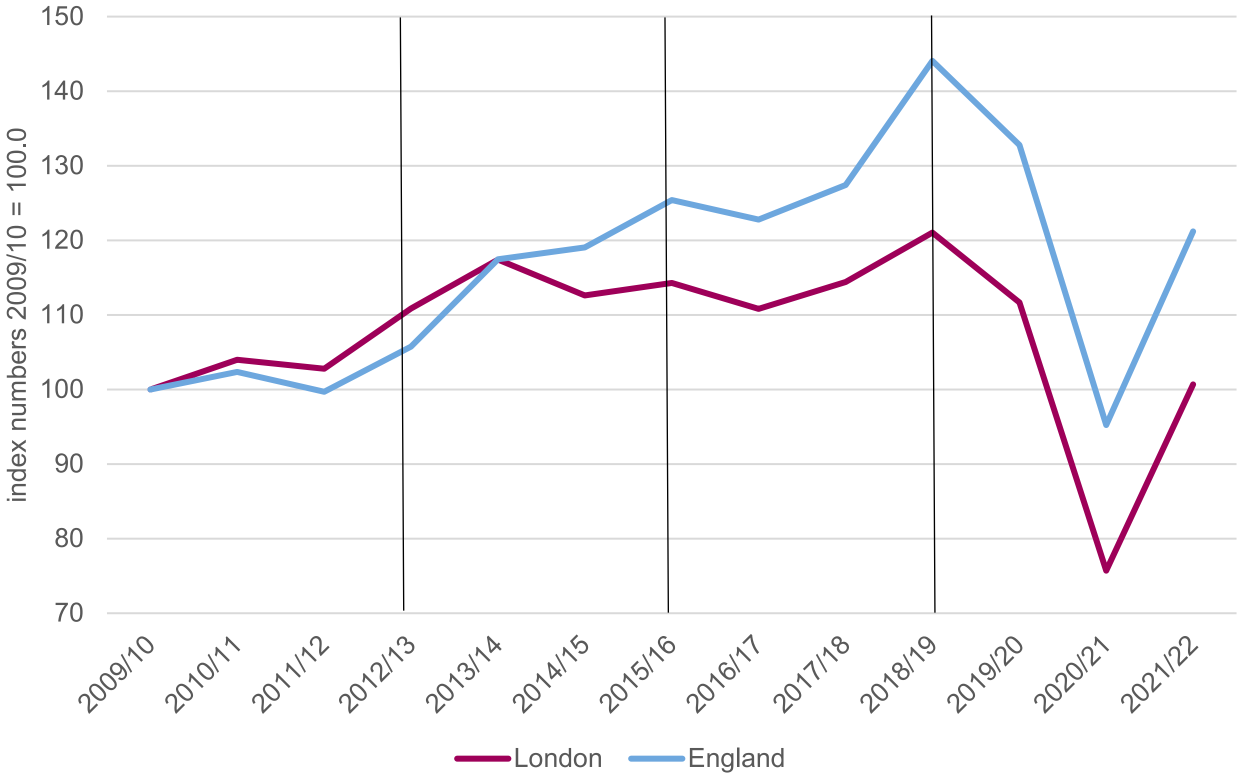
Source: ACE NPOs Annual Data Survey
Note: Inflation measure is the GDP deflator

The other implication of this analysis is that at a time of reduced resources local authorities have been prioritising the use of funds on certain organisations. It seems that local authorities are favouring NPOs to maintain their viability. This is despite ACE cuts meaning that there is even less money for other priorities for cultural services.

The remaining part of this section considers the trend in the total income of NPOs, and the contribution of various sources of income. Total income, after inflation, of NPOs in both London and England increased from 2009/10 to 2019/20. In the case of London this was by 12% to £839 million, and for England by 33% to £2,020 million, Figure 2.14. (Total income of London NPOs rose slightly from 2013/14 to 2018/19 from £882 million to £909 million.)

This is not a like-for-like comparison of NPOs as this period crosses three funding cycles, noted in the chart, and where there has been some turnover of funded organisations.

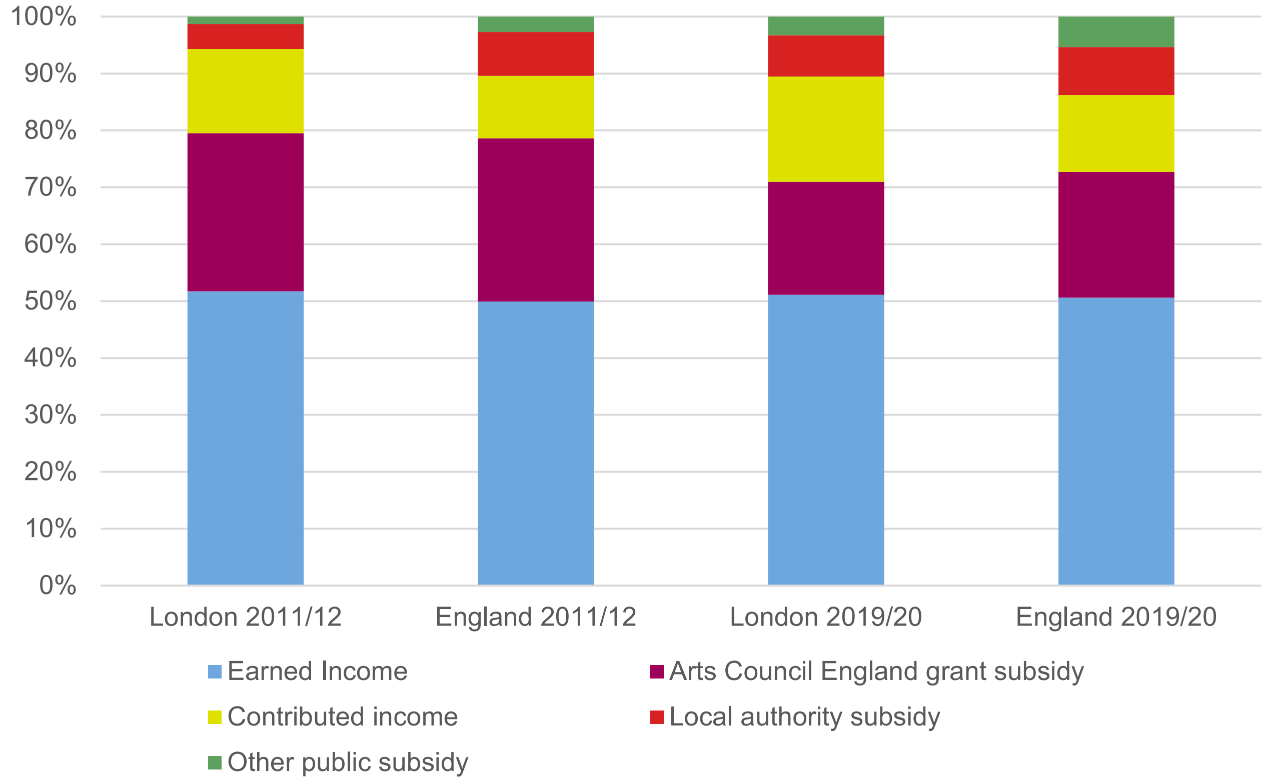
Figure 2.14: Total income of ACE NPOs, after inflation, London and England, 2009/10 to 2021/22 with funding cycles, index numbers 2009/10 = 100.0



Source: ACE NPOs Annual Data Survey
Note: Inflation measure is the GDP deflator

Figure 2.15 brings together trends in income for all sources of funding for NPOs. For both London and England in 2011/12 and 2019/20 earned income has been around 50% of all income. ACE subsidy is the next most important income source, falling in London from 28% to 20% of income over this period, and for England from 29% to 22%. Contributed income, such as bequests, became more important, at 18% in 2019/20 in London, and 14% in England. Local authority subsidy rose from 4% to 7% of total income in London, and remained at 8% in England. Other subsidies rose from 1% to 3% in London, and from 3% to 5% in England.

Figure 2.15: Sources of income of ACE NPOs, after inflation, London and England, 2011/12 and 2019/20



Source: ACE NPOs Annual Data Survey
Note: Inflation measure is the GDP deflator

Income of London NPOs fell by 32% in 2020/21, and by 28% in England. That is, the increase in subsidy reported above only partially replaced the loss of earned income. Income from ACE rose by 22% in London in 2020/21, and by 20% across England. The share of NPO income from ACE rose to 36% in London, and 37% in England. Despite a real terms cut in funding the share from local authorities rose to 10% in London, and 11% across England. And, although funding from other public subsidies grew by 248% in London, and 229% nationally, this represented 12% of all income in London, and 17% in England – this is likely to reflect the contribution of the furlough scheme, and government loans discussed above. Other public subsidies returned to 3% above 2019/20 levels in London in 2021/22, and 44% in England. In summary, earned income by London NPOs fell by £337 million to £92 million in 2020/21, while total subsidy increased by £75 million to £330 million - figures are after inflation and in 2021/22 prices, Table 2.5.

By 2021/22 the income of London NPOs was 10% below its 2019/20 level, and for England it was 9% lower. Total subsidy for both geographies was 21% higher than in 2019/20, compared with a 29% uplift for London in 2020/21 and 31% for England. Earned income in 2021/22 was 66% of its level in 2019/20 in London, and 67% in England. In summary, earned income of London NPOs in 2021/22 was still £148 million below its level in 2019/20, while total subsidy remained at £54 million above its level in 2019/20 – figures are after inflation and in 2021/22 prices.

Table 2.5: Sources of income of ACE NPOs, after inflation, London and England, 2019/20 to 2021/22

		Value			Change on 2019/20		Percentage change on 2019/20	
		2019/20	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	London							
	Total	**839**	**569**	**756**	**-270**	**-83**	**-32%**	**-10%**
	Earned income	429	92	281	-337	-148	-78%	-34%
	Contributed income	155	147	166	-8	11	-5%	7%
	Total subsidy	255	330	309	75	54	29%	21%
o/w	*ACE*	*167*	*203*	*211*	*37*	*45*	*22%*	*27%*
	local authorities	*61*	*59*	*70*	*-3*	*9*	*-4%*	*14%*
	other	*27*	*68*	*28*	*41*	*1*	*148%*	*3%*
	England							
	Total	**2020**	**1448**	**1843**	**-571**	**-176**	**-28%**	**-9%**
	Earned income	1022	240	690	-783	-333	-77%	-33%
	Contributed income	273	262	278	-11	4	-4%	2%
	Total subsidy	724	947	876	223	152	31%	21%
o/w	*ACE*	*446*	*534*	*536*	*88*	*90*	*20%*	*20%*
	local authorities	*170*	*166*	*184*	*-4*	*14*	*-2%*	*8%*
	other	*108*	*247*	*156*	*139*	*48*	*129%*	*44%*

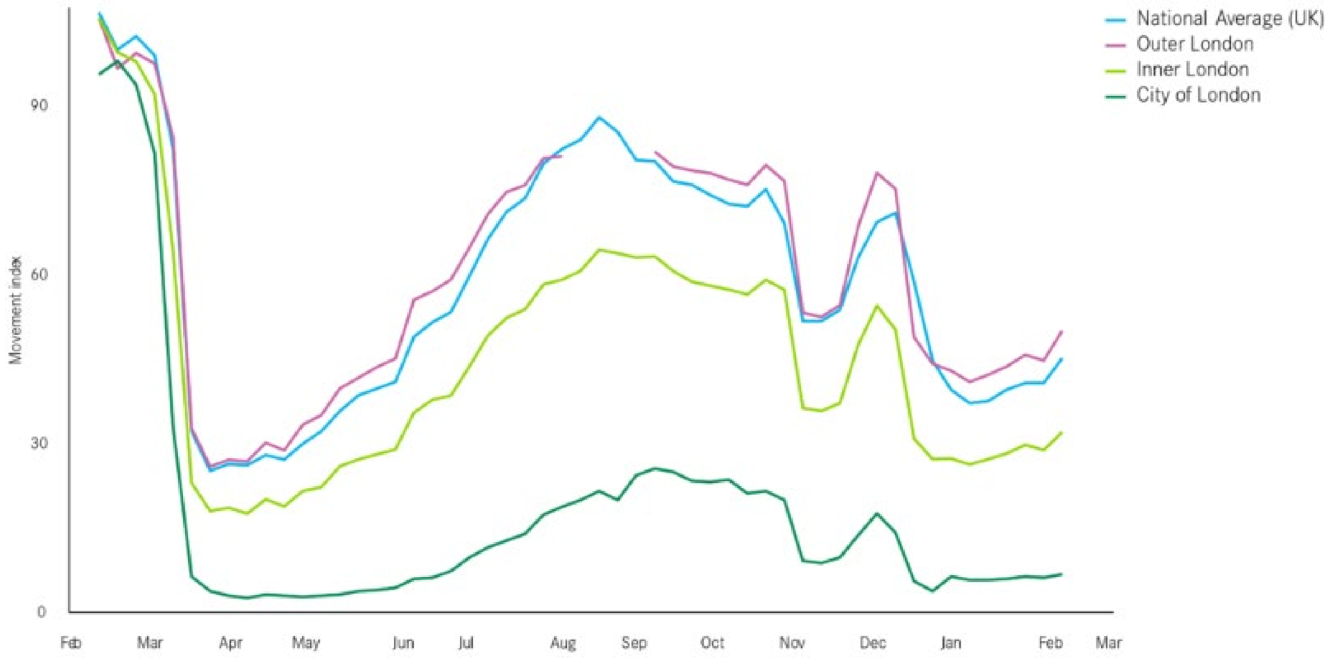
Source: ACE NPOs Annual Data Survey
Note: Inflation measure is the GDP deflator

2.5 London-specific factors – slow return to central London

It will be argued later that much of London's cultural provision is in central London. There was a rapid exodus from London during the pandemic, and there has been a slow return since. This has had a disproportionate adverse impact on the cultural sector. In the first year of the pandemic footfall to retail and recreation venues in outer London fell significantly but broadly followed the national trend. In contrast, in inner London footfall was markedly lower again, and by March 2021 was a third of its usual level, while numbers fell close to zero in a number of months in the City of London, Figure 2.16. Across the country large cities and their city centres were the most impacted by COVID-19, and the resulting social restrictions – London was the worst affected[79].

[79] Sells T (2021), London's not calling, Centre for Cities

Figure 2.16: Retail and recreation mobility, areas of London and the UK, February 2020 – March 2021



Source: Centre for Cities, London's not Calling, using Google mobility data

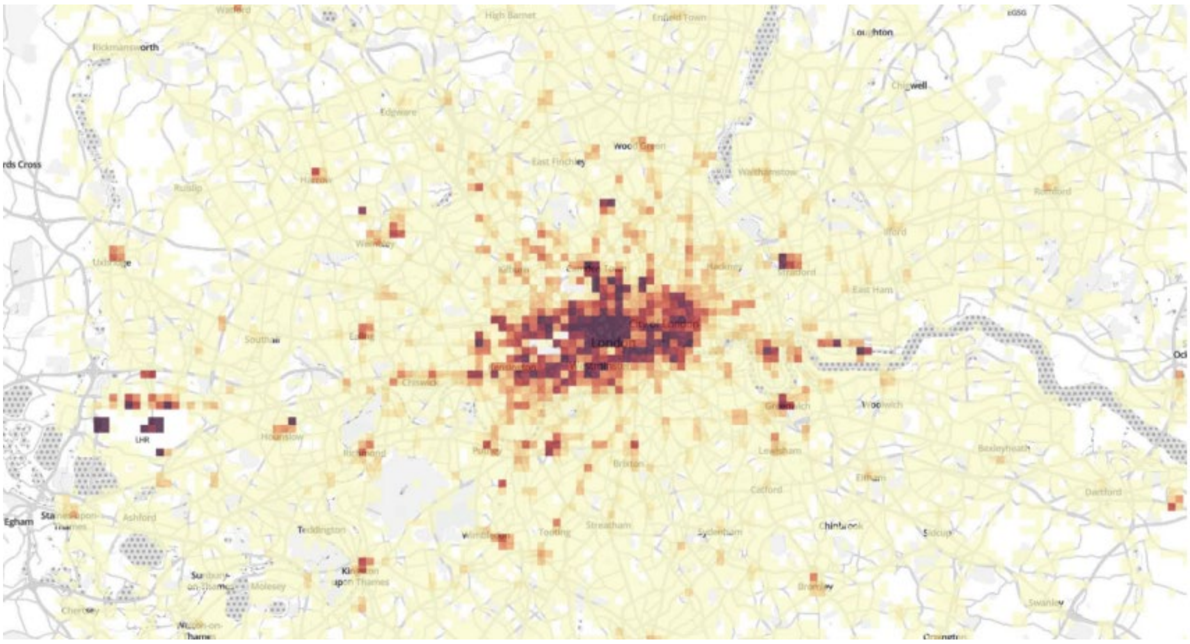
Both fewer commuters, and visitors, domestic and international, contributed to the fall in footfall. GLA Economics research[80] suggests that tourism expenditure in the CAZ far outweighs that of workers:

- A £10.9 billion loss in tourism expenditure in the CAZ (£3.5 billion domestic and £7.4 billion inbound) relative to forecast expenditure in 2020 without COVID-19
- A £1.9 billion loss in expenditure from commuters to the CAZ from workplaces being closed. £1.4 billion of this expenditure is from commuters from London and £0.5 billion is from commuters outside of London

London was the third most visited city in the world in 2018 with 19.8 million arrivals[81]. It fell to eleventh in the rankings in 2019 before rising to eighth in 2021[82]. Four out of five visitors to London say culture and heritage is the main reason to visit the city[83]. Data on spending by international tourists across the capital indicates that it is highest at shopping, accommodation, and business destinations. It is clustered around the international retail and cultural attractions of the West End and Kensington, the international business centres of the City and Canary Wharf, and the two commercial airports of Heathrow and London City, Map 2.1. The GLA Economics London at Night report provides more information on what visitors do in the capital[84].

[80] GLA Economics (2020), Lost worker vs. tourism expenditure in the Central Activities Zone (CAZ) during the COVID-19 Pandemic
[81] Euromonitor International (2019), Top 100 City Destinations: 2019 Edition
[82] Euromonitor International (2021), Top 100 City Destinations Index 2021
[83] GLA Economics (2018), London at Night – an evidence base for a 24-hour city
[84] GLA Economics (2018), London at Night – an evidence base for a 24-hour city

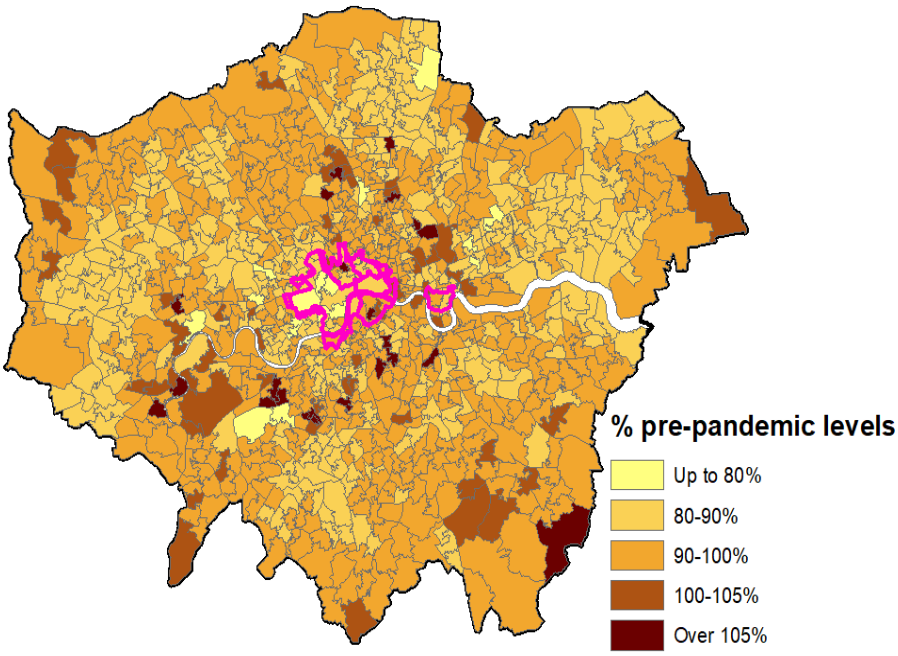
Map 2.1: Spend by international tourists compared to the average for London, 2017



Source: London First (2019), [Tourist Information: mapping the local value of international visitors](#) analysing Mastercard data

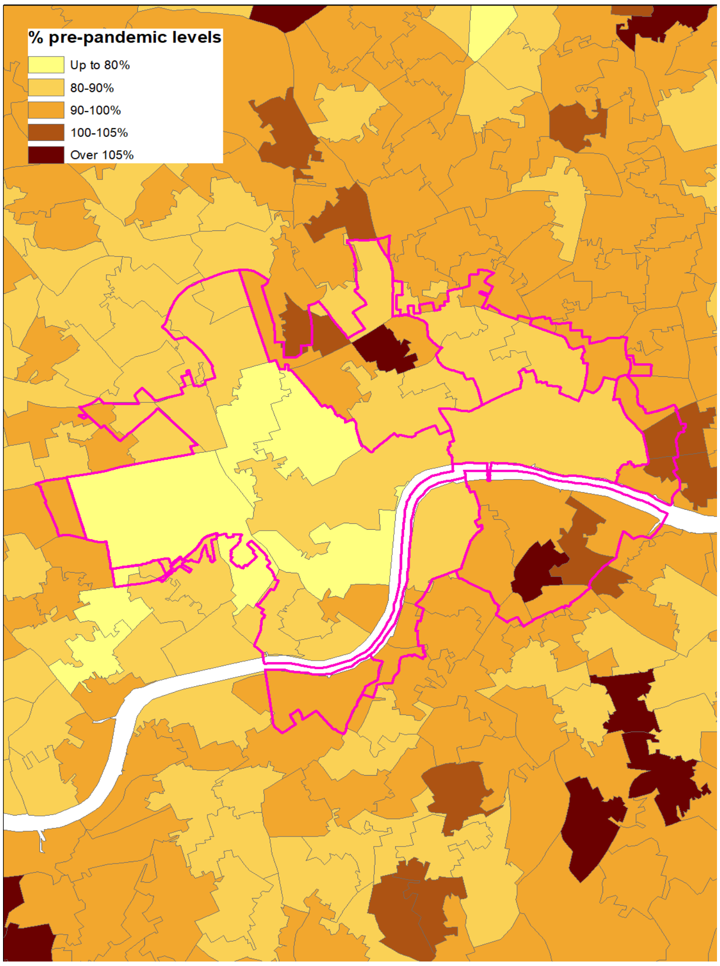
More recent data indicates that night-time footfall has not recovered to pre-pandemic levels. Across the capital it is predominantly areas at the fringe of the city where footfall is near, or has exceeded pre-pandemic levels, Map 2.2. For the CAZ there is a similar picture that footfall has not returned to pre-pandemic levels, Map 2.3.

Map 2.2: Ratio of night-time footfall across London, July 2019 to July 2022



Source: GLA Economics analysis of O2 footfall data
Note: night-time footfall is average footfall by Middle Super Output Area, 6pm – 6am

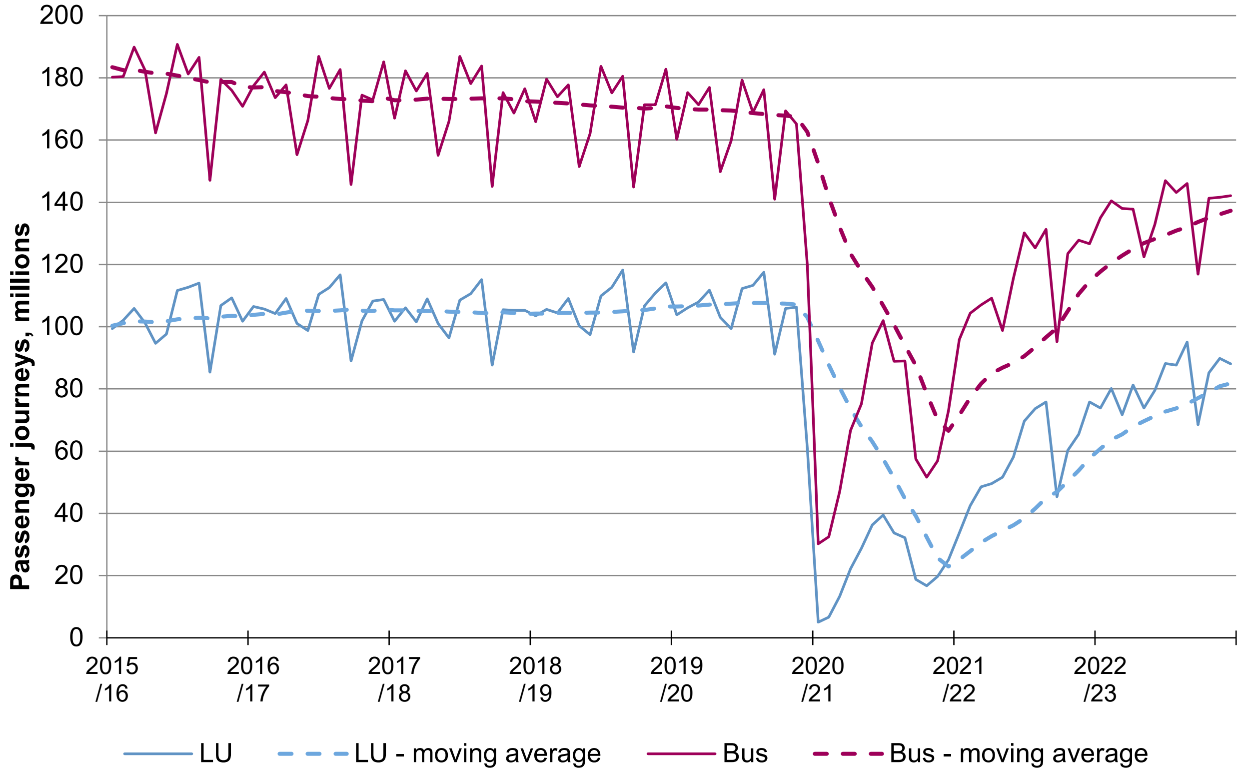
Map 2.3: Ratio of night-time footfall in the CAZ, July 2019 to July 2022



Source: GLA Economics analysis of O2 footfall data
Note: night-time footfall is average footfall by Middle Super Output Area, 6pm – 6am

This is likely to be due to some combination of fewer workers and visitors. Optimistically, the fall in footfall in the CAZ is less than the decline in passenger journeys measured by TfL. Compared with February 2020, by February 2023 the 12-month moving average of London Underground journeys was at 75% of its previous level, for buses it was 81%, and for all journeys it was 79%. Journey numbers were still recovering, if slowly, Figure 2.17.

Figure 2:17: Passenger journeys by TfL mode of transport, April 2015 – March 2023



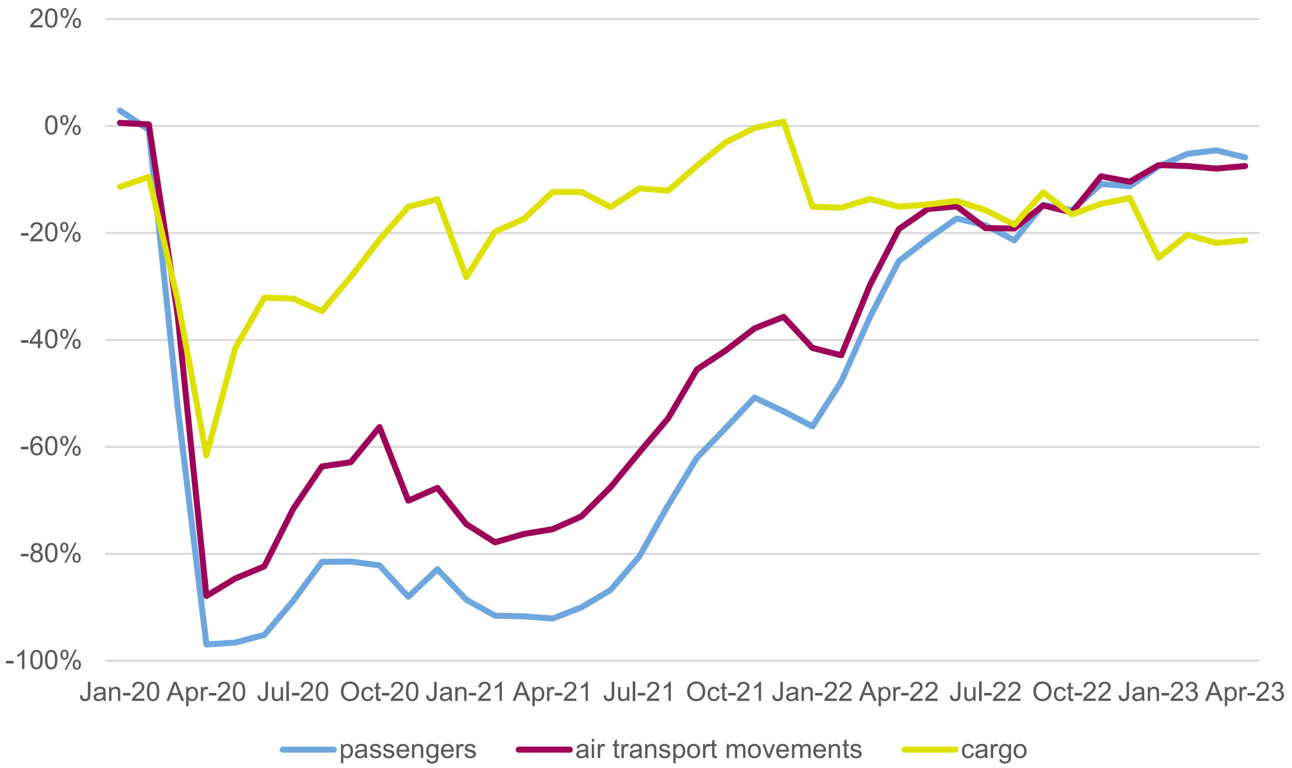
Source: TfL
Note: Adjustment made for odd days

As discussed below, London is a city that has many workers on low wages who have high rents. A reason to live in the city is to have a good quality of life from social interactions, benefiting from the agglomeration of cultural and leisure facilities in the capital. Researchers used geo-tagged photos to measure the importance of social interaction to quality of life. These are photos shared on social media, and are often taken at places of social interaction. Modelling did indicate the importance of social density effects to quality of life[85], and is consistent with the conclusion that central London remains an important destination for leisure purposes. London's population fell by around 110,000 in 2021 as people left the capital when there were restrictions on social mobility. Its population, though, has since recovered, and continues to grow[86]. London continues to be an attractive place to live as well as to work.

In terms of visitors, by April 2020 Heathrow passenger numbers were 97% below the corresponding numbers in the same month in 2019. By April 2021 passenger numbers were still 92% below those in April 2019. Since then, with the easing of lockdown restrictions, there has been a steady recovery in passenger numbers. At the same time, by July 2022 they were still 19% below the numbers in July 2019. By Spring 2023 in April passengers were only 6% below the numbers in April 2019, Figure 2.18.

[85] Ahlfeldt G et al (2020), Lockdown shows us it is not work that attracts us to big cities – but the social life, London School of Economics, Centre for Economic Performance
[86] GLA Economics (2022), London's Economic Outlook, Spring 2022, June

Figure 2.18: Percentage change in Heathrow traffic over same month in 2019 for passengers, air transport movements and cargo



Source: Heathrow traffic statistics

The ONS has published data on international visitors up to 2022 Q4[87]. Quarter-on-quarter over 2022 there has been a steady recovery compared with trends in 2019. By 2022 Q4 visits and spend were around 90% of their level in 2019 Q4, and nights had more than recovered to reach 106% of 2019 Q4 levels.

There are conflicting indications of the demand for culture by international visitors. The rapid recovery in the international travel market during 2022 was led by North Americans, and in visits to friends and relatives, rather than holidays. That said, spend per visit and per night has been higher than previously, even after adjusting for inflation. Some of this may be temporary as people re-connect after the pandemic, and use savings built up during this time. Business trips have been the slowest to recover. This may be a permanent phenomenon perhaps reflecting greater use of videoconferencing facilities[88].

It is unclear how the CAZ will evolve with the widespread adoption of hybrid working. Research for the GLA[89] described three scenarios, capturing a range of possible outcomes:

- Bounce-back to a new normal: there is a strong economy driven by emerging office-based sectors, and a broad continuation of pre-COVID-19 trends. Office-worker visits to the CAZ bounce back quickly after the pandemic and plateau at around four-fifths of 2019 levels. Inbound tourism returns to 2019 levels by 2026, and London's population continues to grow

[87] ONS (2023), Travel Trends: 2022
[88] Hope M (2023), Post-pandemic international visitors to London, London's Economy Today, supplement, March
[89] Arup et al (2021), The economic future of the Central Activities Zone (CAZ), Phase 2 Report, GLA

- Widespread home working and re-invention: again there is a strong economy, driven by emerging office-based sectors. Home working remains the norm for those are typically based in offices, with in-person attendance rates at two-fifths of 2019 levels. Inbound tourism returns to 2019 levels by 2027. This is a bigger opportunity to re-invent the CAZ, with a greater increase in the residential population, and reinforced attractiveness to visitors

- Severe headwinds: there is more measured growth, and tourism only returns to 2019 levels by 2031. Office worker attendance rates are two-fifths of 2019 levels, and London's resident population stagnates at 2019 levels as the city becomes less attractive as a place to live and work

There will be different implications for the culture sector from each of these scenarios. Currently, it is still unclear how the CAZ is evolving. The 2022 CAZ Futures Action Plan[90], was developed by the six central London local authorities[91], the GLA and Central London Forward[92]. It contains a set of actions for central and local government to support the recovery of the CAZ.

2.6 Conclusion

The size and importance of cultural services and the creative industries to the economy and society means they have been hugely impacted by recent developments. These include Brexit, the pandemic and its aftermath, and public expenditure restraint, with steep falls in local authority and ACE funding. The creative industries have weathered the pandemic well with the help of substantial public support and despite significant job losses. Still, the income of cultural organisations fell markedly in 2020/21, and only recovered in part in 2021/22. The creative industries continue to be affected by the effects of Brexit and loss of freedom of movement, ongoing public expenditure restraint, the cost of living crisis, and the slow return to central London after the pandemic. This puts culture under threat, even while the cultural offer remains attractive. It is unclear how it will respond to the uncertain economic future for the CAZ. The music sector is particularly at risk.

[90] GLA and Central London Forward (2022), CAZ Futures Action Plan
[91] Camden, City of London, Kensington and Chelsea, Southwark, Tower Hamlets, and Westminster
[92] The sub-regional partnership for central London

Chapter 3 – Participation by Londoners in culture

3.1 Introduction

This chapter looks at the personal characteristics of who engages with culture, and how this maps onto the public funding of facilities. Participation in culture is multi-faceted, and can vary with the intersection of personal characteristics. This data is not always available, although the analysis seeks to provide a flavour of the variety of experience.

This chapter reports findings from several surveys. These are based on samples of what can be a small number of respondents. As a result there can be a margin of error around the reported estimates. This may mean that findings based on small differences in estimates may not be robust, and may be due to the sampling frame. Data from all surveys is publicly available[93].

The chapter is divided into the following sections:

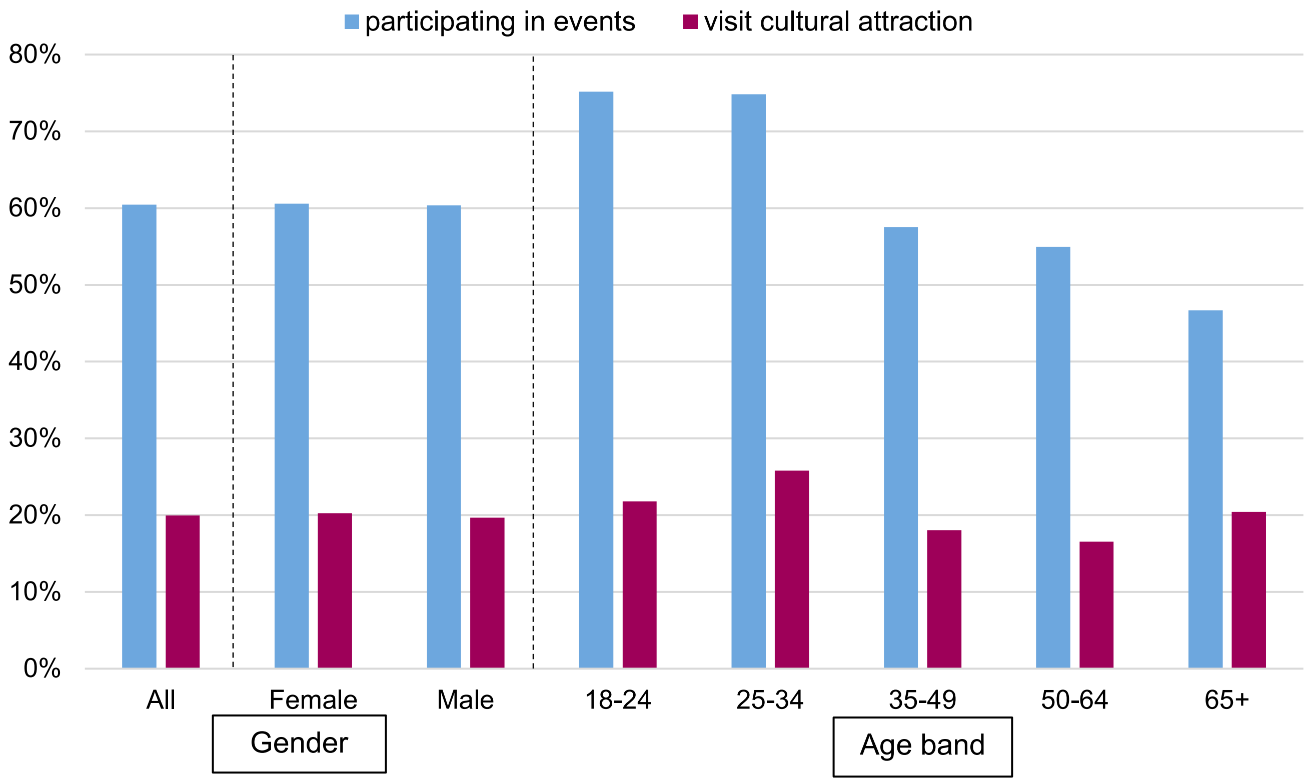
- Participation in culture by personal characteristics
- Participation in culture by income
- Provision and funding of culture around the capital
- Conclusion

3.2 Participation in culture by personal characteristics

Participation in London culture varies by social group. In February 2022, three in five (60%) of Londoners had arranged over the next month to participate in an event such as: eating out at a restaurant or bar; visiting a leisure attraction; visiting a cultural attraction; attending a music festival or concert; or attending a sporting event. One in five (20%) of Londoners expect to visit a cultural attraction. Participation by men and women was almost identical. Older people tended to participate less in events, and to visit cultural attractions less. Participation for ages 25-34 is 75%. It falls for older groups reaching 47% for people 65 and over. The likelihood of visiting cultural attractions is 22% for those aged 18-24; 26% for those aged 25-34; 17% for those aged 50-64; and, 20% for those aged 65 and over, Figure 3.1.

[93] Some results from the YouGov survey on behalf of GLA are available at GLA Poll Results 2022

Figure 3.1: Propensity to participate in events, or visit cultural attractions by gender and age band of London residents, 2022

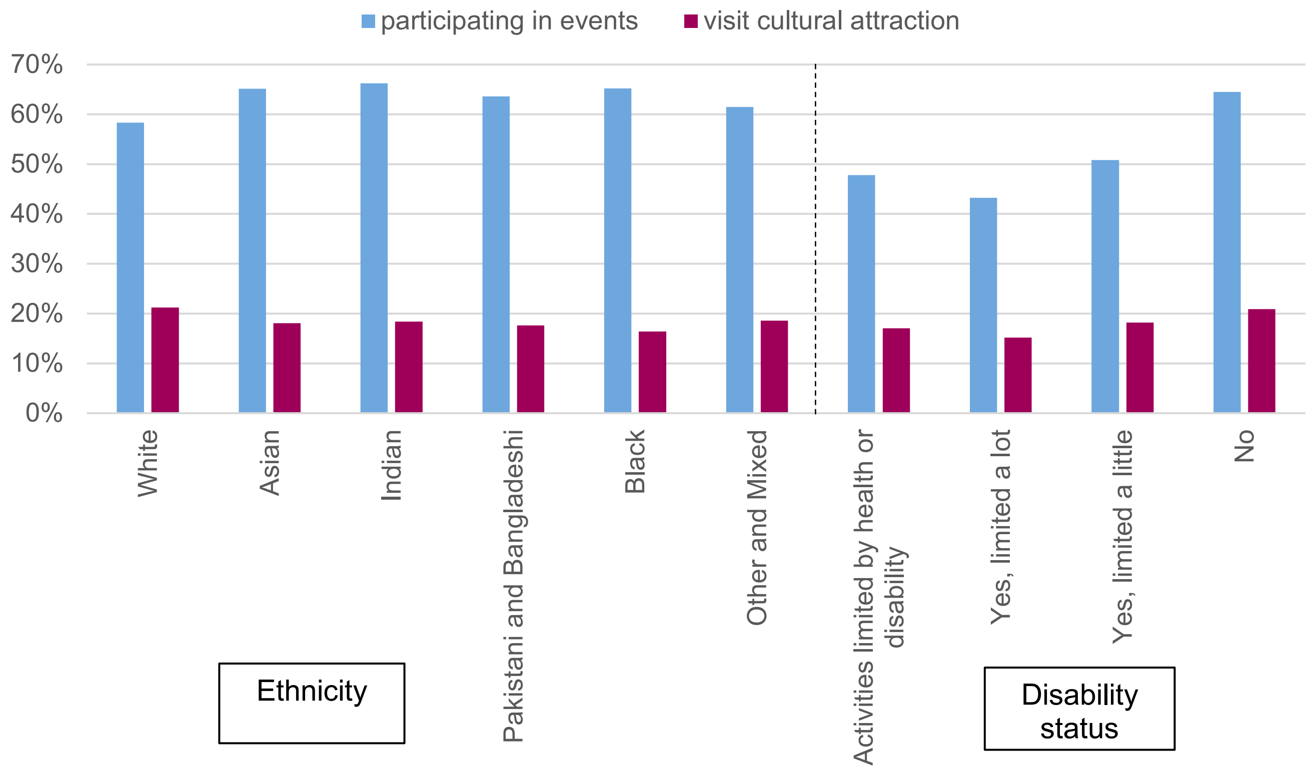


Source: YouGov on behalf of GLA
Note: All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,321 adults. Fieldwork was undertaken between 18th – 23rd March 2022. The survey was carried out online. The figures have been weighted and are representative of all London adults (aged 18+).

There are also some clear patterns by ethnicity and disability. White people are less likely than other ethnic groups to participate in events, but slightly more likely to visit cultural attractions. In 2022, 21% of white people visited cultural attractions; compared with 18% for each of Asian, Indian, and Pakistani and Bangladeshi people; 16% of black people; and, 19% of other and mixed heritage individuals. (Similarly, and not shown in the chart, white people are more likely to attend a music festival, concert or nightlife.)

The degree of disability a person faces affects their participation in events, and visits to cultural attractions. Among people who are limited a lot in their activities 43% have arranged to participate in events, and 15% to visit cultural attractions. The corresponding figures for people with no disability were 64% and 21% respectively, Figure 3.2.

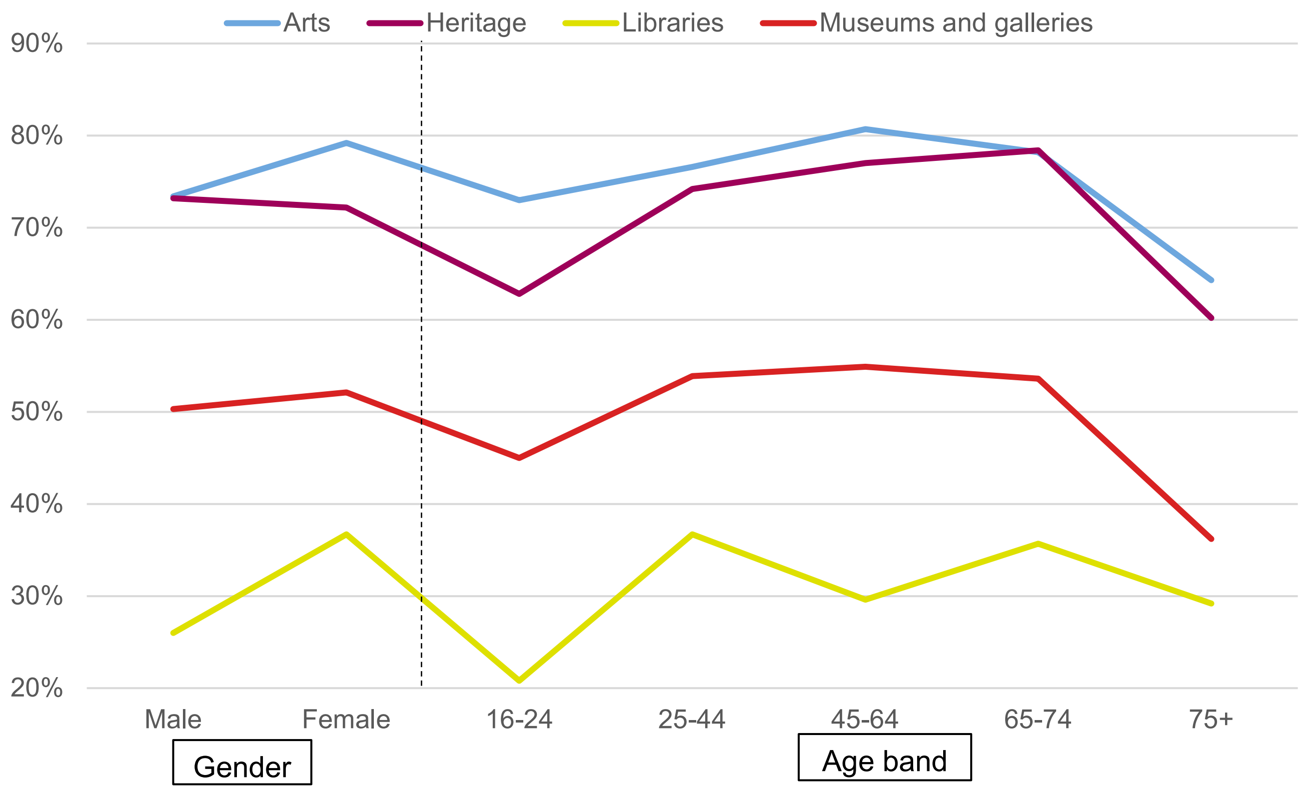
Figure 3.2: Propensity to participate in events, or visit cultural attractions by ethnicity and disability status of London residents, 2022



Source: YouGov on behalf of GLA
Note: All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,321 adults. Fieldwork was undertaken between 18th – 23rd March 2022. The survey was carried out online. The figures have been weighted and are representative of all London adults (aged 18+).

DCMS collects evidence on engagement with culture for the UK by the categories of arts, heritage, libraries, and museums and galleries. By gender and age band engagement is highest with the arts and lowest with libraries. Women engage more with the arts, libraries, and museums, and men engage more with heritage. Those aged 16-24 and 75 and over engage less with all forms of culture than other age groups. Participation in the arts begins to decline at 75, while for heritage it begins at 65, Figure 3.3.

Figure 3.3: Engagement in categories of culture in the UK by gender and age band, 2019/20

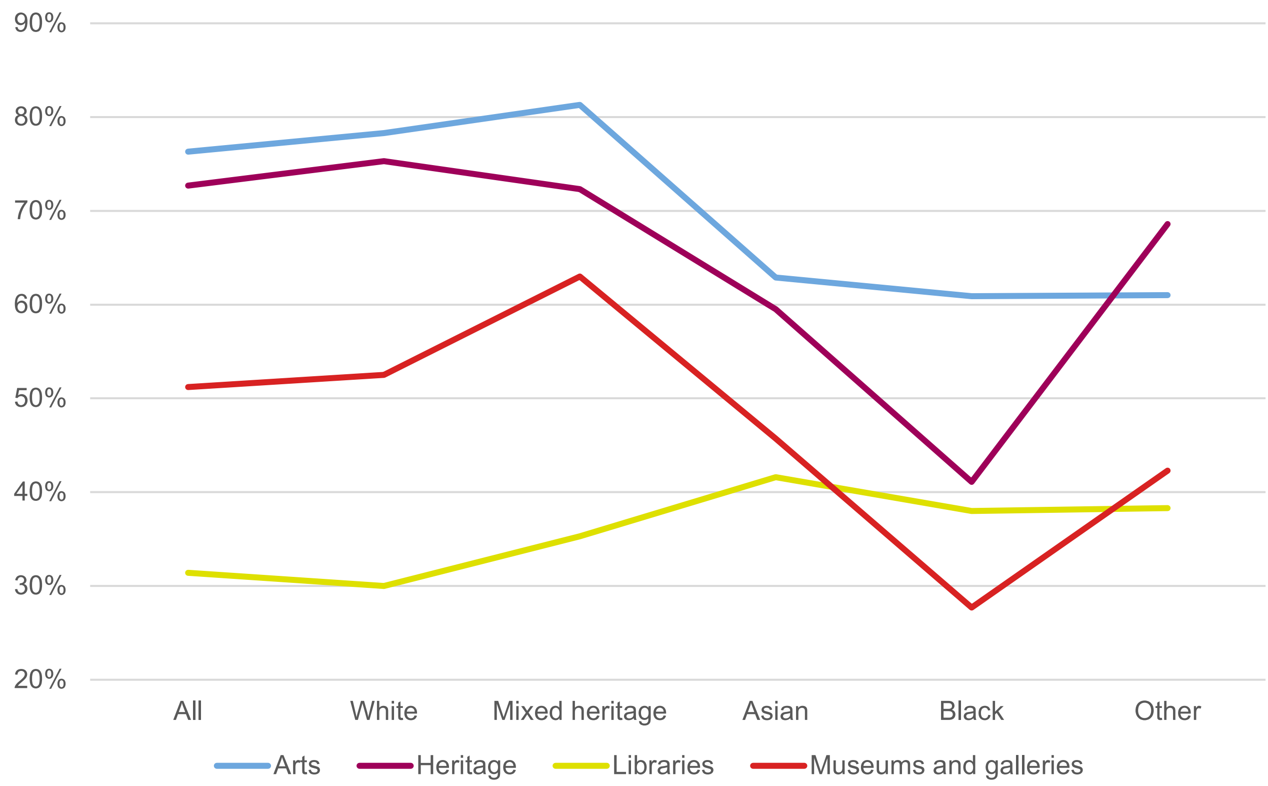


Source: DCMS Taking Part Survey 2019/20

In the UK, white people, and people of mixed heritage, are more likely than other ethnic groups to engage in the arts, heritage, and museums and galleries. People who are Asian, black and from the 'other' group are more likely to engage with libraries, Figure 3.4. This finding that different ethnic groups have different ways of engaging with culture is consistent with an earlier finding. Black people in London are as likely as other ethnic groups to participate in events, but less likely to visit cultural attractions. Other research[94] provides more granular analysis of engagement with individual cultural forms by personal characteristics.

[94] Lakey J et al (2017), Culture, sport and wellbeing: findings from the Understanding Society adult survey, NatCen Social Research for the DCMS CASE programme

Figure 3.4: Engagement in categories of culture in the UK by ethnicity, 2019/20



Source: DCMS Taking Part Survey 2019/20

Additional analysis[95] supported by DCMS suggests a richer framework to understand the socio-economic factors that drive engagement:

- Childhood experience of engaging in all types of culture is positively associated with engaging in culture as an adult
- Those with higher levels of education are more likely to engage in culture
- Media consumption is positively associated with engagement in culture and sport
- The probability of ethnic minorities engaging in culture varies with age. For young people, ethnic status has no effect for attending a heritage site, an arts event, or a museum, while among older people those from a Black, Asian or Minority Ethnic (BAME) group are less likely to engage in culture than their counterparts
- Having a sense of influence on the provision of cultural and sporting opportunities strongly predicts engagement

Follow-up analysis commissioned by ACE[96] identified the importance of social context as a driver of engagement with culture:

- People are more likely to engage in culture if other adults in their household also did. For example, for those living in a couple, participation in dance was five times more likely if the other partner also engaged; and, having attended the theatre was four times more likely. This partly reflects the tendency

[95] Marsh K et al (2010), Understanding the drivers of engagement in culture and sport, DCMS CASE programme
[96] Lakey J et al (2017), Culture, sport and wellbeing: findings from the Understanding Society adult survey, NatCen Social Research for the DCMS CASE programme

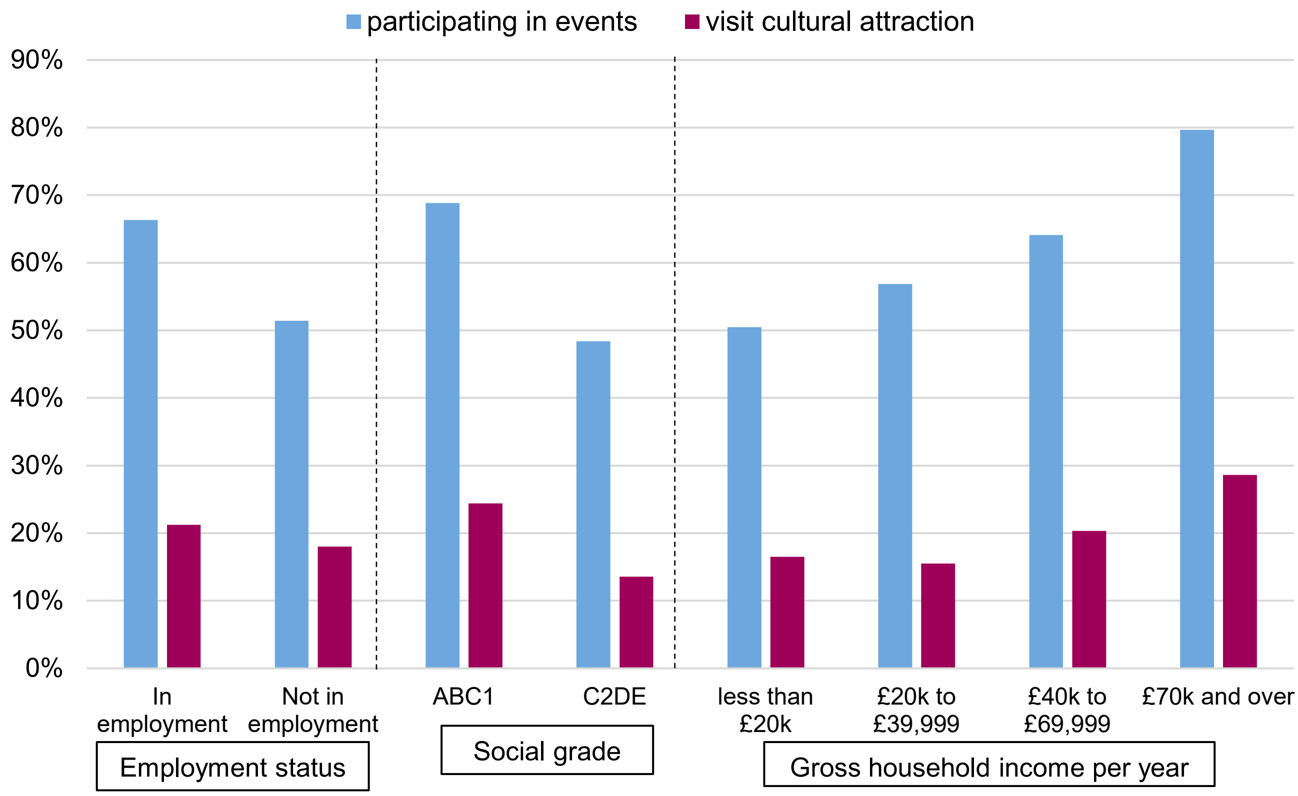
of people with similar interests to form households together. Sharing activities with others may be an important driver for engagement. Adults from households with children aged between 5 and 10 were more likely than adults with no children to visit the theatre; combined arts events; heritage sites; museums and galleries; and libraries. Those providing small to moderate amounts of unpaid care to other adults were also more likely than non-carers to attend arts events, heritage sites, and libraries.

The analysis of this section, and reported research, indicates that participation in culture is multi-faceted, and not just a reflection of personal characteristics.

3.3 Participation in culture by income

Participation in culture is less likely for those on lower income - whether this is measured by employment status, social grade, or gross household income. Individuals in employment are more likely to arrange to participate in events (66%) and visit cultural attractions (21%) than those not in employment (51% and 18% respectively). Similarly, people from social grade ABC1 are more likely to participate in events (69%) and visit cultural attractions (24%) than those from social grade C2DE (48% and 14% respectively). Finally, the likelihood of participating in social events and visiting cultural attractions increases with gross household income. Of individuals in households with annual income of less than £20,000, 50% participated in events, and 17% visited cultural attractions. For those with a household income of £70,000 and more, 80% participated in events, and 29% visited cultural attractions, Figure 3.5.

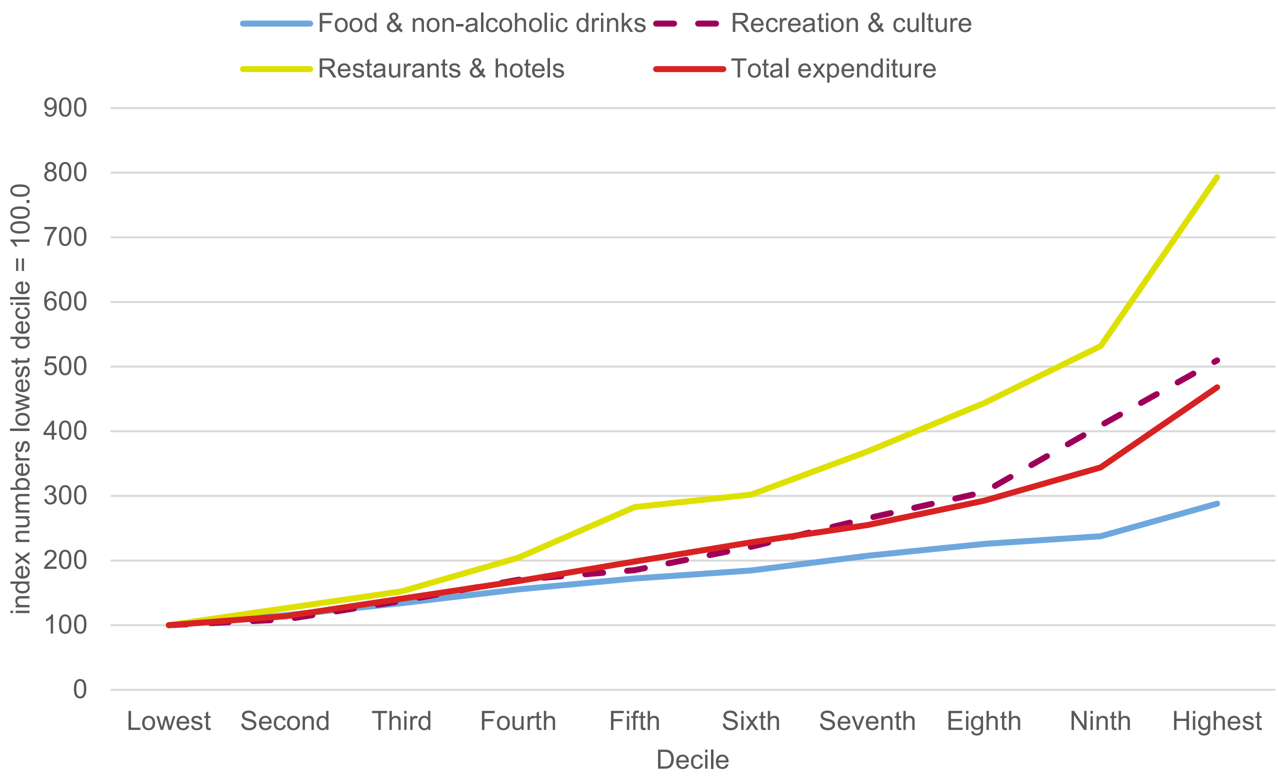
Figure 3.5: Propensity to participate in events, or visit cultural attractions by employment status, social grade, and gross household income of London residents, 2022



Source: YouGov on behalf of GLA
Note: All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,321 adults. Fieldwork was undertaken between 18th – 23rd March 2022. The survey was carried out online. The figures have been weighted and are representative of all London adults (aged 18+).

Across the UK, spending on culture is higher by higher income groups. The top household income decile spends 5.1 times as much on culture as the lowest decile. This is a higher ratio than for all expenditure, which is 4.7, and for food and non-alcoholic drinks, which is 2.9. However, it is lower than some other items – for restaurants and hotels the ratio is 7.9, Figure 3.6. This difference may be because households on the lowest incomes are less able to afford restaurants and hotels, but may be more able to participate in recreation and culture. In 2019/20, households in the lowest income decile typically spent £31 a week on recreation and culture, and £16 a week on restaurants and hotels. The corresponding figures for the top decile are £158 and £127 respectively, indicating the relatively high importance of recreation and culture within these households.

Figure 3.6: UK household expenditure by disposable income decile group, recreation and culture and other items, 2019/20, index numbers lowest decile = 100.0

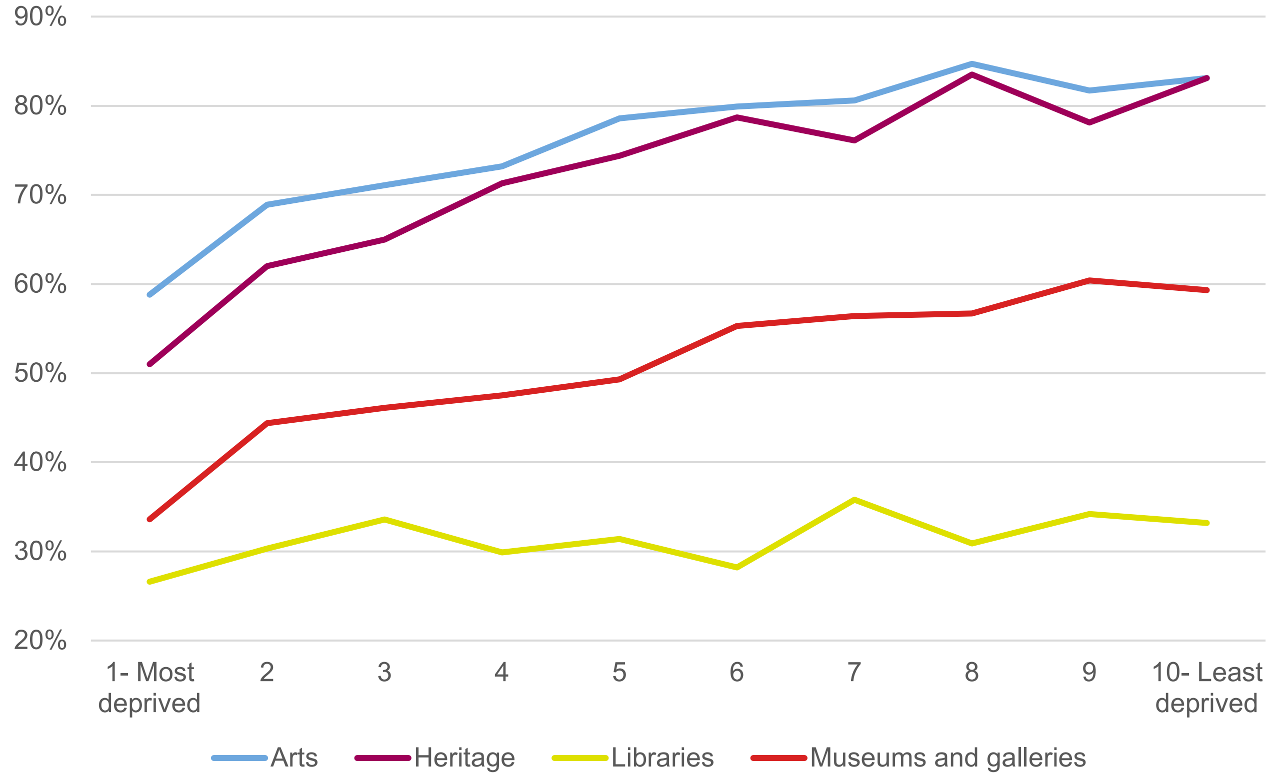


Source: ONS Family Spending

Similarly, engagement with culture across all forms of culture is higher for households that are less deprived (as measured by the index of multiple deprivation[97]). For the UK, 83% of individuals from the least deprived households engage with the arts and heritage. For individuals in the most deprived households, 59% engage with the arts, and 51% engage with heritage. There is less engagement with other forms of culture across individuals. This disparity narrows when it comes to engagement with libraries: 27% of people from the lowest decile engage, compared to 33% of people from the highest decile, Figure 3.7.

[97] DLUHC (2019), The English Indices of Deprivation 2019 (IoD2019)

Figure 3.7: Engagement in categories of culture in the UK by index of multiple deprivation, 2019/20

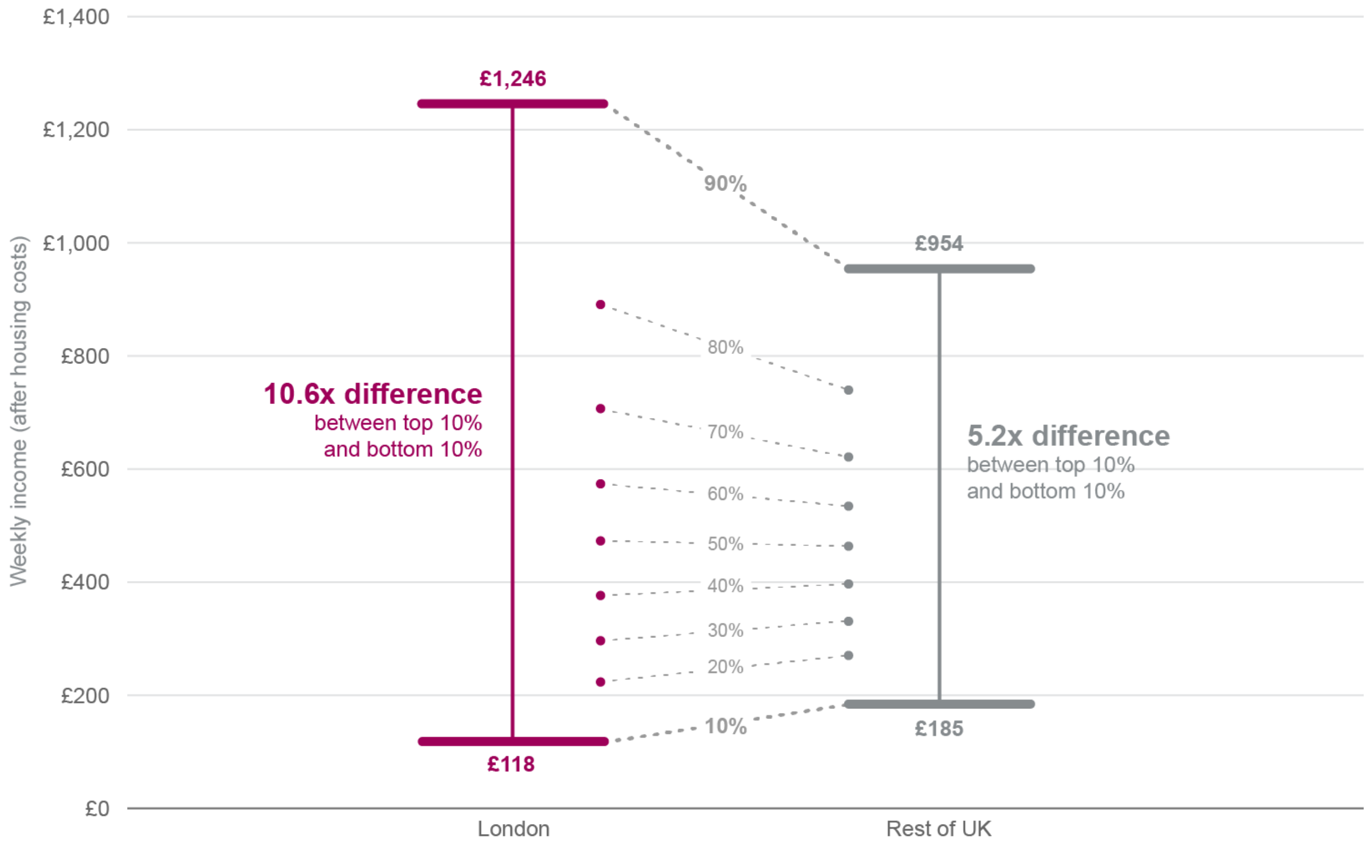


Source: DCMS Taking Part Survey 2019/20

London is a very unequal city, and this will impact on aggregate participation in culture. The income (after housing costs) of the top 10% of households in London pre-pandemic was at least £1,246 per week, compared with £954 for the rest of the UK. The corresponding income of the bottom 10% of households in London is less than £118 per week, compared with £185 for the rest of the UK. This means that the income of the top 10% of households in London is 10.6 times higher than for the bottom 10% of households. For the rest of the UK the ratio is 5.2, Figure 3.8.

Figure 3.8: London household income inequality 2017/18 – 2019/20

Difference in weekly income (after housing costs) between top 10% and bottom 10%



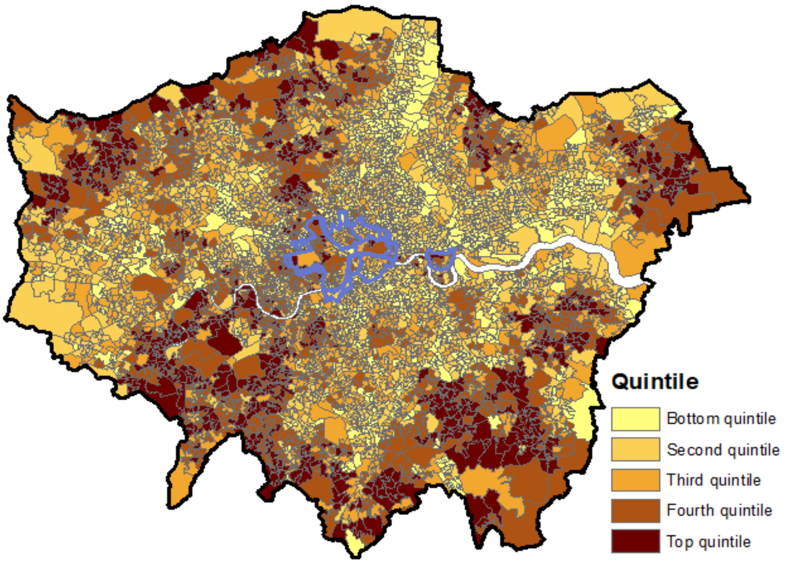
Source: GLA City Intelligence Unit analysis of DWP HBAI microdata

Higher income in working age households is likely to be associated with higher earnings. More highly productive firms will have more productive workers, and will typically offer higher earnings to reflect employees' contribution. The most productive firms in London tend to be in the centre, to reap the benefits of agglomeration economies[98].

In contrast, indicating the scale of deprivation in London, 16% of its 4835 Lower Super Output Areas (LSOAs), or neighbourhoods, are in the most deprived quintile for England; and, 13% are in the least deprived quintile, Map 3.1. In terms of LSOAs, London is slightly under-represented in the bottom and top quintile of the index of multiple deprivation. It accounts for 12% of all LSOAs in England in the bottom quintile, and 10% in the top quintile. (15% of LSOAs in England are in London.)

[98] GLA Economics (2020), The Evidence Base for London's Local Industrial Strategy – Final report

Map 3.1: Quintile of index of multiple deprivation for London Lower Super Output Areas



Source: DLUHC The English Indices of Deprivation 2019

3.4 Provision and funding of culture across the capital

London has extensive cultural provision that measures up well against other major world cities in terms of numbers of venue types and performances. It is second in the world for live music venues; fourth for music performances; fifth for each of cinemas, art galleries, and museums; sixth for theatres and public libraries; and, eighth for major concert halls, Table 3.1.

Table 3.1: Ranking of world cities of venues and performances

Cinemas	Art galleries
1st Paris (312 in 2016)	1st New York (1,475 in 2015)
2nd Shanghai (208 in 2016)	2nd Paris (1,142 in 2018)
3rd Guangzhou (197 in 2018)	3rd Shanghai (770 in 2017)
-	-
5th **London** (163 in 2017)	5th **London** (478 in 2018)
-	-
11th New York (98 in 2018)	-
-	-
22nd Amsterdam (38 in 2014)	16th Amsterdam (196 in 2014)
Museums	**Major concert halls**
1st Paris (297 in 2018)	1st Chengdu (18 in 2017)
2nd Moscow (261 in 2018)	2nd New York (16 in 2015)
3rd Los Angeles (219 in 2015)	2nd Paris (16 in 2018)
-	4th Tokyo (13 in 2017)
5th **London** (192 in 2017)	-
-	-
8th Amsterdam (144 in 2018)	8th **London** (10 in 2018)
9th New York (140 in 2018)	-
-	17th Amsterdam (5 in 2015)
Public libraries	**Theatres**
1st Seoul (1,077 in 2017)	1st Paris (836 in 2018)
2nd Paris (1,047 in 2015)	2nd New York (637 in 2018)
3rd Nanjing (946 in 2019)	3rd Seoul (388 in 2017)
-	-
6th **London** (352 in 2016)	6th **London** (270 in 2018)
-	-
12th New York (207 in 2015)	-
-	-
23rd Amsterdam (80 in 2014)	23rd Amsterdam (58 in 2014)
Live music venues	**Music performances**
1st Stockholm (1,182 in 2013)	1st Melbourne (73,605 in 2018)
2nd **London** (1,056 in 2018)	2nd New York (36,192 in 2015)
3rd Tokyo (649 in 2018)	3rd Paris (31,375 in 2017)
-	4th **London** (22,828 in 2018)
5th New York (453 in 2015)	-
6th Paris (452 in 2018)	-
-	-
-	-
11th Amsterdam (147 in 2014)	18th Amsterdam (3,900 in 2014)

Source: World Cities Culture Forum database
Note: The database is constructed from different sources which may not be strictly comparable

The substantial presence of cultural facilities in London perhaps disguises a decline in cultural infrastructure. In the three or four years to 2022 (depending on the most recent survey for the individual type of cultural and creative space), there was a 2.3% decline in the number of spaces from 3,919 to 3,830. This is largely down to a loss of music, performing and visual arts spaces. There were as well compositional shifts with some types increasing: the number of creative workspaces has risen by 25 (or 20%), and cinemas by 10 (or 9%). More notable are the decreases. There are: 53 fewer commercial galleries (a 15% decrease); 31 fewer dance rehearsal studios (an 11% decrease); 11 fewer music rehearsal studios (an 11% decrease); and, 9 fewer fashion and design spaces (a 10% decrease), Table 3.2. There has also been a slight tendency for some organisations to move out of central London, or indeed London entirely.

Table 3.2: Change in London cultural and creative spaces

	2018 or 2019	2022	change in numbers	percentage change	openings	closures	opening rate	closure rate	net opening rate
Artists' workspace	266	272	6	2.3%	54	48	20%	18%	2%
Makerspaces	85	82	-3	-3.5%	12	15	14%	18%	-4%
Creative coworking desk space	75	76	1	1.3%	16	15	21%	20%	1%
Creative workspaces	124	149	25	20.2%	39	14	31%	11%	20%
Theatres	273	266	-7	-2.6%	10	17	4%	6%	-3%
Theatre rehearsal studios	222	222	0	0.0%	14	14	6%	6%	0%
Dance performance venues	200	196	-4	-2.0%	4	8	2%	4%	-2%
Dance rehearsal studios	283	252	-31	-11.0%	8	39	3%	14%	-11%
Music rehearsal studios	99	88	-11	-11.1%	10	21	10%	21%	-11%
Music recording studios	108	114	6	5.6%	24	18	22%	17%	6%
Textile design	52	50	-2	-3.8%	9	11	17%	21%	-4%
Set and exhibition building	67	60	-7	-10.4%	0	7	0%	10%	-10%
Prop and costume making	78	72	-6	-7.7%	0	6	0%	8%	-8%
Jewellery design	126	119	-7	-5.6%	4	11	3%	9%	-6%
Fashion and design	89	80	-9	-10.1%	7	16	8%	18%	-10%
Making and manufacturing	74	72	-2	-2.7%	4	6	5%	8%	-3%
Museums and public galleries	258	262	4	1.6%	14	10	5%	4%	2%
Commercial galleries	356	303	-53	-14.9%	58	111	16%	31%	-15%
Arts centres	26	26	0	0.0%	1	1	4%	4%	0%
Cinemas	113	123	10	8.8%	16	6	14%	5%	9%
Libraries	344	346	2	0.6%	2	0	1%	0%	1%
LGBT venues	51	50	-1	-2.0%	4	5	8%	10%	-2%
Archives	550	550	0	0.0%	1	1	0%	0%	0%
Total	**3919**	**3830**	**-89**	**-2.3%**	**311**	**400**	**8%**	**10%**	**-2%**

Source: WMT Urban Research Unit (2023 forthcoming), Cultural Infrastructure Data – 2022 health check, data update and research. Commissioned by the GLA
Notes: Closures for: dance and music rehearsal studios, textile design, jewellery design, and fashion and design include one re-location outside London; set and exhibition building, prop and costume making, and commercial galleries include two re-locations outside London; closures for making and manufacturing includes three re-locations outside London. Theatres are spaces with at least 30 public performances per year

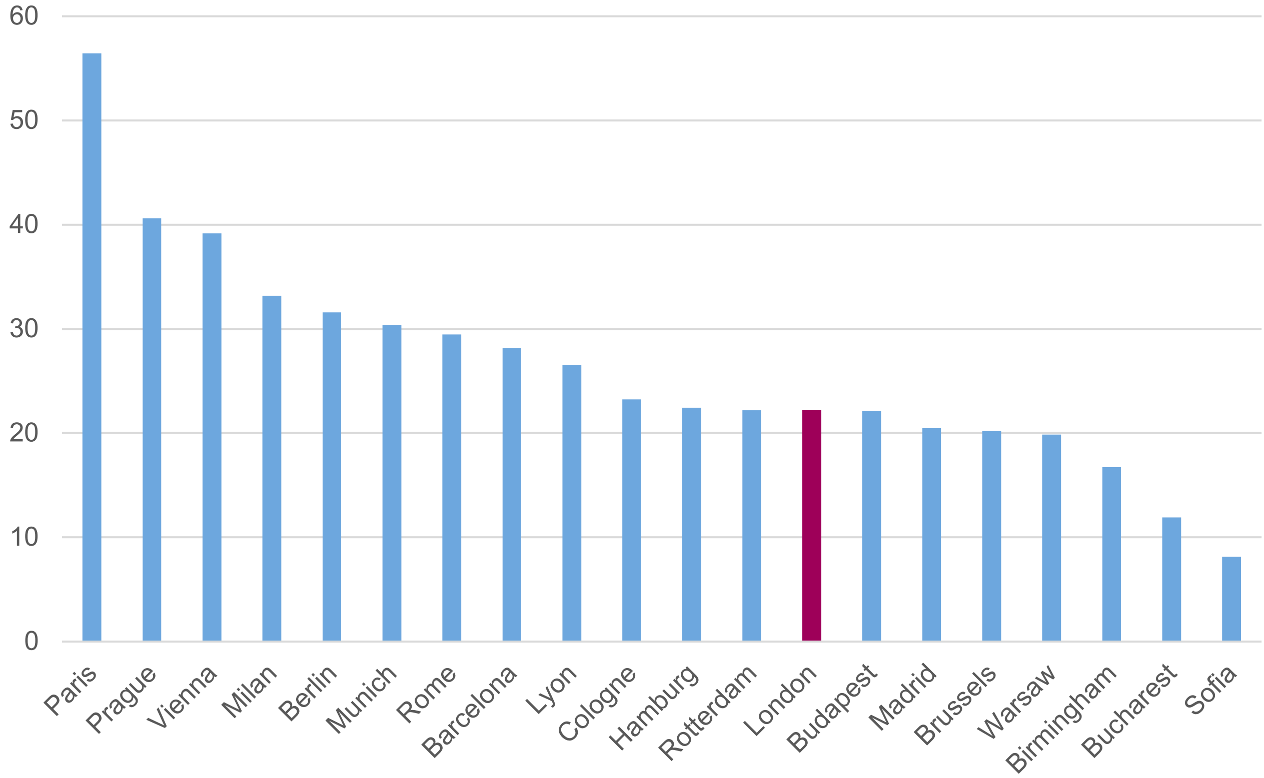
In comparison with the rate of closure of clubs and music venues up to 2017[99] there has been a slowing of the rate of closure of cultural and creative spaces.

Many of these spaces live by small margins, which will place them at risk from the cost of living crisis. For example, grassroots music venues nationally had an average profit margin of 0.2% in 2022[100].

The strength of cultural provision is not necessarily perceived in the same way by all Londoners. In 2019, the European Commission ranked the cultural vibrancy of twenty European cities with a population of over 1 million people. The ranking measures both the population-weighted number of cultural venues and facilities (sights and landmarks, museums and art galleries, cinemas, concert and music halls, and theatres), and cultural participation and attractiveness (tourist overnight stays, museum visitors, cinema attendance, and satisfaction with cultural facilities). On this basis, Paris is first, and London ranks thirteenth of twenty cities for cultural vibrancy, Figure 3.9.

[99] GLA Economics (2018), London at night – an evidence base for a 24-hour city
[100] Music Venue Trust (2023), Annual Report 2022

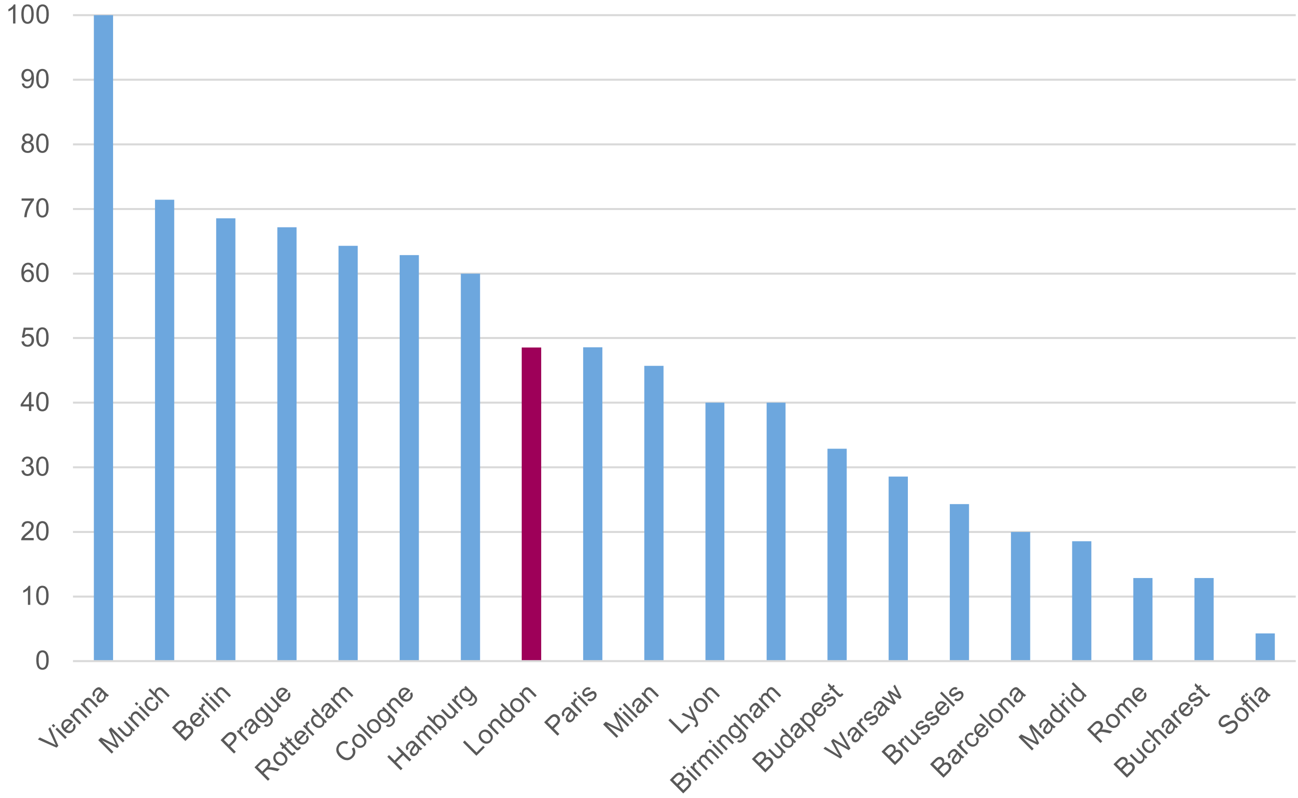
Figure 3.9: Ranking of largest EU cities by cultural vibrancy



Source: European Commission Cultural and Creative Cities Monitor 2019

By cultural satisfaction, the most immediately relevant element of vibrancy for residents, London's ranking improves to eighth place, now equal with Paris. The leading city is Vienna, Figure 3.10.

Figure 3.10: Ranking of EU largest cities by cultural satisfaction



Source: EU Cultural and Creative Cities Monitor 2019

Further public funding is mostly allocated to cultural provision in the centre of the capital. In the case of ACE a large share of its funding goes to a small number of organisations. This is less pronounced for the 2023-26 funding round as funding is likely to be less generous for organisations receiving the largest grants.

Of the 20 NPOs with the largest ACE NPO grants for its 2023-26 funding round seven are in London. Of the top ten, four are in London: the Royal Opera House; the South Bank Centre; the National Theatre; and, the English National Ballet, Table 3.3.

Table 3.3: 20 NPOs with largest ACE NPO grants, 2023-26 funding round

Rank	Name	Region	Annual Fund grant
1	Royal Opera House	London	22.27
2	Southbank Centre	London	16.83
3	National Theatre	London	16.16
4	Royal Shakespeare Company	West Midlands	15.26
5	Opera North Limited	Yorkshire and The Humber	10.68
6	Manchester International Festival	North West	9.91
7	Birmingham Royal Ballet	West Midlands	8.04
8	English National Ballet	London	6.01
9	BookTrust	Yorkshire and The Humber	5.76
10	Welsh National Opera	West Midlands	4.00
11	North Music Trust	North East	3.58
12	Tyne & Wear Archives & Museums	North East	3.36
13	Northern Ballet Limited	Yorkshire and The Humber	3.29
14	Baltic Flour Mills Visual Arts Trust	North East	3.04
15	Bournemouth Symphony Orchestra	South West	2.60
16	Royal Liverpool Philharmonic	North West	2.47
17	Sadler's Wells	London	2.38
18	Royal Exchange Theatre Company Ltd	North West	2.37
19	English Stage Company Limited	London	2.24
20	Crafts Council	London	2.22

Source: ACE NPO grant allocations
Note: figures are for ONS regions. Funding for organisations in Wales has been attributed to the West Midlands, as this is where delivery will be predominantly.

Support for the leading London organisations has declined - in terms of both cash funding, and the numbers of organisations receiving relatively high levels of grant. In the 2018-22 round five organisations were in the top 10, and nine were in the top 20. The ENO was one of the top 10 funded organisations; in the 2023-26 round it did not receive a grant offer. Subsequently for 2023/24 it has received an offer of £11.46 million, but this is not NPO grant funding[101]. ACE has set aside an additional £24 million for 2024/25 and 2025/26 for the ENO to establish a primary base outside London, while it continues to own, manage and put on work at the London Coliseum[102]. The Rambert ballet was in the top 20 in 2018-22, and moved slightly down the list of funded organisations in 2023-26.

In the 2023-26 funding round of NPO grants London has been offered an annual allocation of £152 million, or 33% of the £445 million for England. (These organisations may also receive funds from other ACE funding pots, including lottery funds, see Box 2.2 above.) This funding is heavily skewed to a few organisations. London's share falls to 20% on exclusion of the top 4, and 19% on exclusion of the top 7. The top 4 receive 40% of London's funding, and the top 7 45% - these are nationally-serving organisations. In total, there are 257 NPOs in London, 26% of the England total of 985. In comparison with the 2018-22 funding round, there is no additional funding for London, so there is a redistribution to the outer boroughs. As a proportion of the available pot, the organisations receiving the largest share face the greatest reduction. London has fewer organisations receiving ACE funding, while England has more funded organisations, Table 3.4.

[101] Khomami N (2023), English National Opera to receive £11.46m from Arts Council England, Guardian, 17 January
[102] ACE (2023), A joint update from Arts Council England and the English National Opera

Table 3.4: Distribution of ACE NPO annual grant funding to London and England in 2018-22 and 2023-26 funding rounds

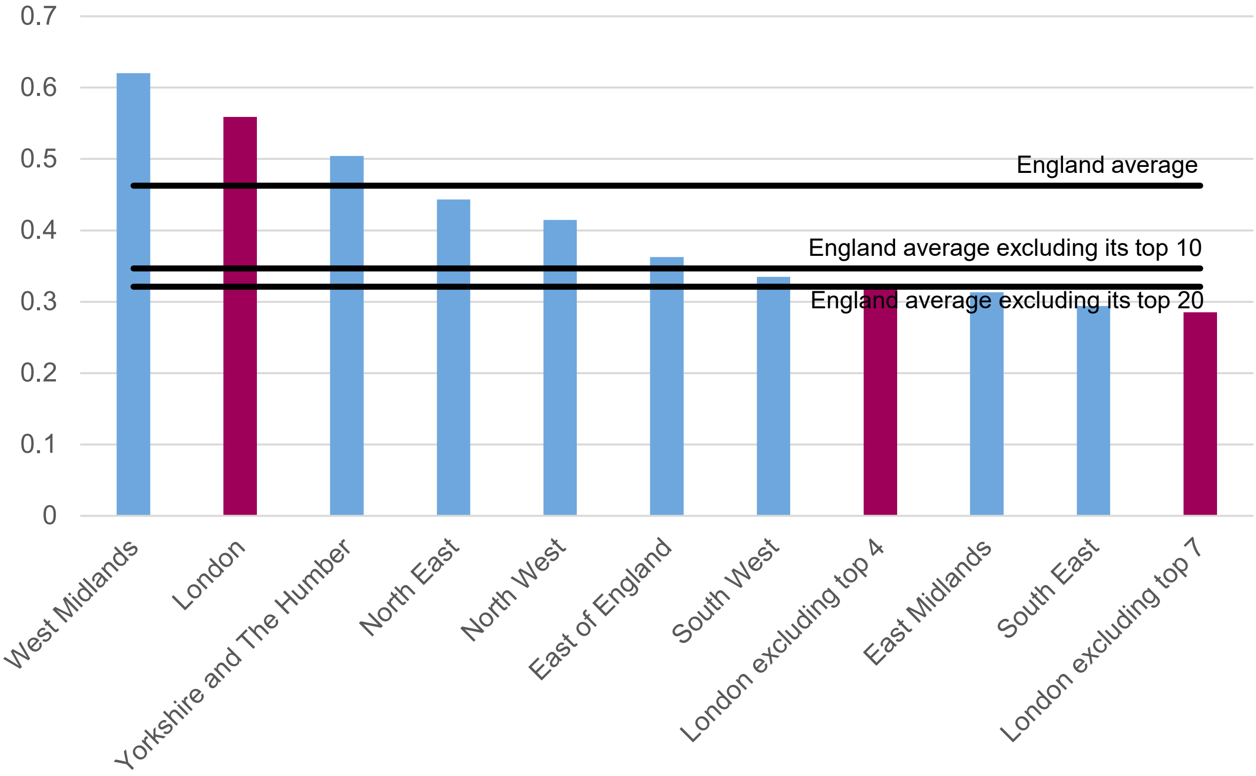
	2018-22	2023-26
London total annual fund grant	£166m	£152m
England total annual fund grant	£406m	£445m
London share of total	41%	33%
London share without top 4/5	22%	20%
London share without top 7/9	19%	19%
Top 4/5 share of London total	47%	40%
Top 7/9 share of London total	53%	45%
London funded organisations	268	257
England funded organisations	840	985
London share	32%	26%

Source: ACE NPO grant allocations, 2018-22 funding round and at 4 November for 2023-26 funding round
Note: For 2023-26 organisations transferring outside the capital are in England figures
Note: figures are for ONS regions. Funding for organisations in Wales has been attributed to the West Midlands, as this is where delivery will be predominantly.

Average ACE NPO annual grants per funded organisation for the 2023-26 funding round are £0.46 million (excluding organisations transferring outside the capital as their new home is not known). The highest funding is for the West Midlands at £0.62 million per organisation, reflecting the extensive funding for the Royal Shakespeare Company, the Birmingham Royal Ballet, and the Welsh National Opera[103]. London has the next highest offer at £0.56 million per organisation. Yorkshire and the Humber also receives more than the English average with funding of £0.46 million per organisation. Large grants have a distortionary impact on the calculations. Excluding London's top 4 organisations, and England's top 10 then London's average is below that of England, and of another four English regions. London's average funding excluding its top 7 organisations is below that of all English regions, Figure 3.11.

[103] There is a base in Birmingham

Figure 3.11: Average annual ACE NPO grants to English regions in 2023-26 funding round



Source: ACE NPO grant allocations
Note: Regional figures exclude organisations transferring outside the capital
Note: Figures are for ONS regions. Funding for organisations in Wales has been attributed to the West Midlands, as this is where delivery will be predominantly.

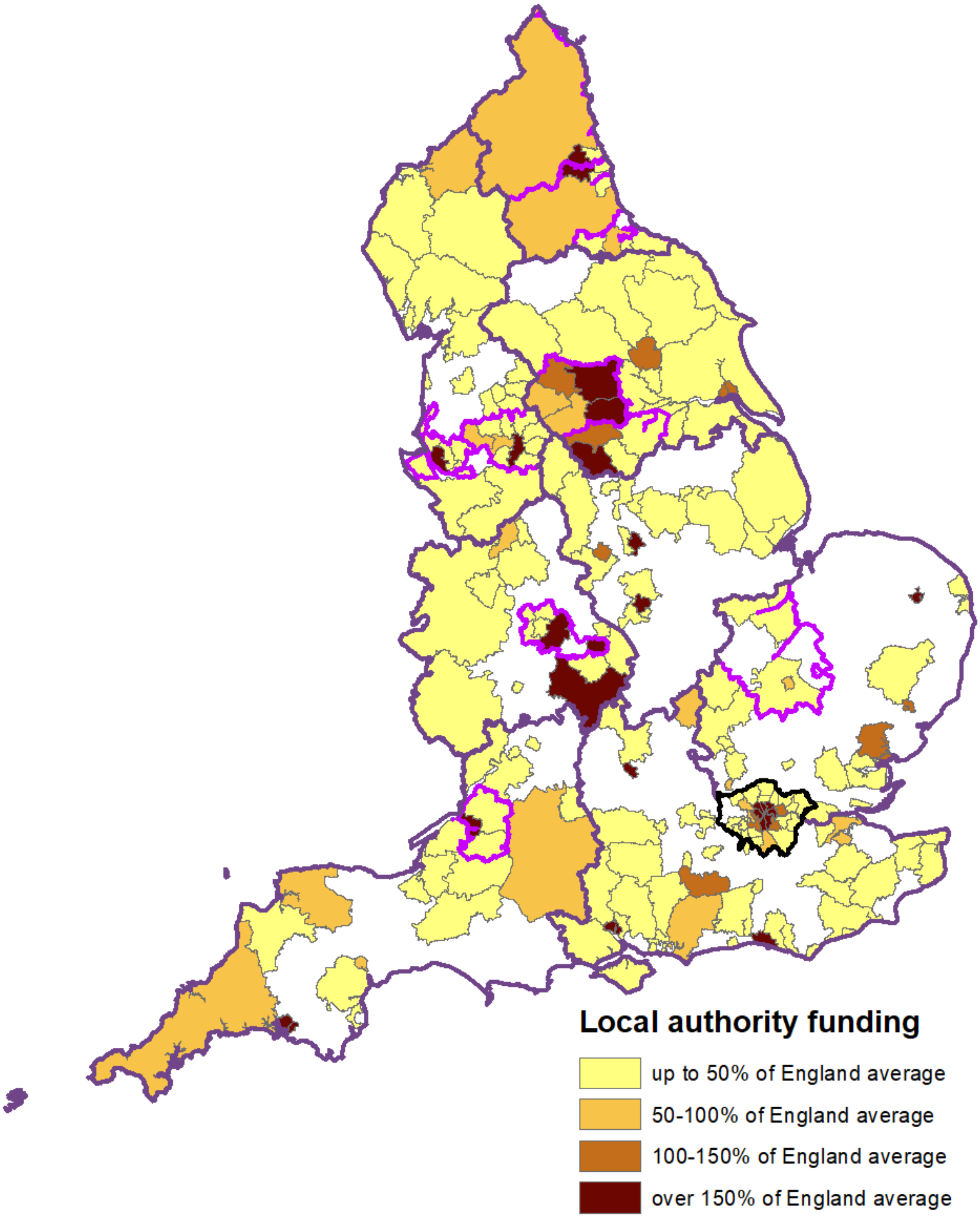
In comparison with the 2018-22 funding round average funding per organisation, relative to England, has fallen in London. For that round, London's average excluding its top 5 was similar to that for England excluding its top 10. There was a similar correspondence between the averages for London excluding its top 9, and England excluding its top 20.

There is an uneven distribution of funds within and between regions. This is partly explained by ACE's policy of building capacity outside London. Companies receiving such support include the Birmingham Royal Ballet and the Birmingham Opera, the Sage in Gateshead, the Turner Contemporary in Margate, the Nottingham Contemporary, the Hepworth in Wakefield, and Opera North in Leeds[104]. The latest NPO grant funding round has seen a shift towards funding more organisations across the country. The number of English local authorities whose organisations have received funding has risen from 184 in the previous funding round (57% of England's 325 local authorities) to 218 (67%)[105].

Map 3.2 marks out London and the Combined Authorities which tend to be the most populated areas of England. Large parts of the country receive no grants; and it is broadly, but not entirely, the case that urban areas are more likely to receive NPO grants.

[104] ACE (2013), Response to Rebalancing our Cultural Capital Report
[105] GLA Economics calculations

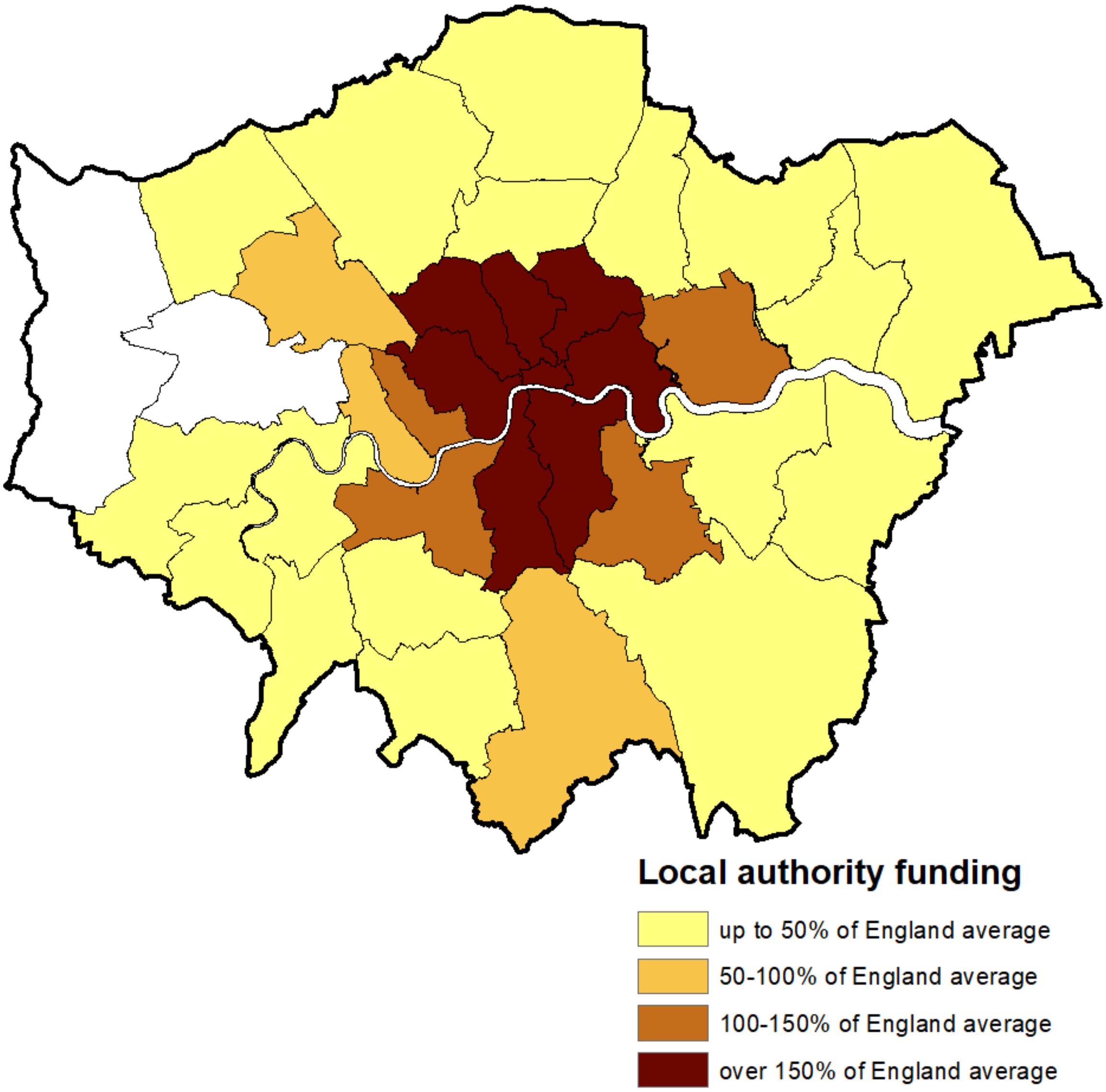
Map 3.2: Value of ACE NPO grants to English local authorities in 2023-26 funding round



Source: ACE NPO grant allocations
Note: Areas with colour boundaries are London and Combined Authorities
Note: figures are for ONS regions. Funding for organisations in Wales has been attributed to the West Midlands, as this is where delivery will be predominantly.

The skewed distribution of NPO grants also affects the distribution of funds across the capital. For the 2023-26 round local authorities in central London are allocated 150% of the England average, while most other local authorities are allocated less than 50%, Map 3.3. This is very similar to the corresponding map for the 2018-22 funding round. For 2023-26, two local authorities, Enfield and Hillingdon receive no funding. This compares with five local authorities for 2018-22 of Bexley, Ealing, Enfield, Hillingdon, and Sutton.

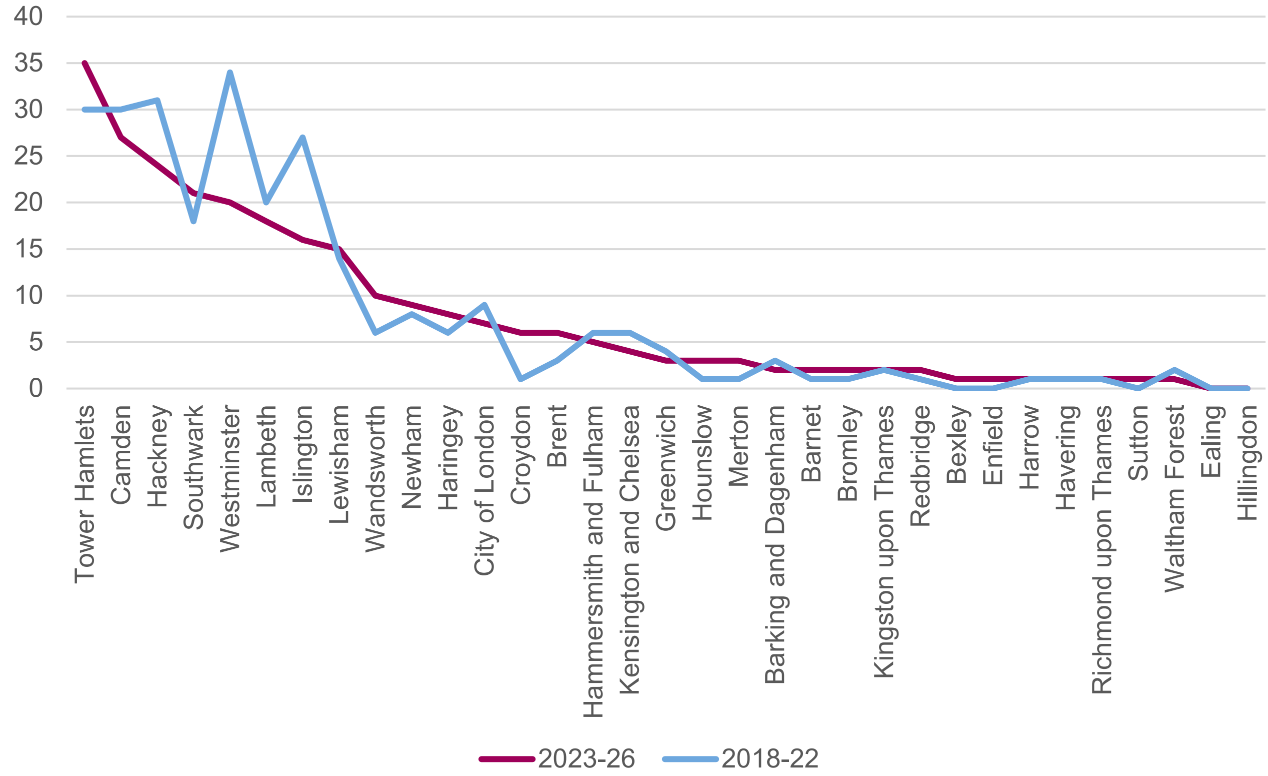
Map 3.3: Value of ACE NPO grants to London local authorities in 2023-26 funding round



Source: ACE NPO grant allocations

The London-based NPOs receiving significant funds tend to be in central London. This skewing of funds is partly due to a significant number of cultural providers in the centre. Tower Hamlets, Camden, Hackney, Southwark, and Westminster accounted for 53% of supported organisations in 2018-22. These five boroughs make up 49% of organisations in 2023-26. That said, for some inner boroughs there is a significant decline in the number of supported organisations. For example, in Westminster the number drops from 34 to 20; in Islington, from 27 to 16. As this decline is greater than the total fall in supported organisations in London, more will be supported in outer London. There were fourteen boroughs with one or less NPO in 2018-22, and this has reduced to 9 for 2023-26, Figure 3.12.

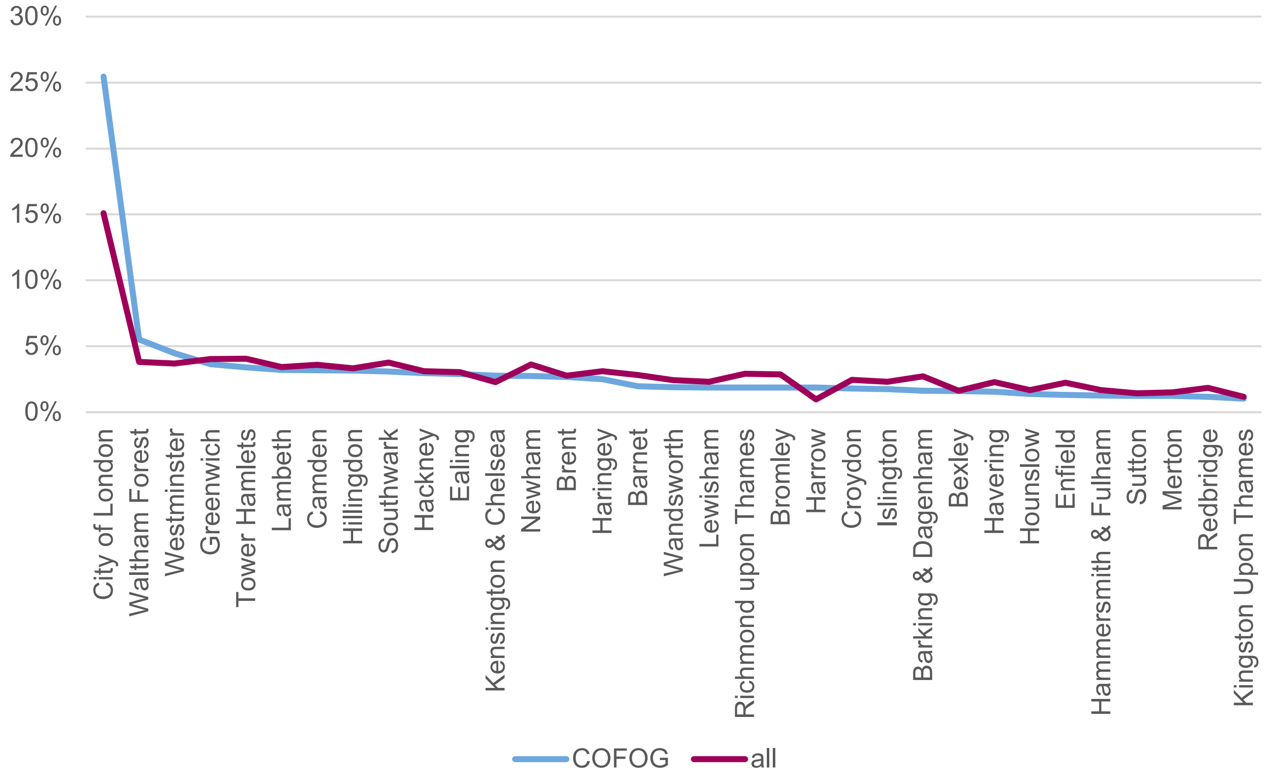
Figure 3.12: Number of ACE NPO grants to London local authorities in 2018-22 and 2023-26 funding rounds



Source: ACE NPO grant allocations, 2018-22 and 2023-26 funding rounds
Note: Figures exclude organisations transferring outside the capital

Similarly, among local authorities in London, current expenditure on cultural services is weighted towards the centre of the city for both the COFOG and broader definitions. By the COFOG definition over a quarter of spending was by the City of London. This is nearly 25 times higher than Kingston-upon-Thames, the lowest spending authority. Waltham Forest's spending may have been high in the reporting year 2019/20 because it was London Borough of Culture in 2019, Figure 3.13.

Figure 3.13: Distribution of London local authority current spending on cultural services, 2019/20

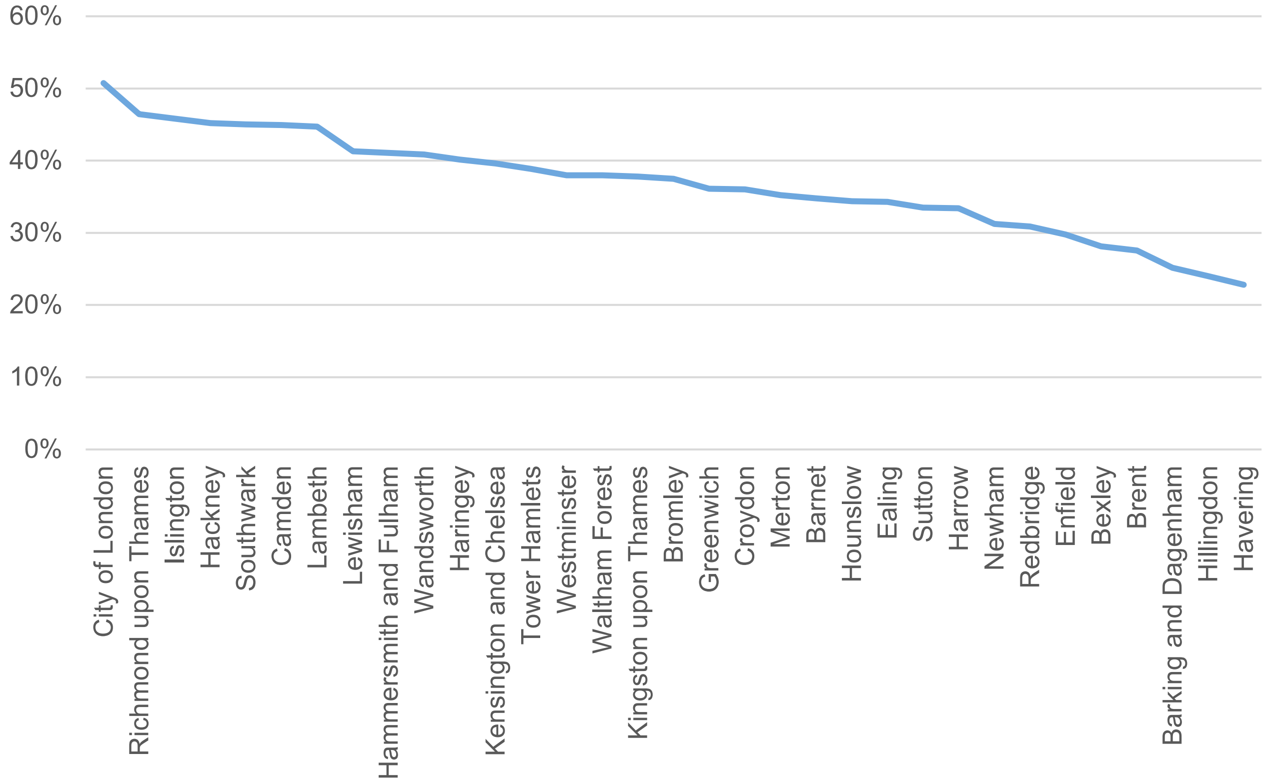


Source: DLUHC Local authority revenue expenditure and financing England, outturn data
Note: ranking is for COFOG definition

With the concentration of cultural facilities in central London, it is perhaps not surprising that Londoners living near the centre are more likely to take advantage of them. According to the 2022 YouGov survey for GLA, inner Londoners were more likely to arrange to participate in events (68% of those surveyed), and visit cultural attractions (29%) than outer Londoners (57% and 16% respectively).

An ACE survey provides a similar picture for Londoners attending cultural events. Typically, it is inner London residents who are most likely to attend cultural events. This figure was 51% for the City of London, compared with 23% in Havering, Figure 3.14.

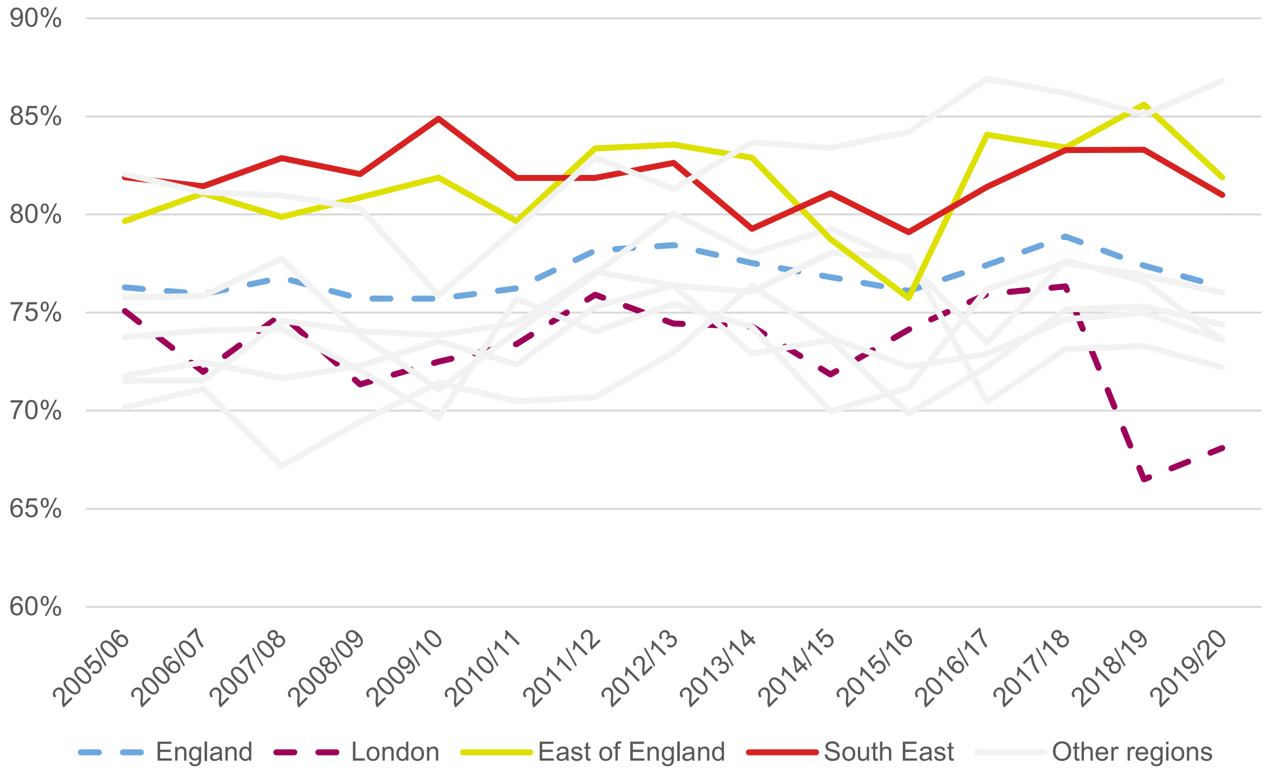
Figure 3.14: Percentage of London local authority residents attending a cultural event, 2015-17



Source: Arts Council Active Lives Survey 2015-17
Note: This includes attendance at an event, performance or festival involving creative, artistic, dance, theatrical or musical activity in the previous 12 month period

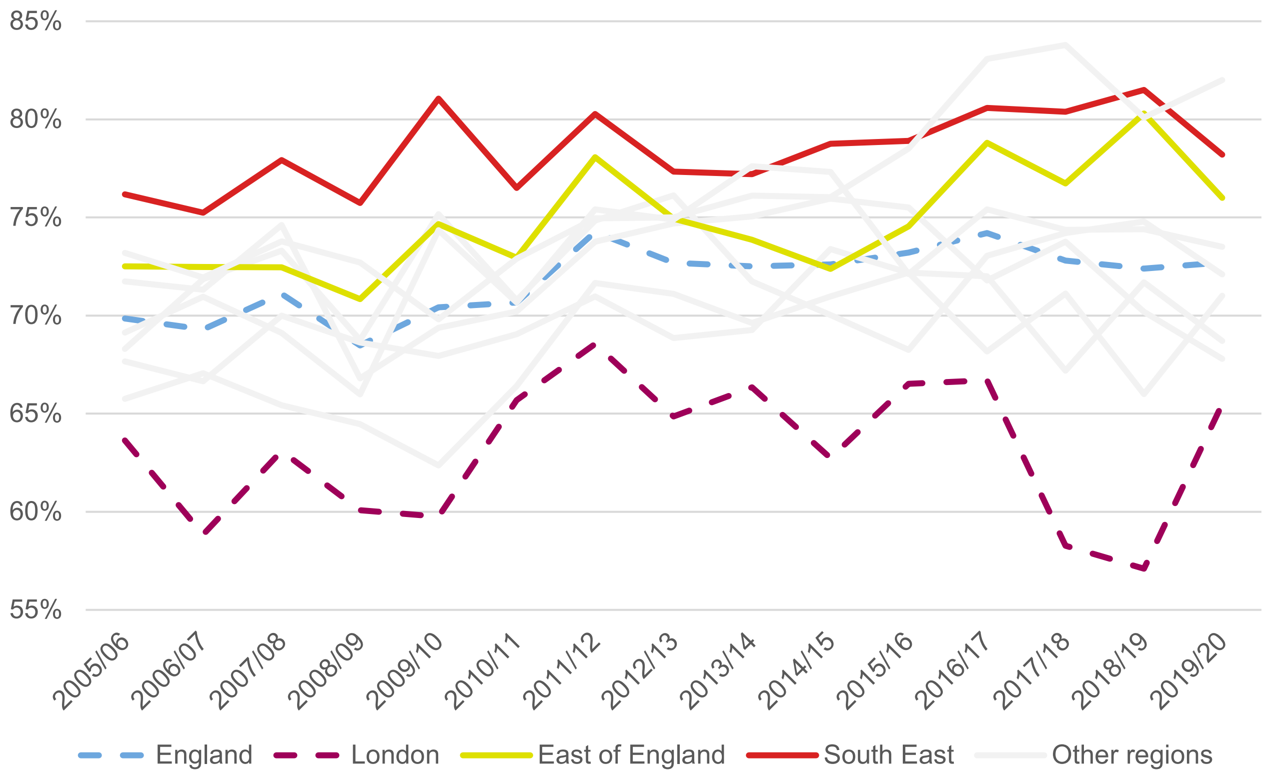
DCMS has been tracking engagement with culture at a regional level for several years. It finds significant variation by region, and art form. London residents consistently engaged with arts and heritage less than the England average, while residents of the East and South East engaged consistently engaged more. Londoners consistently engaged more with libraries and museums than the England average. There is a less clear picture for other residents of the wider South East. Those from the East of England engaged with libraries more than the average; residents of the South East engaged with museums more than the average, Figures 3.15 – 3.18. One interpretation of these findings is that the provision of cultural facilities in central London and access to an extensive transport network enable engagement with the arts across the wider South East, not just London. The cost of the arts may also be a deterrent for lower income Londoners, who may be more ready to engage with libraries and museums which are often free.

Figure 3.15: Regional engagement with the arts, 2005/6 – 2019/20



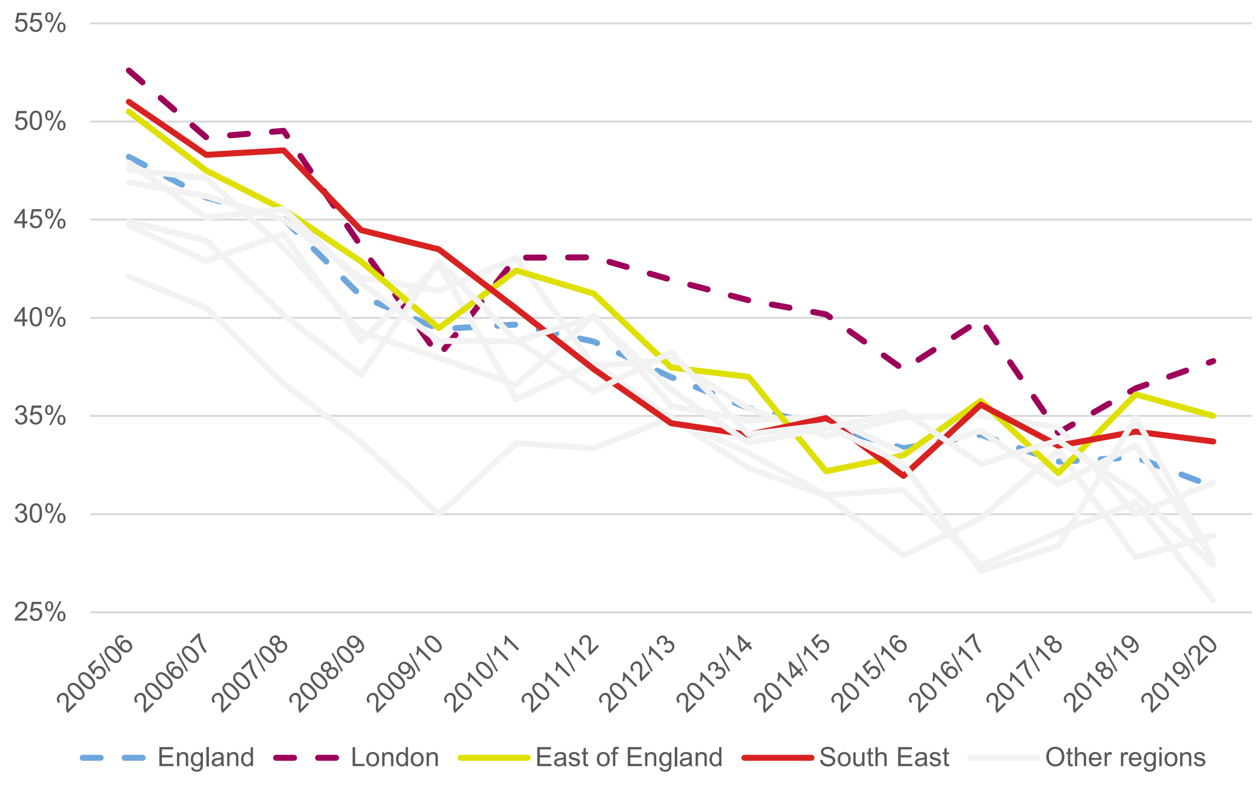
Source: DCMS Taking Part Survey

Figure 3.16: Regional engagement with heritage, 2005/6 – 2019/20



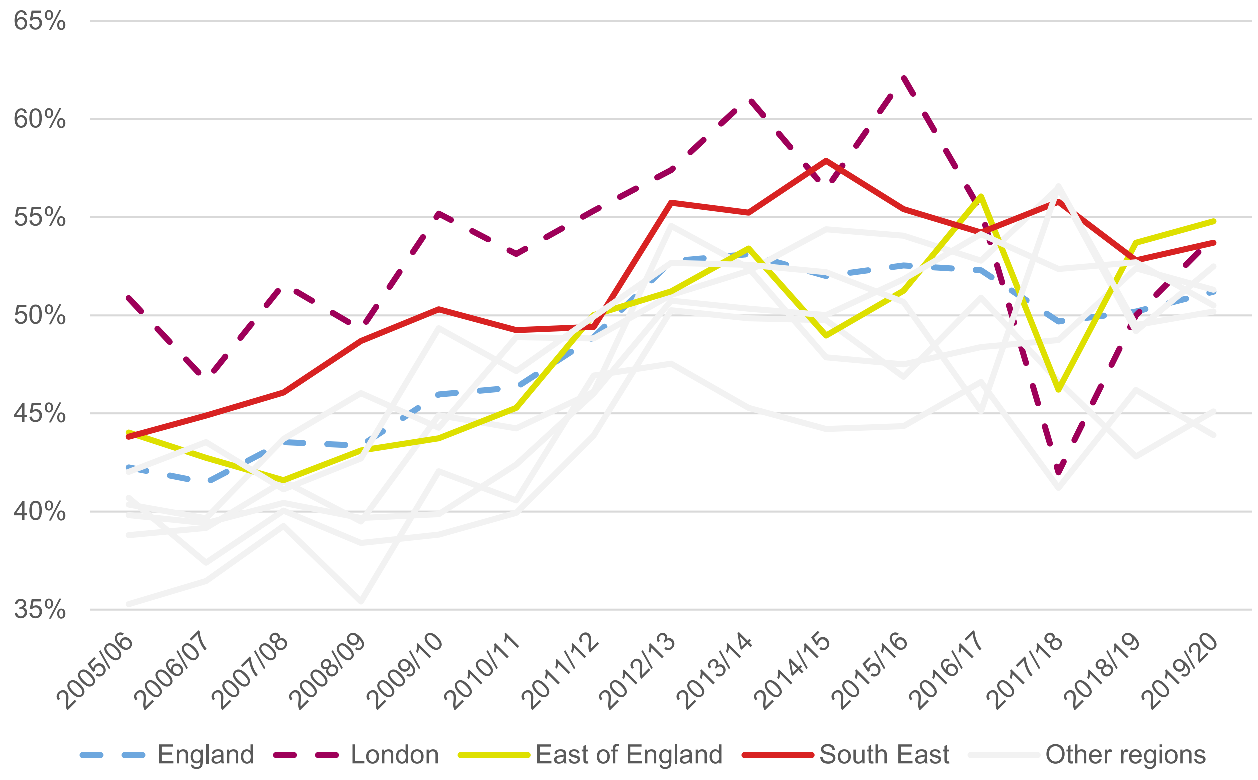
Source: DCMS Taking Part Survey

Figure 3.17: Regional engagement with libraries, 2005/6 – 2019/20



Source: DCMS Taking Part Survey

Figure 3.18: Regional engagement with museums, 2005/6 – 2019/20



Source: DCMS Taking Part Survey

3.5 Conclusion

Participation in culture is mixed according to personal characteristics and occurs less among people on a lower income. Londoners have comparatively higher income and earnings, and demand the provision of culture. Public funding for culture is concentrated on the centre of the capital, and participation is higher among inner London residents. The provision of culture also supports the wider South East population. Satisfaction with provision is lower in London than other major European cities, possibly because of more limited provision in the outer areas.

Chapter 4 – London as a locus of creative activity

4.1 Introduction

This chapter provides some longer term context on the characteristics of the creative industries in London, and, by comparison, Britain. It shows levels and trends on output, jobs, workplaces, and productivity. The second section of the chapter also provides evidence on specialisation of the creative industries, the attributes of specialisation, and links this to the concentration of activity in the CAZ.

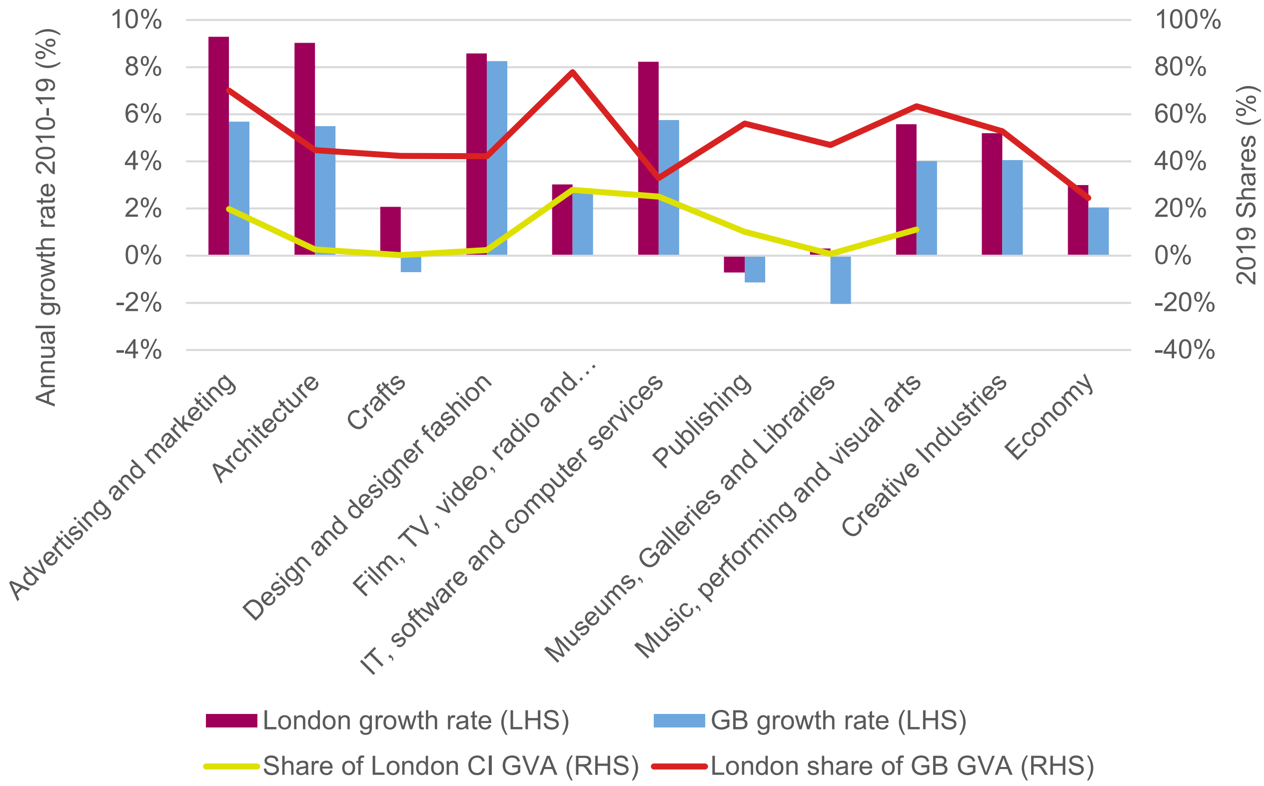
The following sections make up this chapter:

- Creative industries growing faster in London than elsewhere
- London specialises in the creative industries
- Conclusion

4.2 Creative industries growing faster in London than elsewhere

The creative industries in Britain have been growing faster than the whole economy, and faster in London than elsewhere. Between 2010 and 2019 London's economy grew at 3.0% a year, and Britain's at 2.1%. The creative industries in London grew at 5.2% a year, and across Britain by 4.1%. Across all sub-sectors, the creative industries in London grew faster than elsewhere (or shrunk by less in the case of publishing). The fastest growing sub-sectors were advertising (by 9.3% a year) and architecture (9.0% a year), followed by design (8.6% a year), and IT (8.2% a year). In contrast, the film industry had the largest share of London's creative industries output in 2019 at 26%, followed by IT at 25%, and advertising at 20%. In 2019, London's output made up more than half of national output for four sub-sectors, film (78%), followed by advertising (70%), music (63%), and publishing (56%). The creative industries in London also accounted for over half (53%) of British creative industries output, while, as a comparison, London's entire economy made up a quarter of national output, Figure 4.1.

Figure 4.1: London and GB creative industries, and sub-sectors, and economy growth rates 2010-19, creative industries sub-sector 2019 share of London output, and London 2019 share of GB output by sub-sector

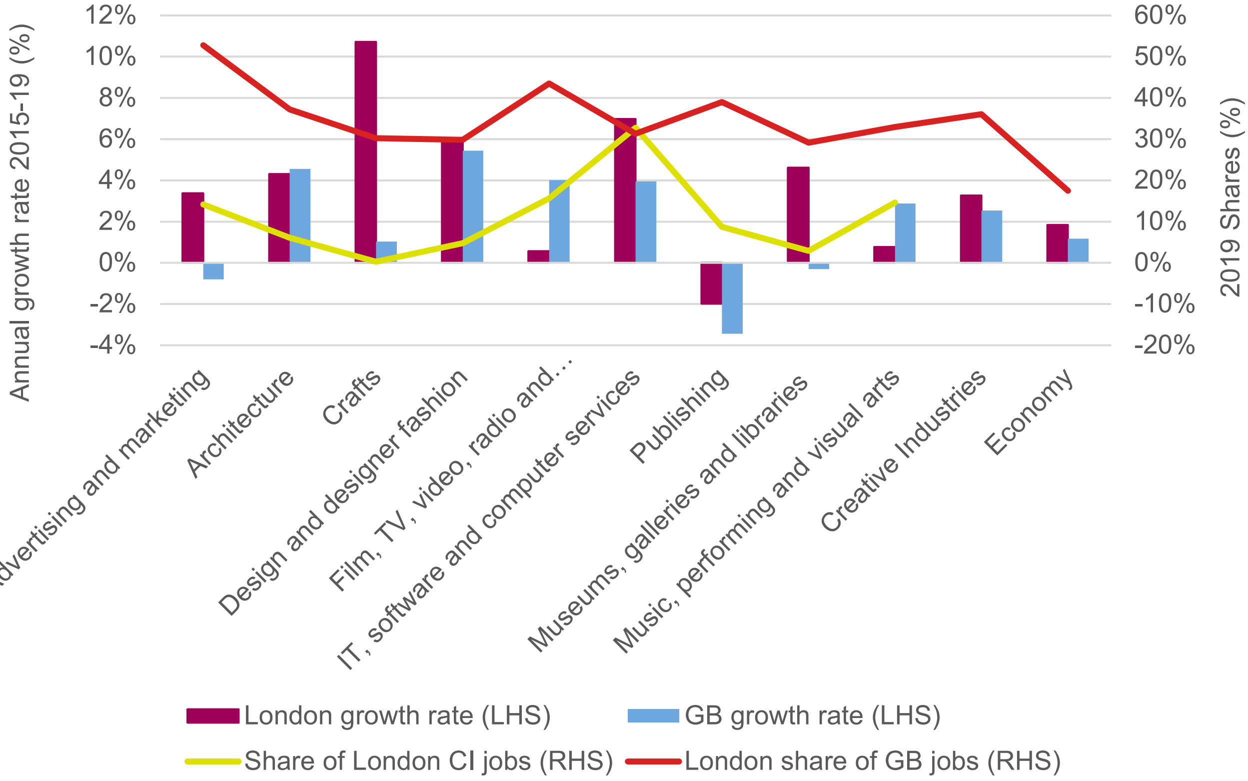


Source: GLA Economics estimates of ONS annual regional GDP/GVA estimates, and BRES

Figure 4.2 replicates Figure 4.1 for jobs, over the slightly shorter period of 2015-19[106]. It remains the case that jobs have grown faster in London than in Britain; and that for both London and Britain, jobs in the creative industries have grown faster than for their respective economies. Between 2015 and 2019, jobs across London grew by 1.8% a year; and, in Britain, 1.2% a year. In contrast, for the creative industries in London, jobs grew by 3.3% a year; and, across Britain, 2.5%. The picture at a sub-sector level is less straightforward. For advertising, crafts, design, IT, publishing, and museums, jobs growth was stronger[107] in London. For architecture, film, and music, jobs growth was stronger in Britain. In 2019, the sub-sector of IT took the largest share of London's creative industry jobs (32.8%), followed by film (15.7%), music (14.6%), and advertising (14.2%). As a proportion of British jobs, London's advertising sub-sector had 52.8% of jobs in Britain in advertising in 2019, followed by film (43.5%), and publishing (39.0%).

[106] There is only jobs data at the industry disaggregation of the definition of creative industries from BRES. Using the current definition of a business a consistent time series is only available to 2015.
[107] Or shrank less in the case of publishing

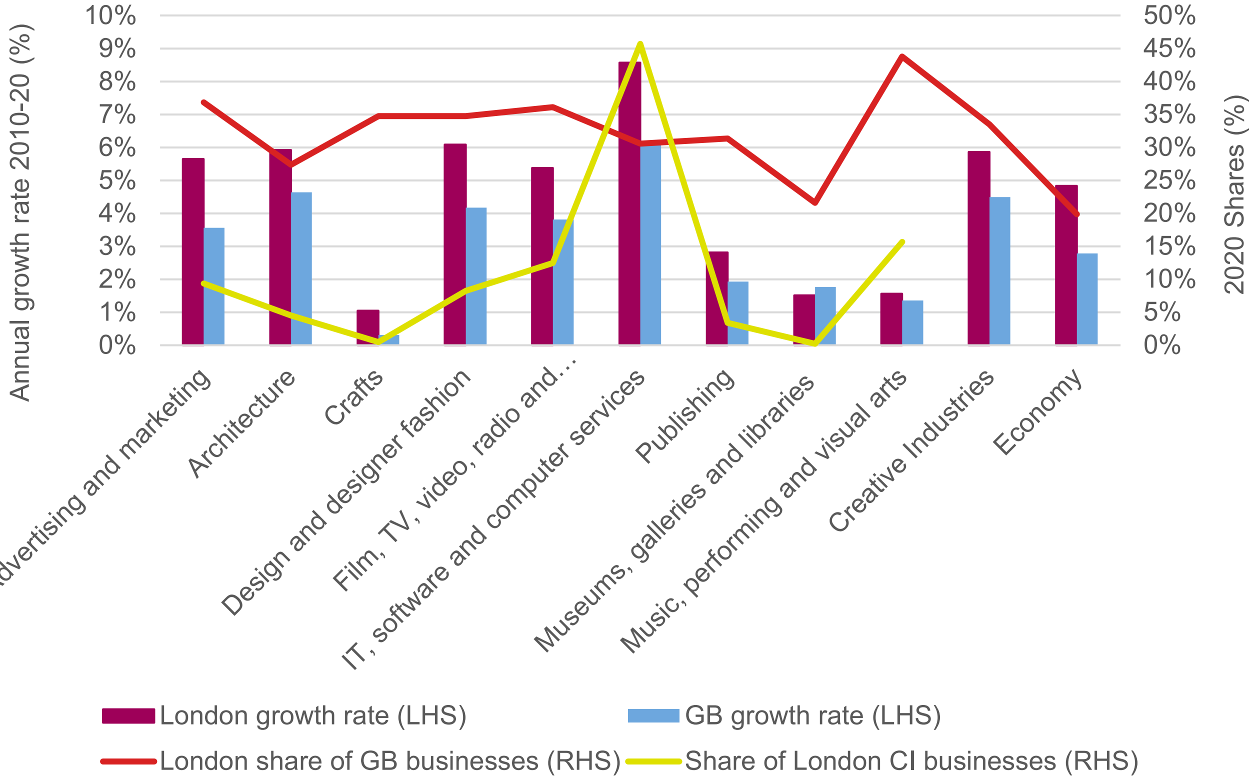
Figure 4.2: London and GB creative industries, and sub-sectors, and economy jobs growth rates 2015-19, creative industry sub-sector 2019 share of London jobs, and London 2019 share of GB jobs by sub-sector



Source: GLA Economics estimates of ONS Workforce jobs, BRES and APS

Figure 4.3 replicates Figure 4.2 for enterprises for 2010-20 – the number of which continued to grow until 2020. Again, London grew more rapidly than the rest of the country, and the creative industries grew more rapidly still. Between 2010 and 2020 the number of enterprises in London grew at a rate of 4.8% a year; and, across Britain, 2.8% a year. Creative industry enterprises in London grew at 5.9% a year; and, across Britain, 4.5% a year. Growth in enterprises across all sub-sectors (except museums) was faster in London than across Britain. IT accounted for 45.7% of London's creative industries enterprises in 2020, followed by music (15.7%), and film (12.4%). London made up a third (33.5%) of all creative industries enterprises in Britain in 2020. Most sub-sectors in London had a similar share of national enterprises except for music (43.8%), architecture (27.3%), and museums (21.6%).

Figure 4.3: London and GB creative industries, and sub-sectors, and economy enterprises growth rates 2010-20, creative industries sub-sector 2020 share of London enterprises, and London 2020 share of GB enterprises by sub-sector



Source: ONS Business counts

Productivity is a key performance measure for an industry. Productivity in London is higher than nationally; as noted earlier, London's most productive firms tend to be in the centre to reap the benefits of agglomeration economies[108]. The productivity level of the creative industries in London (£92,000 per job in 2019) and Britain (£63,000 per job) are both higher than those of the whole economy, £80,000 per job in London (15% higher) and £57,000 per job in Britain (11% higher). Productivity in the creative industries is 46% higher in London than in Britain; the corresponding ratio for the whole economy is 40%. The productivity level (GVA/job) of all of the creative industry sub-sectors in London is also higher than in Britain. In London, the film sector has the highest productivity level of all the sub-sectors at £164,000 per person (79% higher than in Britain). This is followed by advertising at £129,000 per person (33% higher than in Britain), and publishing at £108,000 per person (44% higher than in Britain). Notably, productivity in London's music sub-sector, at £70,000 per person, is 92% higher than in Britain, Figure 4.4.

There is a more mixed picture on productivity growth rates. Over 2015-19 the London economy's annual productivity growth rate of productivity was 0.7%, close to that for Britain, at 0.8%. For London, the productivity growth rate of the creative industries was lower than the rest of the economy at 0.2%; for Britain it was higher, at 1.0%. Only two sub-sectors, film and music, saw a higher productivity growth rate in London than in Britain. The productivity growth rate was negative over this period in four London sub-sectors: advertising, architecture, crafts, and museums.

[108] GLA Economics (2020), The Evidence Base for London's Local Industrial Strategy – Final report

Figure 4.4: London and GB creative industries, and sub-sectors, and economy productivity (GVA/job) growth rates 2015-19, and productivity level 2019

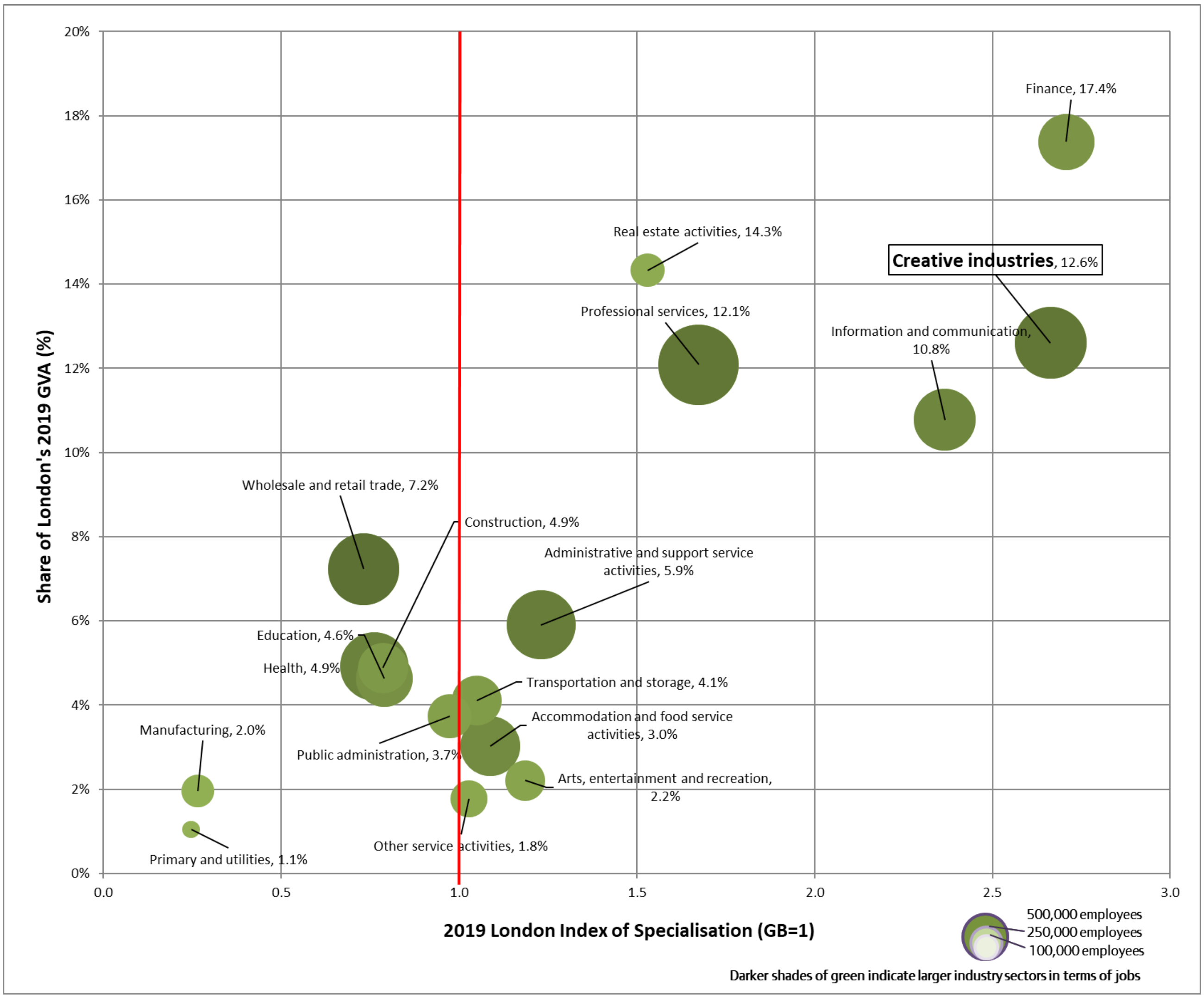
Source: GLA Economics calculations of ONS regional GVA, DCMS sectors economic estimates, and ONS Workforce jobs, BRES and APS.

The results on productivity growth rates may depend on the short period for which there is data. Ideally, the analysis should be for an economic cycle beginning in 2010, rather than a later point such (in this case, 2015). Growth was slower in London after 2015 for both the economy and the creative industries, and this may have fed through to the productivity figures.

4.3 London specialises in the creative industries

London specialises strongly in the creative industries and its sub-sectors, more so than all of London's sectors (as measured by of index of specialisation). In other words, the ratio of London's share of jobs to the rest of Britain's is greater for the creative industries than other sectors. The share of London's output in the creative industries, at 12.6%, is only after, amongst the main sectors, finance (17.4%) and real estate (14.3%). Other key sectors in which London specialises are professional services (12.1%) and information and communication (10.8%), Figure 4.5.

Figure 4.5: Creative industries and sectors, London 2019, jobs specialisation and output



Source: GLA Economics estimates of ONS Regional GVA, Workforce jobs, BRES and APS
Note: The constituent parts of the creative industries come from other sectors, and so are not a separate entity

London is specialised in all sub-sectors of the creative industries: the index of specialisation is significantly above one (which is the value for the whole of London's economy). The capital has a particularly strong specialisation in advertising, film, and publishing, Table 4.1.

Table 4.1: Index of specialisation of London creative industries sub-sectors, 2019

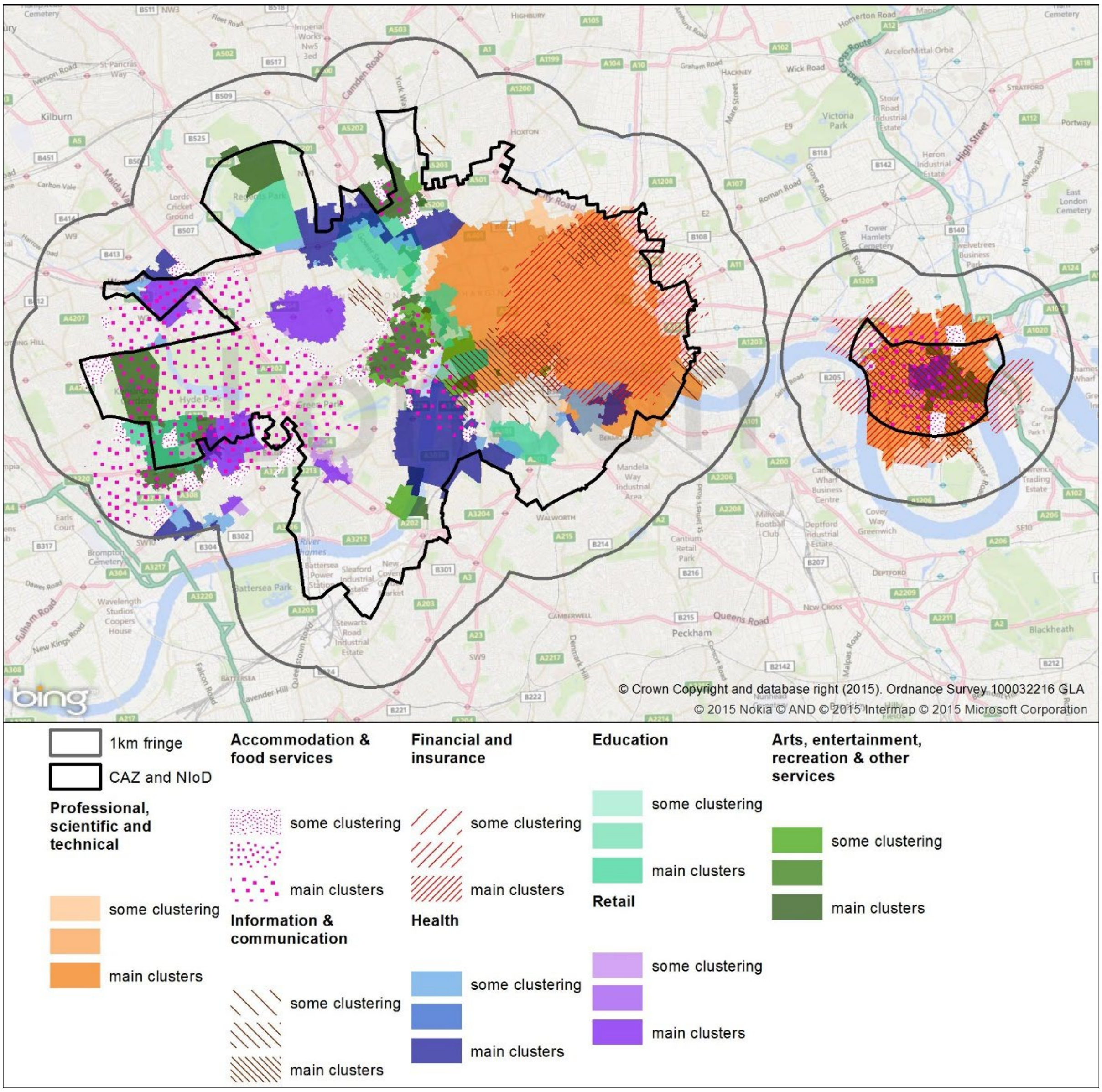
	Jobs (m)	Share of London jobs	London share of GB jobs	Index of specialisation
London sectors	6.02	100.0%	17.5%	1.0
Creative industries	0.65	10.8%	36.1%	2.7
Advertising and marketing	0.09	1.5%	52.8%	5.3
Architecture	0.04	0.7%	37.2%	2.8
Crafts	0.00	0.0%	30.2%	2.0
Design and designer fashion	0.03	0.5%	29.8%	2.0
Film, TV, video, radio and photography	0.10	1.7%	43.5%	3.6
IT, software and computer services	0.21	3.5%	31.3%	2.2
Publishing	0.06	0.9%	39.0%	3.0
Museums, galleries and libraries	0.02	0.3%	29.2%	1.9
Music, performing and visual arts	0.10	1.6%	33.0%	2.3

Source: GLA Economics estimates of Workforce jobs, BRES and APS

London is an export-oriented service sector economy driven by the sectors of finance, professional services and information and communication[109]. One characteristic of these sectors is that they cluster in the CAZ, Map 4.1. This is to maximise access to the pool of skilled labour across the wider South East, and to facilitate knowledge transfer between businesses. This allows the sectors to take full advantage of agglomeration benefits, and achieve high productivity[110].

[109] GLA Economics (2020), The Evidence Base for London's Local Industrial Strategy – Final report
[110] GLA Economics (2022), Devolution and economic growth in London – a rapid evidence review

Map 4.1: Clustering by industry employment type in the CAZ, Northern Isle of Dogs and approximately 1km fringe around them

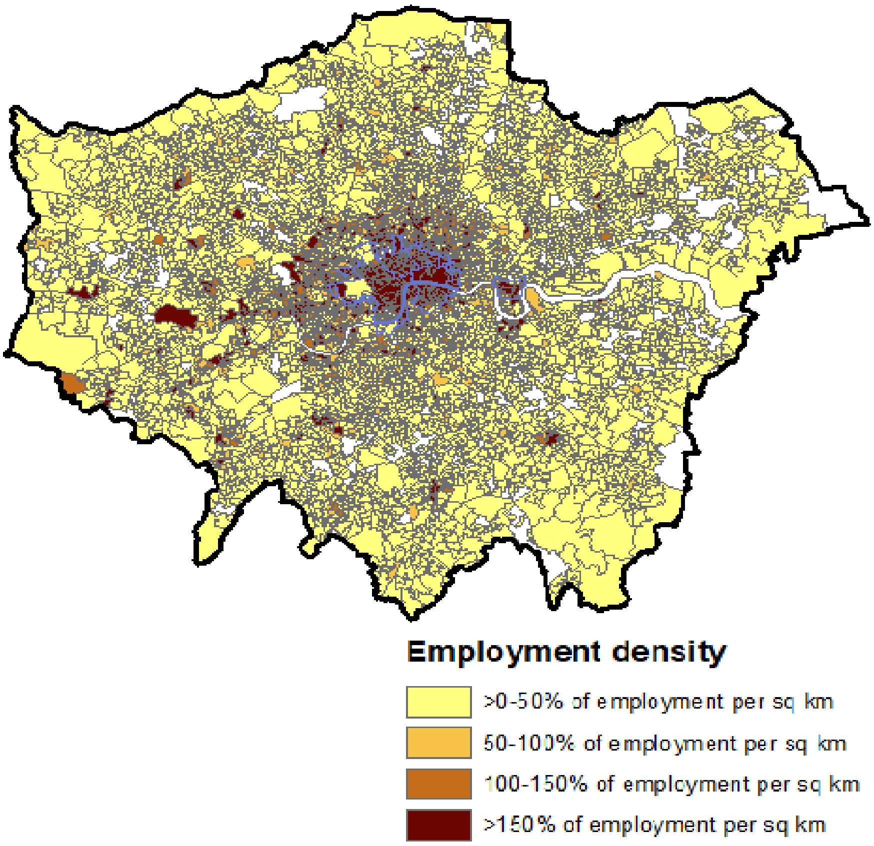


Source: Census 2011 and City Intelligence Unit analysis

The creative industries in London have similar characteristics to other sectors in which the city specialises. As well as being a specialism for London, making a significant contribution to the city's output, and being export-oriented, jobs are also clustered in the CAZ, Maps 4.2 and 4.3. It is attractive for individuals to work in the CAZ for the higher salaries, and to have a wider pool of jobs available in the creative occupations, which are not necessarily in the creative industries[111]. It is also the case that each of the sub-sectors of the creative industries clusters in the CAZ, as reported in Appendix A. The creative industries are thus an important part of London's eco-system, benefiting from it and contributing to it.

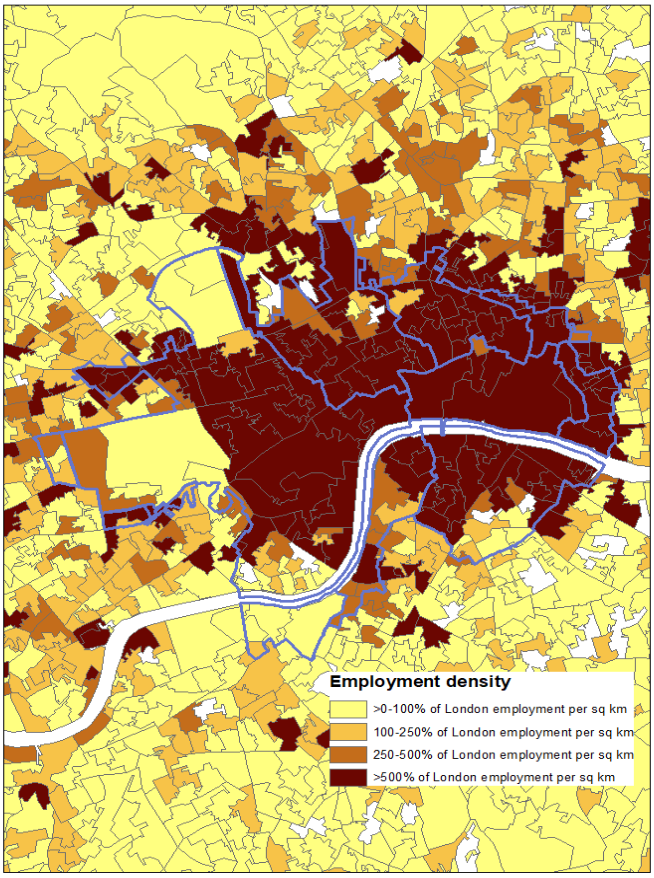
[111] Rocks C (2017), London's creative industries – 2017 update

Map 4.2: Distribution across London of creative industries employee jobs, 2019



Source: GLAE calculations of ONS BRES data
Note: percentages in legend are LSOA employment density relative to London average employment density

Map 4.3: Distribution across the CAZ of creative industries employee jobs, 2019



Source: GLAE calculations of ONS BRES data
Note: percentages in legend are LSOA employment density relative to London average employment density

The next chapter looks at why the creative industries cluster, and finds that the reasons are similar to the attributes of the creative industries in London.

4.4 Conclusion

The creative industries - and within that the provision of culture - benefit from the clusters and agglomeration economies of the CAZ. Pre-pandemic, the creative industries were growing faster in London than elsewhere.

Chapter 5 – Culture in London is not to the detriment of the rest of the UK

5.1 Introduction

This chapter considers how cultural provision and the creative industries might interact between London and the rest of the country. It looks at where creative hubs become established; what they contribute to local economies; the ways people demand and access culture; and, the financial contribution of the creative industries. There is an analysis of the levelling up agenda, and the implications of its implementation for culture in London. The chapter concludes that culture in London is not to the detriment of the rest of the UK.

There are the following sections:

- Creative hubs around the country
- London is accessible to the wider South East
- London contributes financially to other parts of the country
- Levelling up and culture in London
- Conclusion

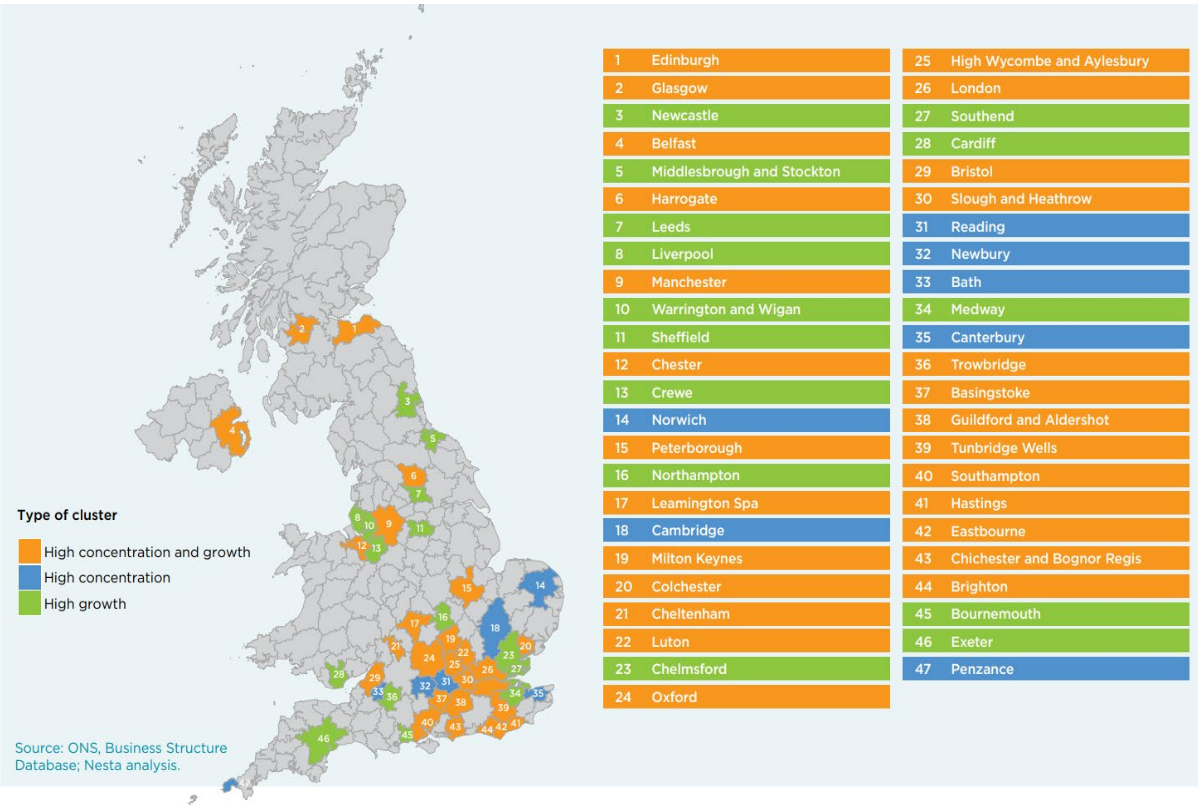
5.2 Creative hubs around the country

5.2.1 Where the creative industries are successful

Between 2007 and 2014 more than 9 in 10 of the UK's 228 Travel to Work Areas (TTWAs), self-contained labour markets[112], experienced faster growth in the number of creative businesses than in the whole business population. In addition, over two thirds of those areas saw faster growth in creative industries employment than in overall employment. Research has identified 47 creative clusters in the UK. London and the South East comprise around a third of these clusters; the North of England, just over a fifth of clusters. There are also clusters in Scotland, Wales, and Northern Ireland, Map 5.1[113]. There is no single template for success. Not all creative clusters follow a 'creative cities' model. The research identifies 'creative conurbations' in Slough, High Wycombe, Peterborough and Guildford.

[112] The criteria for defining these TTWAs are that at least 75% of the area's resident workforce work in the area and at least 75% of the people who work in the area also live in the area
[113] Mateos-Garcia J and Bakhshi H (2016), The Geography of Creativity in the UK, NESTA

Map 5.1: Creative clusters in the UK



Source: NESTA, The Geography of Creativity in the UK

Subsequent research[114] using data scraped from the websites of 200,000 businesses and organisations in the creative industries identified 709 creative 'micro-clusters' at street, neighbourhood, and town level. There are 215 creative micro-clusters in the London TTWA alone, followed by Manchester with 23, and Slough and Heathrow[115] with 19. The highest level of micro-clustering is in Leicester, where 84% of firms are within six micro-clusters. In contrast, in London 43% of firms are in micro-clusters. Creative activity and micro-clusters exist all over the country. Other research looks at the creative industries in seaside resorts and country towns[116], and in rural areas[117].

The creative industries are part of the UK's orientation towards the services sector[118]. In 2019, 90% of London output, and 80% of UK output was in services[119]. There has been an ever greater specialisation in more knowledge-based services activities, and this has increased the attractiveness of a city centre as a

[114] Siepel J et al (2020), Creative industries Radar: mapping the UK's creative clusters and microclusters, Creative industries Policy and Evidence Centre
[115] Two TTWAs cover the administrative area of London, and go beyond its boundary
[116] McFadzean L et al (2022), Policy briefing: Creative industries innovation in seaside resorts and country towns, Creative industries Policy and Evidence Centre
[117] Velez-Ospina J et al (2022), More targeted support could unleash the potential of Rural Creative Enterprises, Creative industries Policy and Evidence Centre
[118] The crafts sub-sector, while a very small part of the creative industries, is the exception, as it is part of manufacturing. Evidence is that it does not cluster like other parts of the creative industries, see Mateos-Garcia J and Bakhshi H (2016), The Geography of Creativity in the UK, NESTA
[119] ONS (2022), Regional economic activity by gross domestic product, UK: 1998 to 2020

business location[120]. Evidence of this phenomenon in London can be found in the previous Chapter, and the Evidence Base for London's Local Industrial Strategy[121].

Research to map out the creative industries clusters[122], and micro-clusters, confirmed that companies in creative clusters benefited from proximity to other parts of the creative ecosystem. From a survey the authors identified four key elements:

- Skills – companies in established clusters are significantly more likely to report that their employees hold creative or arts degrees (71% compared with 62% for other firms)
- Customers – 52% of respondents in established clusters rate customers as highly important, compared with 42% outside clusters
- Knowledge – companies in clusters are significantly more likely to report that they get new ideas from within their cities or towns than companies outside those clusters (37% v 30%). They also rate proximity to parts of the creative ecosystem (for instance, suppliers, customers, and other companies) as highly important. They are more likely to identify proximity to companies in both their sector (25% v 16%) other sectors (33% v 27%) as an advantage
- Lifestyle and amenities – companies in creative clusters are significantly more likely to view local factors such as lifestyle, amenities and cultural communities as advantages for their business (42% v 37%)

Other research emphasises the role of the creative industries in generating spillovers - that is the benefits of their activities go beyond themselves through non-financial mechanisms to other businesses and households. There may be a unique ability, among the creative industries, to generate network spillovers by attracting other firms and workers. This will apply to firms that can make an area attractive – for example, firms in the performing arts may influence the image of their location to make it more appealing. The creative industries may have the potential to generate other spillovers. For instance, knowledge spillovers may be generated by entrepreneurial fashion designers who set examples of how to translate new ideas into a successful business venture and so encourage other entrepreneurs to start their own businesses. Product spillovers, meanwhile, may be generated by design firms with valuable ideas, that are easy both to understand and be adapted by firms in other industries[123]. These spillovers would support the establishment of clusters to maximise these effects.

In summary, creative firms benefit from locating in areas where there is agglomeration, as the attributes of agglomeration are important to their success. It is not a surprise that the creative industries are strongly located in the CAZ, but they are also successful in other areas with similar attributes.

Other factors favour the development of the creative economy in London, if not to the exclusion of other parts of the country. There is a reliance on creative talent, which often comes from universities. For the larger creative clusters university research creates a knowledge base upon which R&D-intensive creative businesses can draw. Universities can also undertake knowledge exchange activities, transforming this knowledge into impact, by way of entrepreneurship, training and dissemination. Hence, universities can be central players in the local ecosystems that drive the success of creative clusters[124].

[120] McDonald R et al (2019), City centres: past, present and future, Centre for Cities
[121] GLA Economics (2020), The Evidence Base for London's Local Industrial Strategy – Final report
[122] Siepel J et al (2020), Creative industries Radar: mapping the UK's creative clusters and microclusters, Creative industries Policy and Evidence Centre
[123] Frontier Economics (2016), Creative Industry spillovers – understanding their impact on the wider economy, a report prepared for DCMS
[124] Mateos-Garcia J and Bakhshi H (2016), The Geography of Creativity in the UK, NESTA

There is some evidence that creative companies may be more likely to set up in areas with stronger entrepreneurial cultures[125]. As mentioned above local networks are an important driver of creative cluster success. There are also creative jobs in the non-creative economy. In 2016, there were 617,000 jobs in creative occupations in London, of which 260,000, or 42%, were in non-creative industries[126]. The large pool of skilled labour with access to the capital is attractive to employers, and supports the diversity of industries in the city.

Access to finance is another advantage of London, although this need not be the case. There is a perceived deficit in access to external finance among creative businesses in micro-clusters outside London and the South East. Higher rates of rejection is less likely to be the reason than companies feeling they are not understood by financial institutions. So, they do not apply for finance[127]. This may be part of a broader issue. Innovative Small and Medium Sized Enterprises (SMEs) in peripheral areas are more likely to be discouraged from applying for finance, and to have their applications rejected[128].

A creative company does not have to be in an area such as London to be successful. Creative clusters can be heterogeneous in their levels of sub-sectoral diversification. Some clusters specialise in one sub-sector of the creative industries, but others do not[129]. In other words, a lack of diversity in a local economy is not a barrier to the establishment of a creative cluster. Further, micro-clusters are small engines of economic growth. Pre-pandemic, in addition to higher levels of performance, companies in micro-clusters were significantly more likely to aspire to high growth in the future than those in clusters[130]. During the pandemic creative businesses inside a micro-cluster grew their employment more than companies outside of micro-clusters or in larger clusters[131].

The creative industries can have wider impacts on the economy. The Centre for Economic and Business Research (CEBR)[132] has conducted analysis of the arts and culture industry. It defines this as being a part of, but narrower, than the creative industries. It includes book publishing[133], sound recording and music publishing[134], and creative arts and entertainment activities[135]. This study covers six art forms funded by ACE: theatre, dance, literature, visual arts, music, and combined arts – for technical reasons it did not include museums. CEBR identified the impacts of the arts and culture industry on the wider economy; some of these are detailed below:

- **Tourism** – arts and culture can create additional spending by tourists. The importance of international tourists for London's economy has already been noted
- **Developing skills, nurturing innovation and fostering growth in the commercial creative industries** – the arts and culture industry consumes the output of the commercial creative industries.

[125] Gutierrez-Posada D et al (2022), Creative Clusters and Creative Multipliers: Evidence from UK Cities, Economic Geography, August
[126] Rocks C (2017), London's creative industries – 2017 update
[127] Siepel J et al (2020), Creative industries Radar: mapping the UK's creative clusters and microclusters, Creative industries Policy and Evidence Centre
[128] Lee N and Brown R (2017), Innovation, SMEs and the liability of distance: the demand and supply of bank financing in peripheral UK regions, Journal of Economic Geography, 17(1), pp233-260
[129] Mateos-Garcia J and Bakhshi H (2016), The Geography of Creativity in the UK, NESTA
[130] Siepel J et al (2020), Creative industries Radar: mapping the UK's creative clusters and microclusters, Creative industries Policy and Evidence Centre
[131] Siepel J et al (2021), Creative Radar 2021: The impact of COVID-19 on the UK's creative industries, Creative industries Policy and Evidence Centre
[132] CEBR (2015), Contribution of the arts and culture industry to the national economy: an update of our analysis of the macroeconomic contribution of the arts and culture industry to the national economy, Report for ACE
[133] SIC code 58.11, Appendix A provides the SIC codes for the creative industries
[134] SIC code 59.2, Appendix A provides the SIC codes for the creative industries
[135] SIC code 90, Appendix A provides the SIC codes for the creative industries

Thus the arts and culture industry supports jobs, and the creative businesses with which it interacts on a day-to-day basis

- **Improving national productivity** – engagement with art and culture helps to develop critical thinking, and to cultivate solutions to problems; and encourages effective personal communication and expression. For both adults and children, these skills improve intellectual ability and wellbeing, enabling greater success in day-to-day endeavours. Together, these individual-level benefits represent improvements to the effectiveness and flexibility of the nation's workforce, with positive impacts on productivity.
- **As a catalyst for economic regeneration** – investment in the arts and culture can drive improvements in the quality of the local environment and the standard of life enjoyed by local communities

CEBR[136] has estimated that across the UK the arts and culture industry made up 0.5% of output (GVA measure) in 2011[137]. This was highest in London at 0.81% of GVA. As reported above, in 2019, the creative industries were 12.6% of London's output. In the same year, music and museums, the creative industries sub-sectors that most closely correspond to activities funded by ACE, accounted for 1.5% of London GVA, and 0.6% of British GVA[138]. CEBR used input-output tables to estimate the wider impacts of the arts and culture industry through it's demands on suppliers, and impacts through higher household income on higher household expenditure in the local region – these are known as type II multipliers. These estimates suggest that for every £1 of output (GVA) generated nationally by the arts and culture industry another £1 will be generated in supporting activity. The estimates for employment are slightly larger. For London, the estimates are lower, but for technical reasons might be underestimates[139], Table 5.1. It should be noted that these are not estimates of additional output or employment in the economy, as some or possibly most of this activity will displace activity that would otherwise have happened[140].

Table 5.1: Type II multipliers of arts and culture industry, countries and regions of the UK, 2011

Country or region	GVA	employment
East of England	2.09	2.36
North West	2.08	2.33
United Kingdom	***2.04***	***2.25***
Northern Ireland	1.98	2.22
South West	1.98	2.21
England	1.97	2.19
Yorkshire and the Humber	1.91	2.12
Scotland	1.90	2.11
Wales	1.90	2.11
North East	1.89	2.11
South East	1.89	2.09
East Midlands	1.88	2.10
West Midlands	1.86	2.07
London	***1.78***	***1.96***

Source: CEBR, Contribution of the arts and culture industry to the national economy

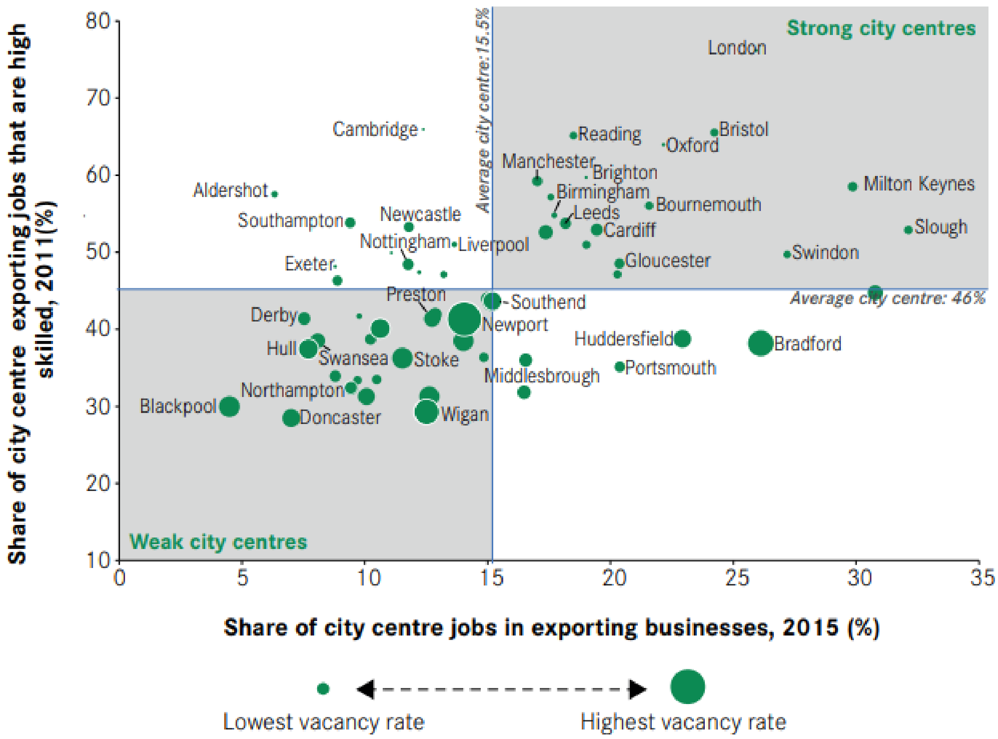
[136] CEBR (2015), Contribution of the arts and culture industry to the national economy: an update of our analysis of the macroeconomic contribution of the arts and culture industry to the national economy, Report for ACE
[137] This work has not been updated
[138] GLA Economics calculations of ONS regional GVA and DCMS sectors economic estimates data
[139] London is heavily weighted towards financial services, which makes estimates of the ability of other sectors to supply other parts of the economy smaller than they would otherwise be
[140] HM Treasury (2022), The Green Book: appraisal and evaluation in central government

The film sector exemplifies where supply chains are important. It is a sector in which London specialises, and has a number of film studios[141], yet the sector has been growing across the country. Major film studios - such as those at Leavesden, Borehamwood, and Elstree - are nearly all outside the capital, and film studios are being built or expanded in Birmingham, Bristol, Belfast, Liverpool, and Manchester. Planning consents for film studios rose by 45% between 2018 and 2021 according to estate agency Knight Frank. This supports: jobs for creative talent behind the scenes; shoots elsewhere around the country; and, jobs in supporting industries such as those for gaffers, electricians, and accountants. There is a high-end television tax relief that entitles productions spending at least £1 million per hour of television to a 25% rebate on expenditure. This has encouraged investment by overseas companies such as Warner Bros, Amazon, Disney and Sky, who are serving international markets[142].

5.2.2 Where the creative industries support the local economy

As noted above the growth of knowledge-based services activities, including the creative industries, has increased the attractiveness of a city centre as a business location. These activities are mostly tradeable to other businesses, and so are export-oriented (to other parts of the UK as well as overseas). This contrasts with retail and leisure activities which provide local services, and are not tradeable. Cities with stronger exporting sectors, such as London, are associated with more vibrant high streets, Figure 5.1. Stronger city centres have a higher share of high street units designated for food, drink or leisure than in weak city centres, where retail is more dominant[143].

Figure 5.1: High street vacancy rate (bubble size) by type of city centre



Source: Centre for Cities analysis of ONS Business Structure Database and Census (2011), and Local Data Company

Other research finds that cities with higher concentrations of innovative firms also tend to have higher concentrations of bookshops and theatres. There is a similar relationship with companies offering yoga

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[141] Wikipedia (2023), List of British film studios
[142] Pullman L (2022), Welcome to Brollywood: inside Britain's booming film and TV industry, Sunday Times, 7 August
[143] McDonald R et al (2019), City centres: past, present and future, Centre for Cities

classes. As yoga is a leisure activity that has become more widely practised more in recent years, the suggestion is that wealth creation spurs the demand for yoga classes, not the other way round[144].

It has already been noted that London is strong in knowledge-based services activities; has a well-paid and skilled workforce; and so, has higher income households that spend more on, and engage more in, culture. This will naturally lead to a greater demand for cultural services. Other drivers of the demand for cultural services (and the reason central London is blessed with cultural facilities) are London's extensive public transport infrastructure, which enables access to people from neighbouring regions; and, the importance of international tourism to the capital.

This is not a zero sum game. There has been growth in cultural provision across the country, reflecting increased demand for services. The number of providers in an area will be constrained by demand, and the available public funds.

ACE's Transfer Programme[145] does not address these issues, as it seeks to move supply around the country. This programme is designed to move current and new portfolio organisations out of the capital by October 2024. It was created after the government ordered ACE to take £24 million of funding, 15% of the portfolio in London, and re-invest it outside the capital. London-based companies have been asked to re-locate; this may predominantly affect touring companies. If companies had offered to re-locate there is no guarantee that they would have been selected for the dedicated funding. For companies that decide to stay, competition for funds will be greater than ever before[146]. Nor does the programme appear consistent with the rationale for the provision of public funding to support social and education consumption, where what matters is the location of the performance. Especially, as many NPOs are touring companies, see later. Indeed, this initiative is small compared with the supply of performing arts businesses[147]. In 2019, there were 240 NPOs in London out of 4,760 performing arts businesses in the capital and 9,350 across England[148]. This approach also contrasts with previous initiatives to transfer cultural provision out of London, such as the transfer of BBC Scotland commissioning services[149]. This transferred demand for, and funding, of services from London, and it expected supply to respond accordingly.

As noted earlier 24 organisations have been successful in their bids to transfer out of London. In addition, the ENO lost its general funding, and was offered a grant to develop a new business model. Interestingly, there is an expectation the ENO will continue to manage and perform at its London home, the Coliseum[150]. Existing organisations that have agreed to transfer have received, on average nearly double the increase in funding of other organisations that receive NPO grant funding (38% compared with 21%)[151].

The second way that cultural provision supports the local economy is through generating demand for other local services, such as cafes, bars and shops. Between 1998 and 2018, each creative job across the UK generated at least 1.9 non-tradeable jobs[152]. Job multipliers declined substantially after the 2007 financial crisis. Prior to 2007, these effects seemed more rooted in local spending by creative services employees than in spending by visitors to creative amenities. On average, the creative sector is responsible for over 16% of non-tradeable jobs growth, though impacts will be larger in bigger clusters[153]. It may be speculated that

[144] Gibson J (2022), Can the City of Culture award really kick off an urban economic renaissance?, Centre for Cities
[145] ACE 2023-26 Investment Programme: Transfer Programme
[146] Hemley M (2022), 'Russian roulette': ACE transfer scheme puts London-based touring companies at risk, The Stage, 27 July
[147] SIC code 90.01, Appendix A provides the SIC codes for the creative industries
[148] Source: ONS Business Counts
[149] Ridge M et al (2007), A Framework for evaluating cultural policy investment, Frontier Economics, A report prepared for DCMS
[150] ACE (2023), A joint update from Arts Council England and the English National Opera
[151] GLA Economics calculations of ACE Investment Programme data for 2018-22 and 2023-26
[152] This contrasts with the CEBR research mentioned earlier which was for all jobs
[153] Gutierrez-Posada D et al (2022), Creative Clusters and Creative Multipliers: Evidence from UK Cities, Economic Geography, August

extensive freelance activity in the creative industries (see Appendix A) may encourage working practices that make greater use of local services, than is the case among sectors with more office-based jobs. As before, it should be noted that these are not estimates of additional output or employment in the economy, as some or possibly most of this activity will displace activity that would otherwise have happened[154].

5.2.3 What drives regional inequality in the UK

Recent research give a comprehensive overview of the drivers of regional inequality[155]. It provides limited evidence that London's development has been to the detriment of the rest of the UK. It concludes that this lack of detriment is best demonstrated by productivity differentials between London and the wider South East, and the rest of the country. The conclusions of this research would not support a levelling up agenda that favoured other parts of the country at the expense of London. The main findings are:

- Low shares of university graduates no longer remain the primary constraint on growth for the UK's countries and regions. In fact, the following can be observed:
    - The expansion of higher education has alleviated the shortage of general university level skills relative to demand
    - In the 1990s, a low university graduate share in many UK regions seems to have been a more binding constraint on productivity growth
    - There has been a substantial decline in the university wage premium in almost all regions outside London
    - The dominant problem for most regions is a lack of demand for graduates, rather than a lack of supply of graduates
- There is a generalised issue with access to finance for firms outside the South East, as reported above
    - There is suggestive evidence of scarce access to equity finance for high growth SMEs in some non-London regions
- Falling regional migration rates are not to blame for the persistence of the UK's regional economic inequalities
    - There is no evidence that the persistent income differentials between the UK's countries and regions are a result of a low propensity for UK residents to move. In fact, UK interregional migration is relatively high in an international context, and has not declined over time (unlike in the US)

The research identifies more specific issues:

- A relative regional shortage of skills in science, technology, engineering and mathematics (STEM subjects)
    - The wage premium for university-level STEM skills has hardly fallen even as STEM attainment has risen rapidly
- Binding transport infrastructure constraints within major non-London conurbations
    - The transport infrastructure of UK cities stands out in an international context: non-London cities have more congested roads and smaller road networks than peer US cities. They are less accessible by public transport than peer Western European cities
    - GLA Economics research indicates that it would be possible within the government's budget constraint for infrastructure to fund both the transport needs of London and the rest of the UK. London makes a significant contribution to the funding of its major transport projects[156]
- A failure of public innovation policy to support clusters beyond the South East

[154] HM Treasury (2022), The Green Book: appraisal and evaluation in central government
[155] Stansbury A et al (2023), Tackling the UK's regional economic inequality: Binding constraints and avenues for policy intervention, M-RCBG Associate Working Paper Series no 198, Harvard Kennedy School Mossavar-Rahmani Center for Business and Government
[156] Hope M (2020), Transport expenditure in London, GLA Economics

- This overlooks the crowding out of private sector investment in London mentioned below

London's problems may also be limiting opportunities for people outside the capital and the wider South East. London's overheating housing market limits interregional mobility.

Other research[157] has attributed London's slowdown in productivity growth since the financial crisis to rising costs for office space. These appear to have been eating up business budgets and crowding out investment associated with innovation. There has been underinvestment in software, databases and R&D.

5.3 London is accessible to the wider South East

This section uses Census data from 2011 on commuter patterns, and uses earlier GLA Economics research[158]. It does not provide an up-to-date picture on city populations or travel patterns, although its general points should still hold. There is some data available from Census 2021[159]; however, this has not been used because a significant number of individuals were on furlough on Census day (21 March 2021) – 688,000 in London, and 3.6 million across England[160] - and were advised to respond that they were temporarily away from work.

It has already been noted that residents of the East and South East engage more with arts and heritage than Londoners. This may be because of the accessibility of London compared with the wider South East. The cultural facilities in London are available to a population who live well beyond the city's administrative boundaries. In relation to England's three other Large Metropolitan Areas[161] , London is more than three times as large as the other areas in terms of workers who live in the area, all workers, population, and catchment population in 2011, Table 5.2 and Map 5.2. There are some comparisons to be made between London and the next largest metropolitan area:

- 2.93m people both live and work in London, compared with 0.90m in Greater Manchester
- 3.72m people work in London compared with 1.06m in Greater Manchester
- 8.20m people live in London, compared with 2.74m in the West Midlands
- 14.21m people form the catchment population for London, compared with 4.01m in the West Midlands (catchment population is defined as those Middle Super Output Areas (MSOAs) where 10% of more of the workers work in the nearby large metropolitan area)

London is also much more reliant on its catchment population for workers than other Large Metropolitan Areas. Around 58% of London workers live in London compared with 68% for the West Midlands, and around 80% for the other large metropolitan areas, Table 5.2 and Map 5.2. Only 79% of London's workers live there - a comparatively low proportion, rising to 81% for the West Midlands, and up to 89% for West Yorkshire[162]. In consequence, the ratio of all workers to population is higher for London at 45% than the other large metropolitan areas.

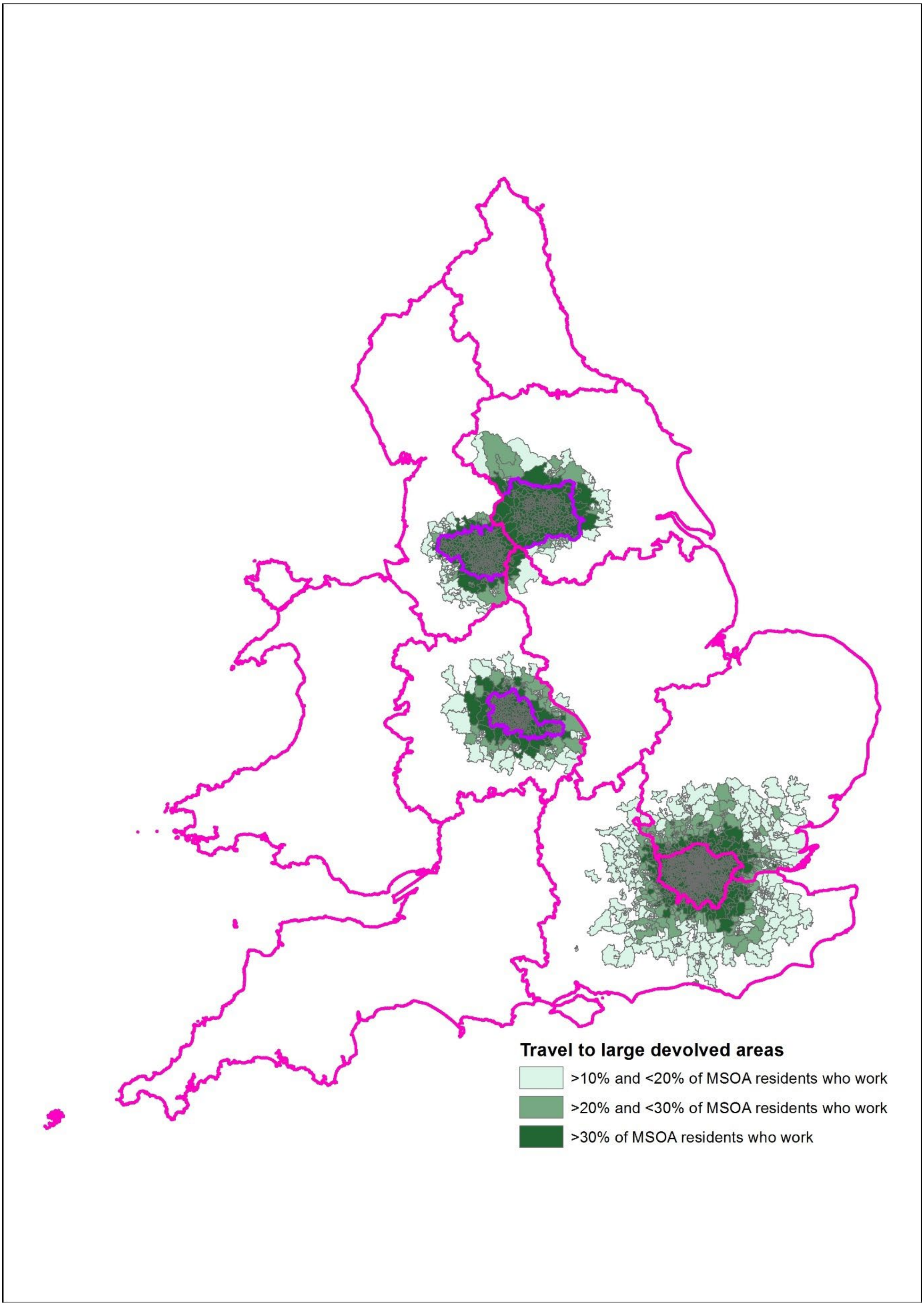
[157] Rodrigues G et al (2023), Capital losses: The role of London in the UK's productivity puzzle, Centre for Cities
[158] Hope M (2020), Transport expenditure in London, GLA Economics
[159] ONS (2022), Travel to work, England and Wales: Census 2021
[160] HMRC (2021), Coronavirus Job Retention Statistics: 16 December 2021
[161] The Organisation for Economic and Cooperation and Development (OECD) has produced a classification of Functional Urban Areas, which seek to capture areas of residence and commuting patterns. On this basis it defines Large Metropolitan Areas as those with a population of 1.5 million or more. See, OECD Definition of Functional Urban Areas
[162] There is some commuting between Greater Manchester and West Yorkshire. For example, there are 5 MSOAs in West Yorkshire from which more than 30% of workers travel to work in Greater Manchester. Each MSOA has only been attributed to one row in Table 5.2 by the order of the rows.

Table 5.2: Commuter patterns by MSOA to large metropolitan areas, and populations, 2011

Area of work	Residence	Workers	% Workers	Catchment Population	% Catchment population	All Workers/ Population
		2011	2011	2011	2011	2011
GLA	within London	2.93m	79%	8.20m	58%	45%
	MSOAs outside London					
	>30% of workers commute	0.27m	7%	1.56m	11%	
	>20%-<30% of workers commute	0.14m	4%	1.41m	10%	
	>10%-<20% of workers commute	0.18m	5%	3.04m	21%	
	<10% of workers commute	0.21m	6%	n/a		
	Total	3.72m	100%	14.21m	100%	
GMCA	within Greater Manchester	0.90m	85%	2.69m	78%	39%
	MSOAs outside Manchester					
	>30% of workers commute	0.03m	3%	0.20m	6%	
	>20%-<30% of workers commute	0.01m	1%	0.11m	3%	
	>10%-<20% of workers commute	0.03m	2%	0.44m	13%	
	<10% of workers commute	0.08m	8%	n/a		
	Total	1.06m	100%	3.44m	100%	
WMCA	within West Midlands	0.84m	81%	2.74m	68%	38%
	MSOAs outside West Midlands					
	>30% of workers commute	0.06m	6%	0.34m	9%	
	>20%-<30% of workers commute	0.03m	3%	0.35m	9%	
	>10%-<20% of workers commute	0.03m	3%	0.57m	14%	
	<10% of workers commute	0.06m	6%	n/a		
	Total	1.03m	100%	4.01m	100%	
WYCA	within West Yorkshire	0.78m	89%	2.23m	82%	40%
	MSOAs outside West Yorkshire					
	>30% of workers commute	0.01m	1%	0.08m	3%	
	>20%-<30% of workers commute	0.01m	1%	0.11m	4%	
	>10%-<20% of workers commute	0.02m	2%	0.30m	11%	
	<10% of workers commute	0.06m	7%	n/a		
	Total	0.88m	100%	2.71m	100%	

Source: GLA Economics calculations of ONS Census data

Map 5.2: Commuter patterns by MSOA to large metropolitan areas, 2011, shaded areas are where 10% or more of people who work in an MSOA travel to a large metropolitan area



Source: GLA Economics calculations of ONS Census data

In 2019 London's population saw, over the course of a typical day, an increase from 9.0 million to 10.6 million. This is a markedly larger increase than for any other English region. Across all regions the daytime population is higher than the usual resident population – Box 5.1 explains these concepts.

Box 5.1: Usual resident and daytime populations

The usual resident population shows the number of people living in a particular region on any given day. The ONS produces estimates of the usual resident population by UK region and is primarily based on Census data.

The daytime population in this paper refers to the number of people in a particular region on any given day regardless of whether they live in that region. The daytime population, as presented here, breaks down into: the number in employment by place of work; the number not in work by place of residence; the number of school children by place of education; the number of adults in full-time education by place of residence; the number of infants by place of residence; and, the number of international and domestic visitors by place of visit[163]. It also uses several sources of data including the ONS Annual Population Survey; the Department for Education School Census; the ONS International Passenger Survey; Visit Britain GB Tourism Surveys; and, ONS Mid-year Population Estimates.

The estimates of the usual resident and daytime populations, by region, are shown in Table 5.3 below. As some people are resident in one region, and part of the daytime population of another, all regions have a higher daytime population than resident population.

Table 5.3: Usual resident and daytime populations by English region in 2019, millions

('000s)	North East	North West	Yorkshire and the	East Midlands	West Midlands	East	London	South East	South West
Usual resident population	**2.67**	**7.34**	**5.50**	**4.84**	**5.93**	**6.24**	**8.96**	**9.18**	**5.62**
Usual daytime population	**2.82**	**7.85**	**5.90**	**5.01**	**6.25**	**6.35**	**10.60**	**9.58**	**6.16**
In work	1.16	3.46	2.58	2.25	2.75	2.80	5.22	4.38	2.79
Not in work	0.85	2.09	1.59	1.35	1.67	1.72	2.02	2.40	1.61
Infants (0-4yrs)	0.14	0.43	0.32	0.27	0.35	0.37	0.61	0.52	0.29
School students (5-15yrs)	0.33	0.97	0.72	0.61	0.80	0.82	1.16	1.20	0.68
Other full-time education	0.10	0.27	0.21	0.15	0.23	0.17	0.43	0.26	0.15
Visitors	0.24	0.64	0.49	0.38	0.44	0.47	1.17	0.81	0.64

Source: ONS Population Estimates, ONS International Passenger Survey, ONS Annual Population Survey, DfE School Census, Visit Britain GB Tourism Survey, Visit Britain GB Day Visits Survey

Note: Figures for in work, not in work, and in full time education are statistical data from ONS which is Crown Copyright. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates

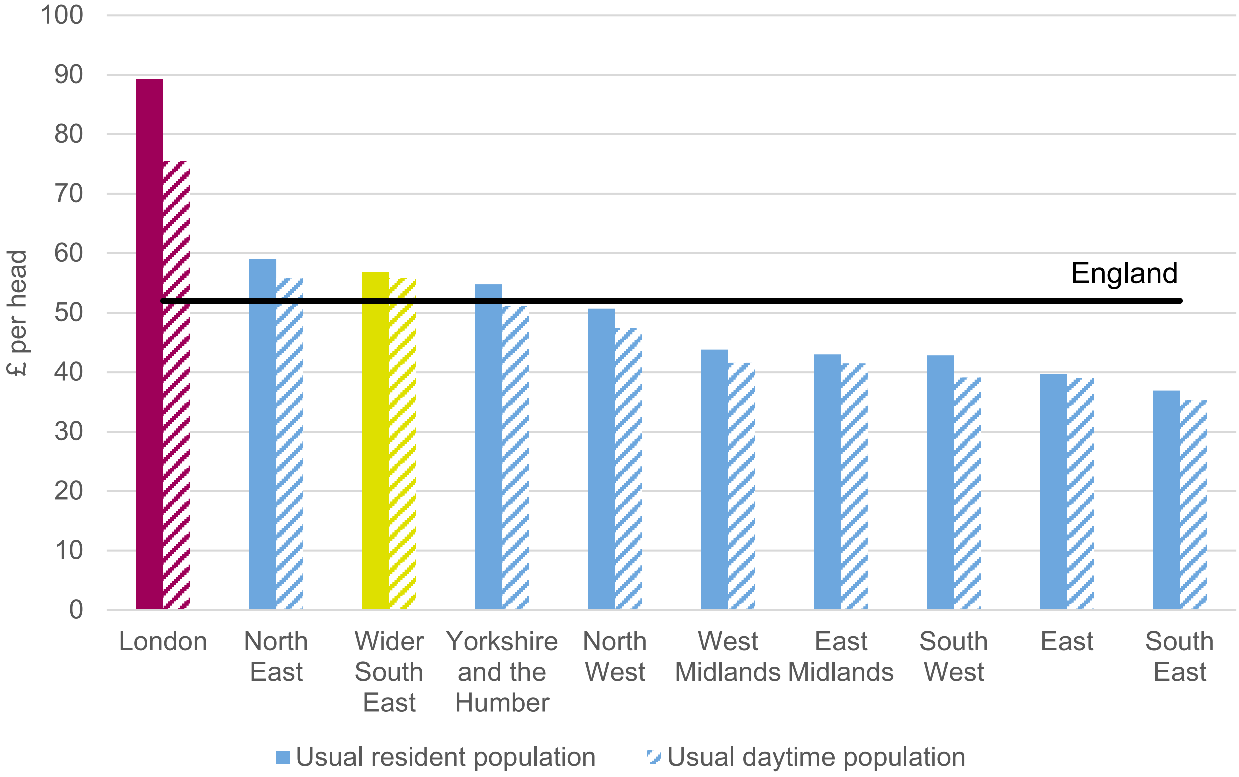
5.4 London contributes financially to other parts of the country

This section looks at both the funds that London receives from the Exchequer, and those that it gives. It also reviews how London benefits other parts of the country through trade and touring activities. Chapters 1 and 2 have already found that London receives a relatively large share of public funds. It has also been noted the receipt by a few organisations of a large share of ACE funds has a disproportionate impact on their distribution across the country. The use of daytime population figures, rather than resident population figures, also makes a marked difference to the relative weight of public funds received by London. London receives the largest share of public spending on cultural services (COFOG definition) per head of the English regions by both the resident and daytime population measures. The North East is the only other region to receive above the England average for both population measures. Spend per head is lowest in the East and

[163] It updates the methodology developed by GLA City Intelligence Unit, see Daytime population - London Datastore

South East regions, Figure 5.2. Taking the three regions of the wider South East together (London, the East, and the South East) then spend per resident is closer to the level for England. This is consistent with the view that cultural provision in London is supporting the wider area.

Figure 5.2: Spend on cultural services (COFOG definition) per head of resident and daytime populations, English regions, 2019



Source: GLA Economics calculations of HMT CRA, ONS Population Estimates, ONS International Passenger Survey, ONS Annual Population Survey, DfE School Census, Visit Britain GB Tourism Survey, Visit Britain GB Day Visits Survey
Note: spending figures are for 2019/20, and daytime population of the wider South East is residents plus overnight international visitors so is an underestimate

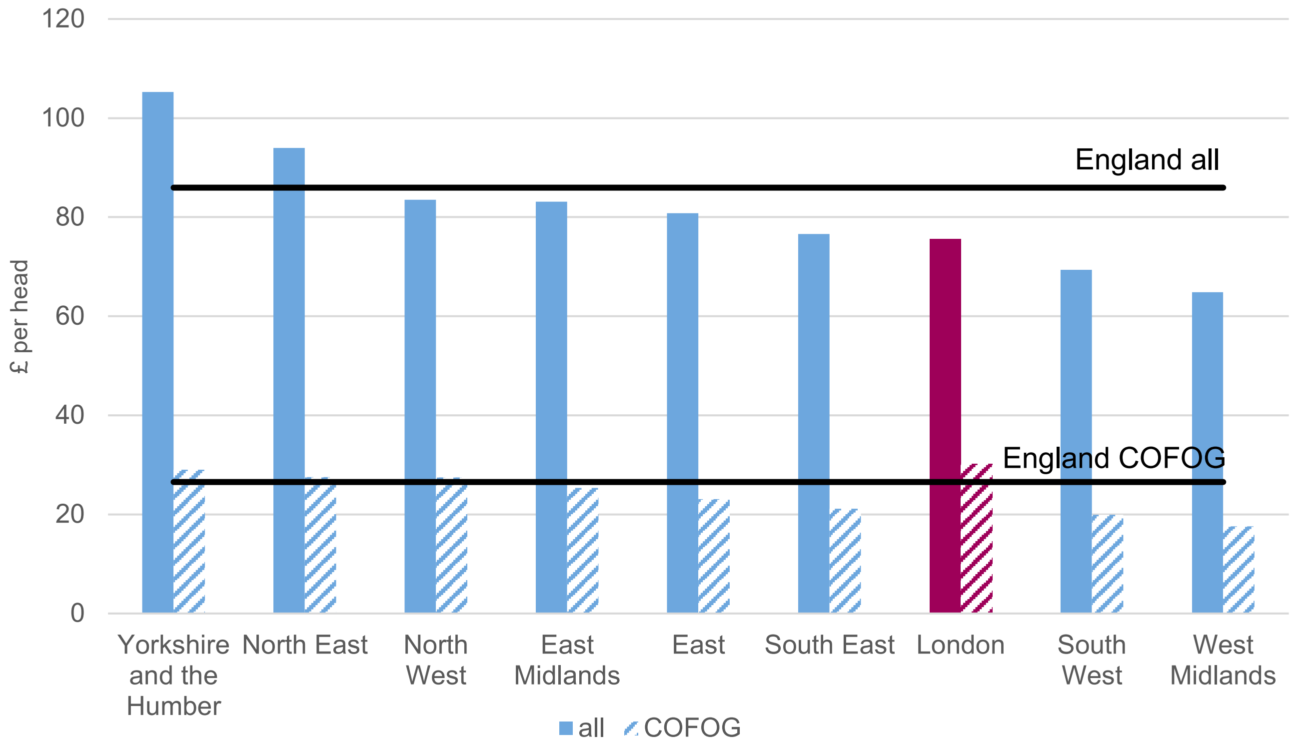
In principle, analysis of the distribution of funds should take into account variations in costs as this will affect the services which can be provided. While it is clear that costs are higher in London there is limited evidence on how large those additional costs are. The Department for Communities and Local Government (DCLG) (a predecessor of DLUHC) published Area Cost Adjustment Factors for 2013/14[164] for various public services funded by local authorities. This did not include cultural services, but indicated that the adjustment factor varied by service and area. It would be reasonable to conclude that a cost uplift would be no more than 20%, and could be somewhat less. This is not sufficient to change the main findings of the analysis of this section, so is not considered further.

London's local authorities make a disproportionate contribution to the funding of culture by the narrow COFOG definition. London's spend per daytime population is the highest of the English regions, and along with three other regions (Yorkshire and Humber, the North East, and the North West) spends more than the national average. In contrast, by the broader definition of cultural spend, London's expenditure per daytime

[164] DCLG (2014), Local Government Finance Settlement 2013/14, Calculation of 2013-14 Formula Funding, Annex G

population is the third lowest of the regions. At the other end of the scale, Yorkshire and the North East are the only regions to spend more than the overall national average, Figure 5.3.

Figure 5.3: English regions local authority spend on cultural services per daytime population, 2019

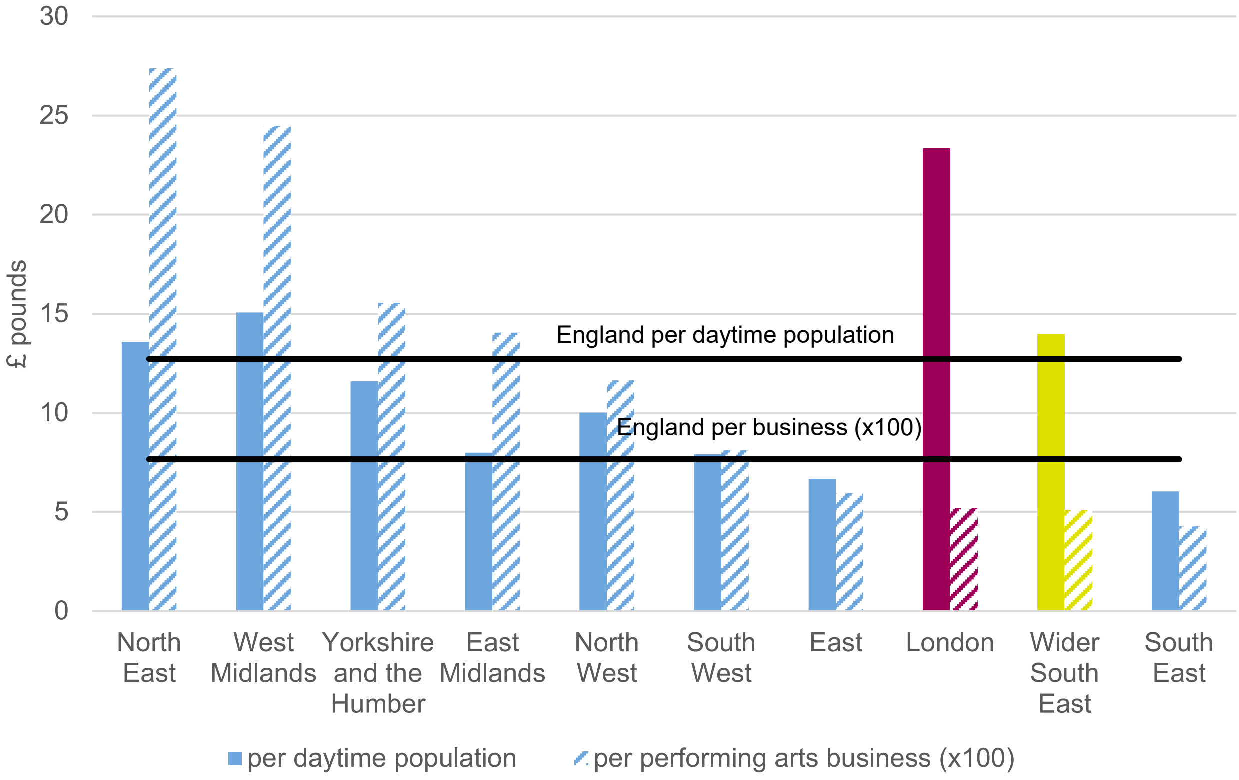


Source: GLA Economics calculations of DLUHC Local authority revenue expenditure and financing England, outturn data, ONS Population Estimates, ONS International Passenger Survey, ONS Annual Population Survey, DfE School Census, Visit Britain GB Tourism Survey, Visit Britain GB Day Visits Survey
Note: spending figures are for 2019/20

London receives a relatively low share of public funds by some other measures. If ACE spending is weighted by the number of performing arts businesses[165] in an area, then London receives the second lowest level of funding in England, reflecting the dynamism of the capital. Only the other regions of the wider South East receive funding below the England average. One implication is that a business in London, which is equally as good as a counterpart outside the wider South East is less likely to receive ACE funds than that counterpart, Figure 5.4. (The figure also shows, as has already been noted, that London receives a large share of ACE spending, if disproportionately distributed to a few organisations. But, once again the wider South East is closer to the England average.)

[165] SIC code 90.01, Appendix A provides the SIC codes for the creative industries

Figure 5.4: ACE spending per daytime population and performing arts business, English regions, 2019



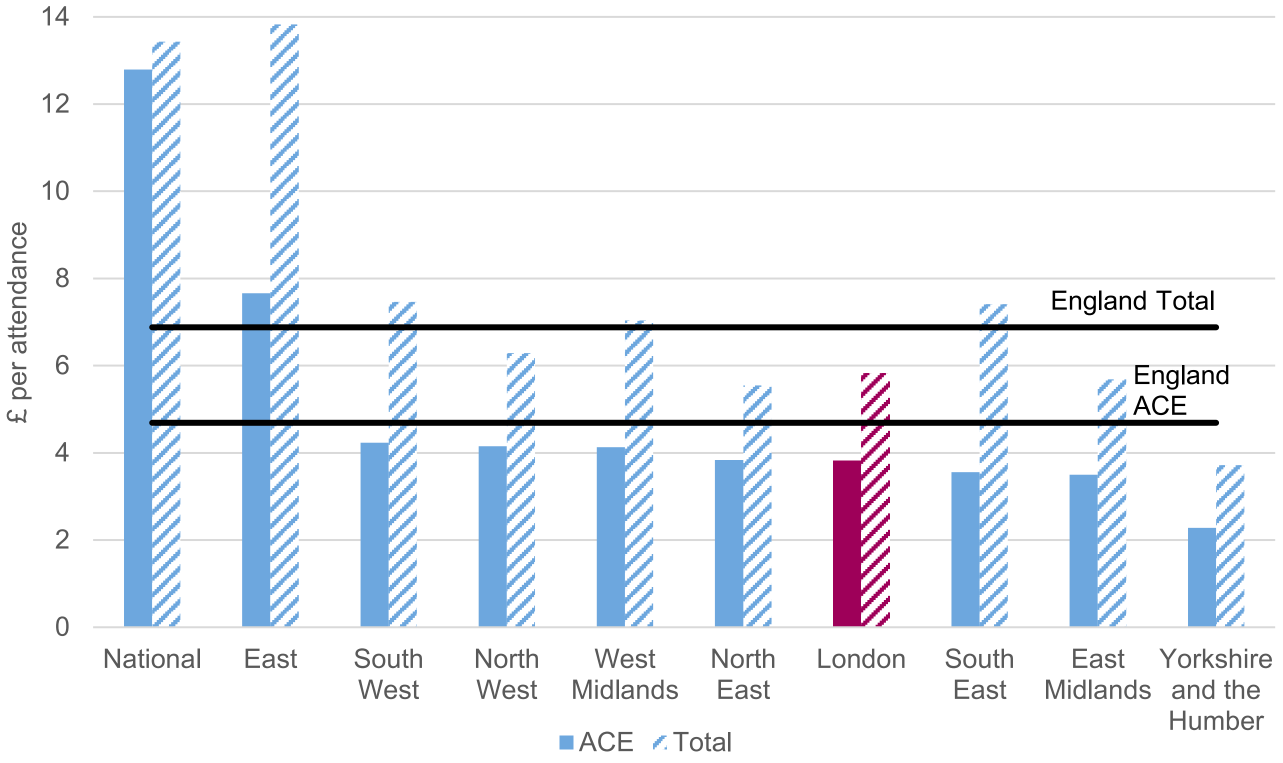
Source: GLA Economics calculations of HMT CRA, ONS Population Estimates, ONS International Passenger Survey, ONS Annual Population Survey, DfE School Census, Visit Britain GB Tourism Survey, Visit Britain GB Day Visits Survey, ONS business counts

Note: spending figures are for 2019/20, and daytime population of the wider South East is residents plus overnight international visitors so is an underestimate

London receives the fourth lowest ACE subsidy (and total subsidy) to NPOs of the regions per attendance. Unlike the analysis above, the table below separates out nine national organisations some of which will be in London[166]. London's funding is below the national average by both the total and ACE subsidy measures, Figure 5.5.

[166] There is more recent raw data, which might allow the data for national organisations to be split out by region. As there is no metadata to support analysis of this dataset this has not been attempted.

Figure 5.5: NPO public subsidy per attendance, English regions, 2017/18



Source: ACE NPOs Annual Submission 2017/18

There are three ways in which cultural activities and the creative industries in London support the rest of the country.

First, London made positive (often large) net contributions to the Exchequer between 2009/10 and up to the start of the pandemic. The creative industries played their part through tax revenues in this positive net contribution because of their overall size in the London economy, and their relatively high productivity level – GLA Economics estimates that the creative industries paid £13 billion in taxes on profits and earnings in 2019/20, see Box 5.2. As noted earlier, spending on cultural services in 2019/20 in London was just 0.8% of all public spending of £98.3 billion. Due to the pandemic, a surplus of £4,500 per person in 2019/20 switched to a deficit of £800 per person in 2020/21. Even in 2020/21 London – out of all the UK countries and regions - made the smallest call per head on the public purse. In 2021/22, London returned to making a net contribution to the Exchequer, and again the largest of the countries and regions of the UK, at £4,300 per person, Figure 5.6. These contributions could be disbursed to other regions of the UK, and to their cultural organisations.

Figure 5.6: Net fiscal contribution of the countries and regions of the UK, 2021/22, £ per person

Source: ONS Country and regional public sector finances

Box 5.2: Taxes paid by the creative industries in London

The creative industries have high productivity and provide a significant proportion of London's output. No data sources report taxes paid, although it is likely that the tax revenues paid by the sector are substantial. This box sets out a method to derive an estimate of taxes paid and explains some of its limitations.

The UK tax system is very diverse with a range of taxes such as corporation tax, income tax, value added tax (VAT), stamp duty when purchasing a property, inheritance tax, and council tax. Some taxes such as VAT and stamp duty might be paid by businesses or households. The data available is for total amount paid by both businesses and households, and so cannot be attributed either to businesses, or specifically to sectors such as the creative industries.

For the creative industries, tax revenue generated in this sector can be attributed to corporation tax, income tax, National Insurance, and business rates. This analysis uses these tax sources accordingly. In 2019/20, the total tax revenue from these sources attributable to creative industries amounted to £104 billion, which represented 61% of taxes paid in London (and £414 billion, or 50% of taxes paid, across the UK). The proportions of taxes paid have remained similar for both London and the UK since 2011/12[167].

This is a selection of direct taxes paid on income, whether profits or earnings, and wealth. It will underestimate the total tax paid as it does not include indirect taxes, such as VAT and council tax, paid by the creative industries on goods and services. This is because the data on these taxes cannot be attributed to businesses.

[167] ONS (2023), Country and regional public sector finances, UK: financial year ending 2022

There are theoretical reasons to believe that the taxes actually paid are very dependent on the structure of individual businesses, and are not uniform across businesses or sectors, or over time:

- Corporation tax is levied on the profits of companies operating in the UK. In broad terms, profit is revenue less costs. If a company makes a loss it may set the loss against profits it makes in other years. There are also reliefs for research and development (R&D), and allowances for investment costs. Different rates of the tax have, at various times, been applied to companies with small profits, and profits earned on patented technologies[168]. A way to realise that comparisons are difficult is that a sector with many small companies would pay, other things equal, less tax than another sector with the same level of profits distributed amongst fewer large firms.
- Income tax is levied on most forms of personal income, including income from employment, self-employment, private and state pensions, investments and property rental. Each person has a personal allowance of income that can be received tax-free. Above the personal allowance, different bands of income are taxed at different rates. Only around 60% of adults have income high enough to pay income tax, although during the 2010s the proportion of adults paying income tax fell as the personal allowance rose[169]. In 2019/20, 93% of UK income tax paid came from earnings[170]. A way to realise that comparisons are difficult is that a sector many low earning individuals would pay less tax than another sector with the same level of total earnings distributed across fewer higher earning individuals
- National Insurance is a tax on earnings, and is paid by the self-employed, employees, and employers. Up to a certain threshold earnings are free of National Insurance contributions. The main rates are payable on earnings above that level. The employee and self-employed rate, though not the employer rate, are lower on earnings above a higher threshold[171].
- Business rates are set for each property. Although revaluations of these rates are occasional this is not necessarily what is payable in any one year. There are mechanisms which mean rates are not the same year-on-year[172].

GVA is a measure of economic activity, and so the income, of labour and capital. So, it would be natural to assume a relationship between taxes on income and the value of that income base. For the reasons set out in the previous paragraph, there is not a simple direct relationship in practice. Nevertheless, the assumption of this analysis is that the creative industries and the whole economy in London pay the same direct taxes as a share of output, GVA. It is a conservative assumption as it does not reflect the higher than average productivity of the creative industries in London.

With these assumptions in mind, the creative industries in London paid £13 billion in direct taxes in 2019/20. This is the equivalent of 8% of all taxes paid by London.

The second way cultural activities and the creative industries in London support the rest of the country is through exports. It has already been noted (in Chapter 2) that the creative industries in London make up a large sector, and are likely to be responsible for much of the wider UK's creative industries exports. And while trade across sectors is more important to London's economy than the UK's, this is not just about international trade – London trades more with the rest of the UK than with the rest of the world. The trade and supply chains that link London and the rest of the UK economy mean that for every pound consumed or invested in London, 24p of production is generated elsewhere in the UK[173].

[168] IFS (2022), Corporation tax explained
[169] IFS (2022), Income tax explained
[170] HMRC (2022), Income Tax liabilities statistics: tax year 2019 to 2020 to tax year 2022 to 2023, Table 2.6
[171] IFS (2022), National Insurance contributions explained
[172] Hope M (2021), The retail sector in London and the impact of the coronavirus on trends, GLA Economics
[173] GLA (2019), London and the UK: a declaration of interdependence

The third way is because London arts companies tour the country. Half of London NPOs toured in 2017/18[174], slightly more than the national average (47%), and the third highest of the regions – again, the table below places nine national organisations as a separate group. When it comes to the proportion of organisations touring outside their own region, London had the second highest rate (55%) after the East Midlands (69%). Touring London organisations were more likely to tour overseas; 27% did so compared with 20% of all NPOs. Of all NPOs in a region, London's were the most likely to tour outside their own region, along with the South East (28%). They were also the second most likely to tour overseas (14%), after the South East (16%), Table 5.4.

Table 5.4: NPO touring organisations by region and where they tour, 2017/18

	Responding Organisations			Of organisations touring				Touring activities of all organisations	
	Touring	Total	Proportion touring	Own region	London	Elsewhere UK	Overseas	Outside London and own region	Overseas
East	14	33	42%	42%	20%	32%	6%	14%	3%
East Midlands	14	38	37%	16%	7%	69%	8%	25%	3%
London	**119**	**236**	**50%**	**18%**		**55%**	**27%**	**28%**	**14%**
North East	13	35	37%	15%	20%	44%	21%	16%	8%
North West	37	77	48%	37%	6%	34%	23%	16%	11%
South East	20	37	54%	10%	8%	52%	30%	28%	16%
South West	31	74	42%	33%	16%	36%	15%	15%	6%
West Midlands	25	46	54%	31%	15%	45%	9%	24%	5%
Yorkshire and Humber	26	72	36%	25%	13%	47%	15%	17%	5%
National	9	9	100%				13%		13%
England Total	308	657	47%				20%		

Source: ACE NPOs Annual Submission 2017/18
Note: the table provides survey respondents. There were 240 NPOs in London at this time

This analysis is based on a relatively small number of organisations. Perhaps unsurprisingly, individual numbers vary from year to year, although the broad findings - that it is common for London NPOs to tour, but that activity in this regard is not out-of-line with some other regions - remain the same for other years.

5.5 Levelling up and culture in London

In February 2022, DLUHC published the government Levelling Up White Paper[175]. The paper sets out an ambition, "to end the geographic inequality which is a such a striking feature of the UK. It needs to begin by improving economic dynamism and innovation to drive growth across the whole country". It notes that, "While talent is spread equally across our country, opportunity is not. Levelling up is a mission to challenge, and change, that unfairness."

To support the development of the strategy, its implementation, and its assessment of progress the government developed an analytical framework. It argued for the development of six capitals, which should be working in combination:

- Physical capital – infrastructure, machines and housing
- Human capital – the skills, health and experience of the workforce
- Intangible capital – innovation, ideas and patents
- Financial capital – resources supporting the financing of companies
- Social capital – the strength of communities, relationships and trust
- Institutional capital – local leadership, capacity and capability

[174] There is more recent raw data, which might allow the data for national organisations to be split out by region. As there is no metadata to support analysis of this dataset this has not been attempted.
[175] DLUHC (2022), Levelling Up the United Kingdom

The White Paper notes, "Agglomeration and clustering effects are cumulative in successful places, as they serve as a magnet for people, business, finance and culture, locking them into a high growth equilibrium." This paper has described this phenomenon for London, and provides an example of the six capitals working together.

"Levelling up is about aspiring for every place in the UK to have a rich endowment of all six capitals", the paper states. In this vein, it recognises that not all parts of London are prosperous. "Even in high productivity cities, such as London, there are areas with low productivity. Haringey and Lewisham have productivity levels of 91% and 82% of the UK average respectively." The paper also states, "Looking at disposable incomes after housing costs, [compared with before housing costs] London is no longer the best performer." It adds, "Despite London being an economic powerhouse, it contains significant pockets of high deprivation."

Others have gone further[176]. "London is the UK's only world city … Furthermore, the UK would not be well served if it does *not* continue to grow. We do not accept the argument sometimes made (especially in a business cycle downturn when the north-south divide increases) that London's growth occurs at the expense of other cities. Economic growth is not a zero sum game". Quantitative research[177] supports this conclusion. It finds that, since 1971, many of the fastest growing cities in Britain have been in the southern half (roughly south of a line between the Severn and the Humber) and most of the slowest growing cities have been in the north.

There is limited evidence, as mentioned above, that the development of London has been to the detriment of the rest of the UK. Further, London and the rest of the UK are interdependent. This paper has reported the following findings:

- There are creative clusters around the country, so their development is also not a zero sum game
- London is a net contributor to the Exchequer, pre-pandemic around 30p in every pound contributed was channelled to the rest of the UK[178]. In 2019/20, London's creative industries paid £13 billion in taxes on profits, earnings and business rates, 8% of all taxes paid in London, and the government spent £0.8 billion on cultural services in London.
- London trades more with the rest of the UK than the rest of the world. For every pound consumed or invested in London, 24p of production is generated elsewhere in the UK
- London is accessible to the wider South East for jobs, leisure, and culture

This builds on previous GLA research[179] on the links between London and the rest of the UK. Its conclusion was that rebalancing the UK economy cannot be achieved by constraining London's growth, but rather by increasing productivity and competitiveness across all regions. The analysis of this paper indicates that this would increase demand for culture via expansion of both the creative industries, and cultural services.

The White Paper has an ambition to, "renovate the social and cultural fabric of those parts of the UK that have stalled and not – so far – shared equally in our nation's success." In support, there was the £2 billion Culture Recovery Fund during the pandemic, discussed in Chapter 2 - London received a relatively large share of funds not least because of the preponderance of cultural organisations in the capital. The second significant policy on culture is that 100% of the ACE funding uplift announced at Spending Review 2021

[176] Coyle D and Rosewell B (2014), Investing in city regions: How does London interact with the UK system of cities and what are the implications of this relationship?
[177] Martin R et al (2019), The Economic Performance of Britain's Cities: Patterns, Processes and Policy Implications, UK 2070 Commission
[178] GLA (2019), London and the UK – a declaration of interdependence
[179] GLA (2019), London and the UK – a declaration of interdependence

will be directed outside London to improve engagement in local culture, and pride in place. That is, there is zero additional funding for London, and leaves the city with a cut in funding after inflation.

The additional funds of £45 million[180] per year for England are an 11% increase in cash terms, equivalent to an 18% increase outside London[181]. The freezing of funds for London leaves it over £90 million a year worse off in 2019/20 compared with 2009/10, and in 2019/20 prices[182]. It may well be that London local authorities will continue to feel the need to top up ACE grants – London's local authorities already make a disproportionate contribution to the funding of cultural services[183]. Funding weighted by population for the wider South East - whether from the ACE, or from central and local government for cultural services - has not been greatly out of line with funding for England. Much of London's ACE funding goes to a very small group of national-serving organisations – exclude this funding, and London's funding is in line with the rest of England. While London may receive a large share of ACE funding per head of population its share is lower than the national average relative to the number of performing arts businesses or attendees at performances. There is an argument that central government funding for culture in London has been, and remains insufficient. This is not an argument for less funding for other areas of England.

The second effect of the ACE funding uplift has been around the allocation of funds to organisations. The implementation of this spending has been to distribute funds across more of England: there is an increase between the 2018-22 and 2023-26 funding rounds from 184 to 218 local authorities (that is from 57% to 67% of 325 local authorities). There will also be more funding extended to outer London; and the number of boroughs with one or fewer organisations receiving funding will fall from 14 to 9. The number of funded organisations increases from 840 to 985; there will be 276 joiners and 131 leavers. In London the number of organisations funded will fall to 257 from 268; there are 56 joiners and 67 leavers. So, a quarter of 2018-22 NPO grant-funded organisations will be leaving the portfolio – a major re-structuring. This will create financial challenges for the affected organisations - especially the ENO which was receiving over £12 million a year.

Additionally, 24 London-based organisations will continue to receive funding on the basis that they transfer out of London. Together with organisations leaving the portfolio a third of London-based organisations receiving NPO grants between 2018-22 will not receive grants in London for 2023-26. As the provision of cultural services is not a zero sum game, and because the provision of culture is one facet of economic development, this transfer is unlikely to lead to more cultural organisations outside the capital as it does not change demand. The transfer is also small in relation to the number of performing arts businesses outside London. Policies which improve aggregate demand, and the achievement of agglomeration economies, as argued in Chapter 1, are more likely to increase demand for cultural services. Social policy objectives to improve demand supported directly through cultural funding could also be met by encouraging (and funding) more out-of-London projects and touring by London-based organisations.

Beyond the allocation of culture funds the use of government funds to support levelling up may not be adequately recognising the needs of London. London is receiving half the funding through phase 1 of the UK Shared Prosperity Fund that it was receiving from its predecessor, the EU European Social Fund[184]. Nearly a quarter of the 100 most deprived areas across England have not received any money from rounds 1 and 2 of the Levelling Up Fund – 30% (seven) of these areas are in London[185]. Across 12 grants and funding

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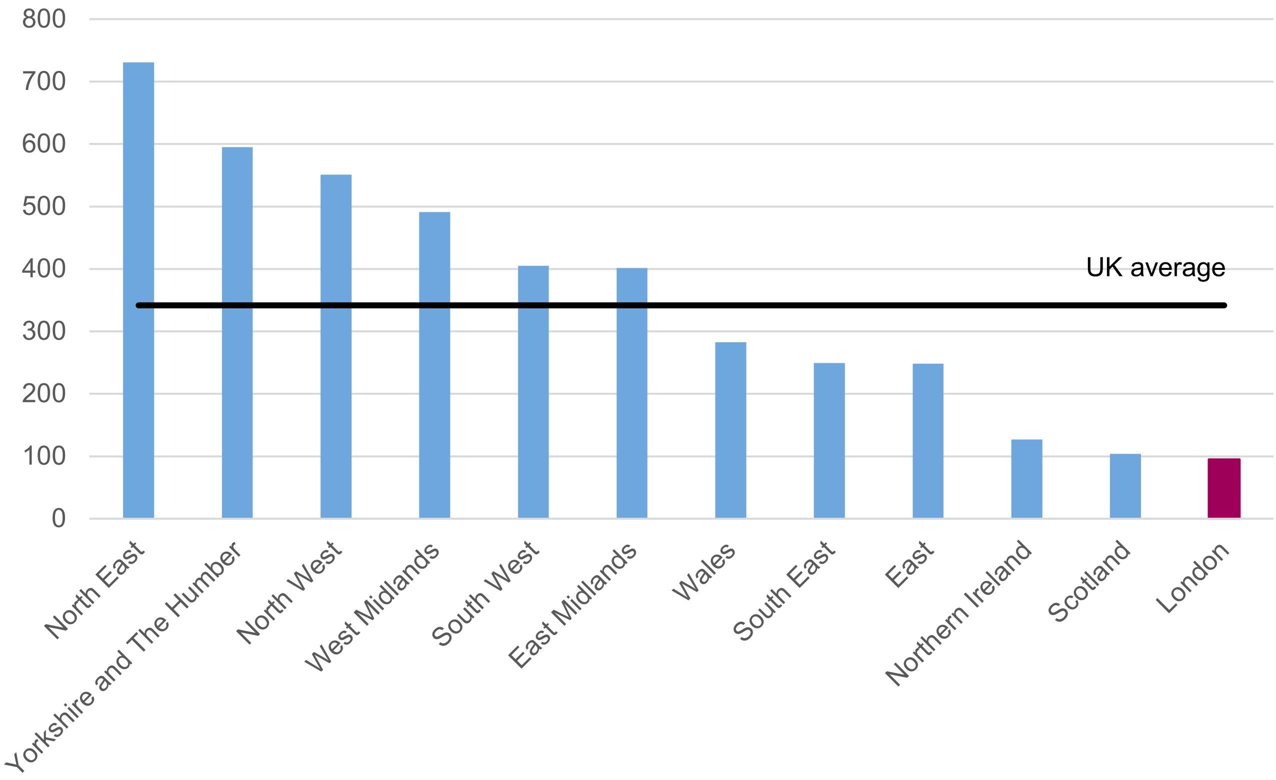
[180] Donelan M (2022), Arts Council England 2023-2026 Investment Programme: Announcement of National Portfolio Organisations and Investment Principles Support Organisations, and GLA Economics calculations
[181] As above, and using ACE Investment Programme data for 2023-26
[182] GLA Economics calculations using ACE NPOs Annual Data Survey and GDP deflator
[183] COFOG definition
[184] Eichler W (2022), London losing out on levelling up funding, say Mayor, LocalGov, 15 December
[185] Centre for Inequality and Levelling Up (2023), Levelling Up Fund: Round 2 briefing

pots connected with the levelling up agenda[186] London has been offered 4% of £23 billion of awarded funds[187]. As a comparison, 13% of the UK's population lives in London, and the city accounts for 12% of LSOAs in the bottom quintile of deprived areas in England (see Chapter 3). The value of awards to London at £95 per head is the lowest of the countries and regions of the UK and well below the UK average of £342, Figure 5.7. The total expenditure compares with a fall in revenue expenditure by English local authorities of 23% or £29 billion in 2019/20 prices between 2009/10 and 2019/20[188].

Figure 5.7: £ per head across UK countries and regions of DLUHC Levelling Up grants and funding pots



Source: GLA Economics calculations of government Levelling Up funds & grants published by Levelling-Up Committee and Levelling Up Fund Round 2: successful bidders and ONS mid-year population estimates, 2019

Most recently, and in a similar vein on the distribution of funds, in the Spring 2023 Budget the government announced over £200 million for 16 regeneration projects. One – to the value of £8.4 million, or 4% of the total – was in London[189].

5.6 Conclusion

London and the rest of the UK are interdependent. For example, pre-pandemic around 30p in every pound contributed to the Exchequer was channelled to the rest of the UK, and the creative industries are highly likely to be part of that contribution. The UK would not be well served if London did not continue to grow; and this growth does not occur at the expense of other cities. Urban growth relies on agglomeration

[186] The Coastal Community Fund, Coastal Revival Fund, Community Ownership Fund, Future High Streets Fund, Towns Fund, Levelling Up Fund rounds 1 and 2, Shared Prosperity Fund (Core DLUHC), Community Renewal Fund, Getting Building Fund, Local Growth Fund, Transforming Cities Fund, and Regional Growth Fund
[187] There remains £1 billion to award from the Levelling Up Fund. See Weakley K (2023), Successful levelling up fund bids revealed, LGC
[188] Hope M and Farquharson J (2023), London's Economy Today, February
[189] HM Treasury (2023), Spring Budget 2023: documents

economies, and this is not a zero sum game. It is as true for the whole economy as it is for the creative industries.

The February 2022 Levelling Up White Paper listed two cultural provision policies to support levelling up across the country, and these have been implemented in opposing ways. London received a significant share of support during the pandemic, including the Culture Recovery Fund; but, London has received nothing from a marked uplift in funding to the ACE. There are arguments that central government funding for culture in London has been and remains insufficient. As a result, there is a risk that the ACE plans constitute a significant and potentially disruptive restructuring of its portfolio of NPOs in London. This is not the only example of how the distribution of funds associated with levelling up fail to recognise London's needs. Additional monies for these funds do not compensate for the cuts to local authority funding since 2009/10.

Appendix A – Additional information on the creative industries

This Appendix provides additional information on: the definition of the creative industries; where creative industries jobs are in London; and the contribution of the self-employed to the sector.

A.1 Definition of the creative industries

The creative industries were defined in the government's 2001 "Creative industries Mapping Document"[190] as "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property". Based on this, DCMS worked closely with stakeholders to produce a statistical definition. The agreed definition[191] is based on international industrial classifications. The UK version is the 2007 Standard Industrial Classification (SIC) [192]. There are nine sub-sectors of the creative industries, which traverse several sectors of the SIC classification including manufacturing, information and communication, professional services, and the arts, Table A.1.

Table A.1: Statistical definition of creative industries

Sub-sector	More detailed sub-sector	SIC code
Advertising and marketing	Public relations and communication activities	7021
Advertising and marketing	Advertising agencies	7311
Advertising and marketing	Media representation	7312
Architecture	Architectural activities	7111
Crafts	Manufacture of jewellery and related articles	3212
Design and designer fashion	Specialised design activities	7410
Film, TV, video, radio and photography	Motion picture, video and television programme production activities	5911
Film, TV, video, radio and photography	Motion picture, video and television programme post-production activities	5912
Film, TV, video, radio and photography	Motion picture, video and television programme distribution activities	5913
Film, TV, video, radio and photography	Motion picture projection activities	5914
Film, TV, video, radio and photography	Radio broadcasting	6010
Film, TV, video, radio and photography	Television programming and broadcasting activities	6020
Film, TV, video, radio and photography	Photographic activities	7420
IT, software and computer services	Publishing of computer games	5821
IT, software and computer services	Other software publishing	5829
IT, software and computer services	Computer programming activities	6201
IT, software and computer services	Computer consultancy activities	6202
Publishing	Book publishing	5811
Publishing	Publishing of directories and mailing lists	5812
Publishing	Publishing of newspapers	5813
Publishing	Publishing of journals and periodicals	5814
Publishing	Other publishing activities	5819
Publishing	Translation and interpretation activities	7430
Museums, galleries and libraries	Library and archive activities	9101
Museums, galleries and libraries	Museum activities	9102
Music, performing and visual arts	Sound recording and music publishing activities	5920
Music, performing and visual arts	Cultural education	8552
Music, performing and visual arts	Performing arts	9001
Music, performing and visual arts	Support activities to performing arts	9002
Music, performing and visual arts	Artistic creation	9003
Music, performing and visual arts	Operation of arts facilities	9004

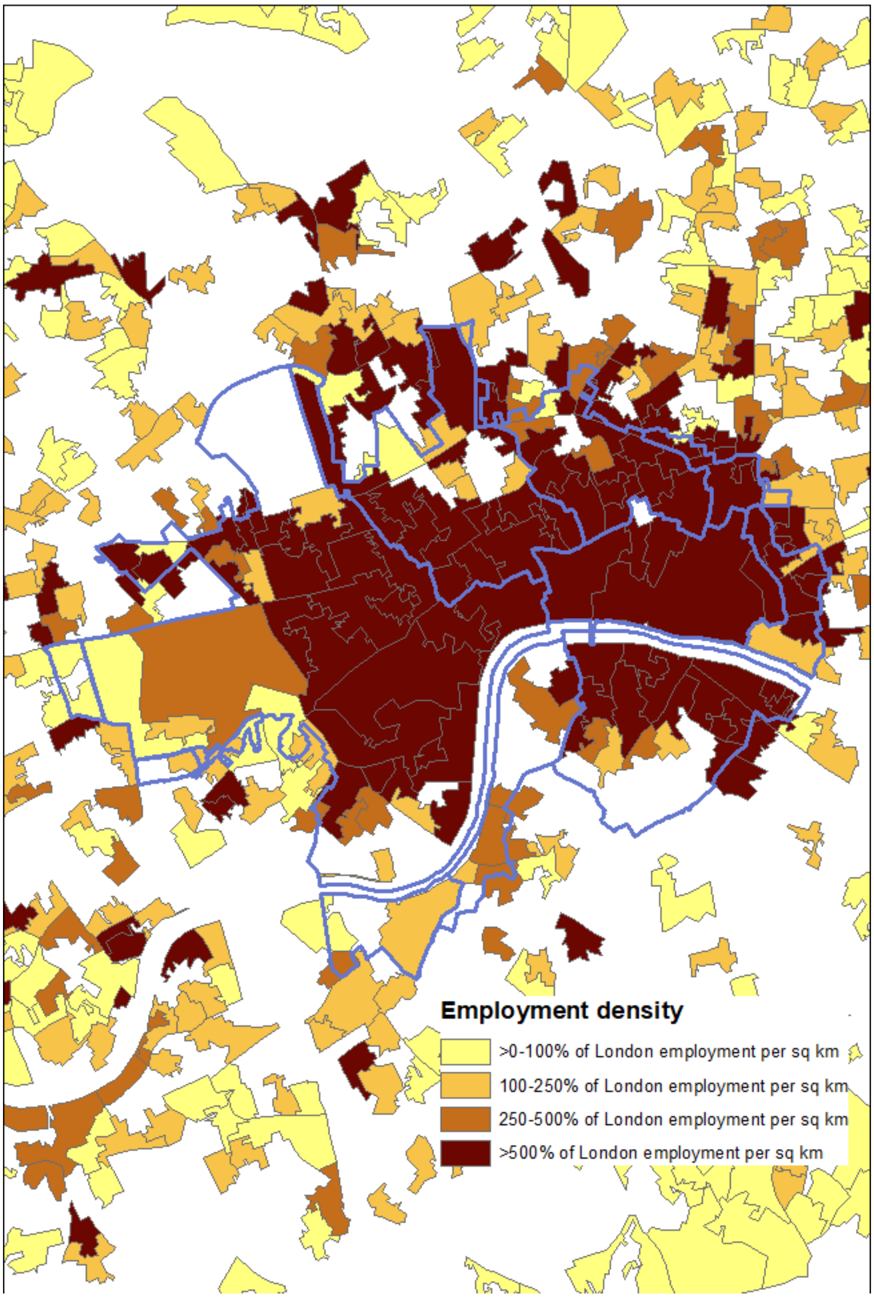
Source: DCMS

[190] DCMS (2001), Creative industries Mapping Documents 2001
[191] DCMS (2016), Creative industries Economic Estimates Methodology
[192] ONS (2008), UK SIC 2007

A.2 Location of creative industries jobs across London

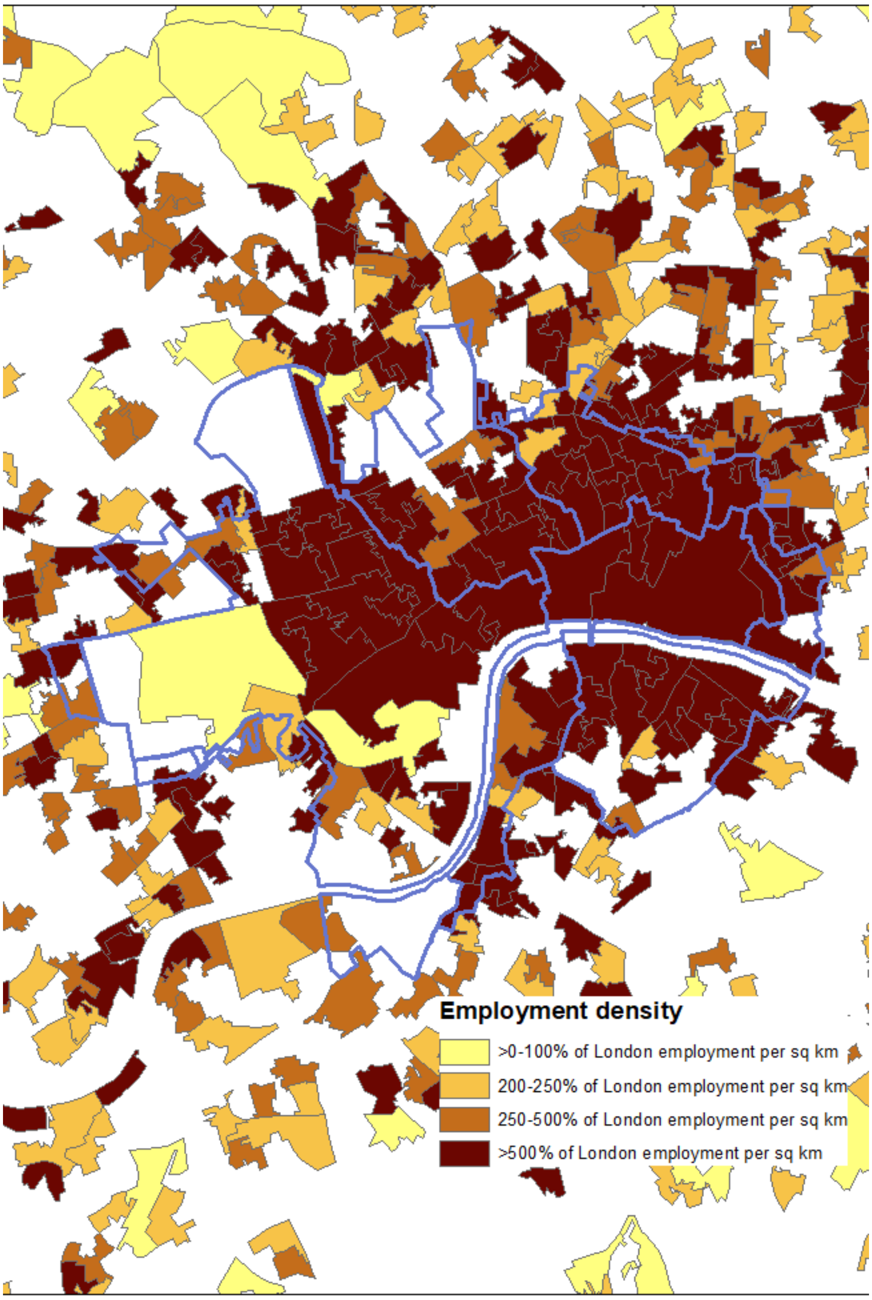
Chapter 4 showed that there is a concentration of employment in the creative industries as a sector in the CAZ. This is also the case for each of the sub-sectors, Maps A.1-A.9.

Map A.1: Advertising and marketing employment density in the CAZ, 2019



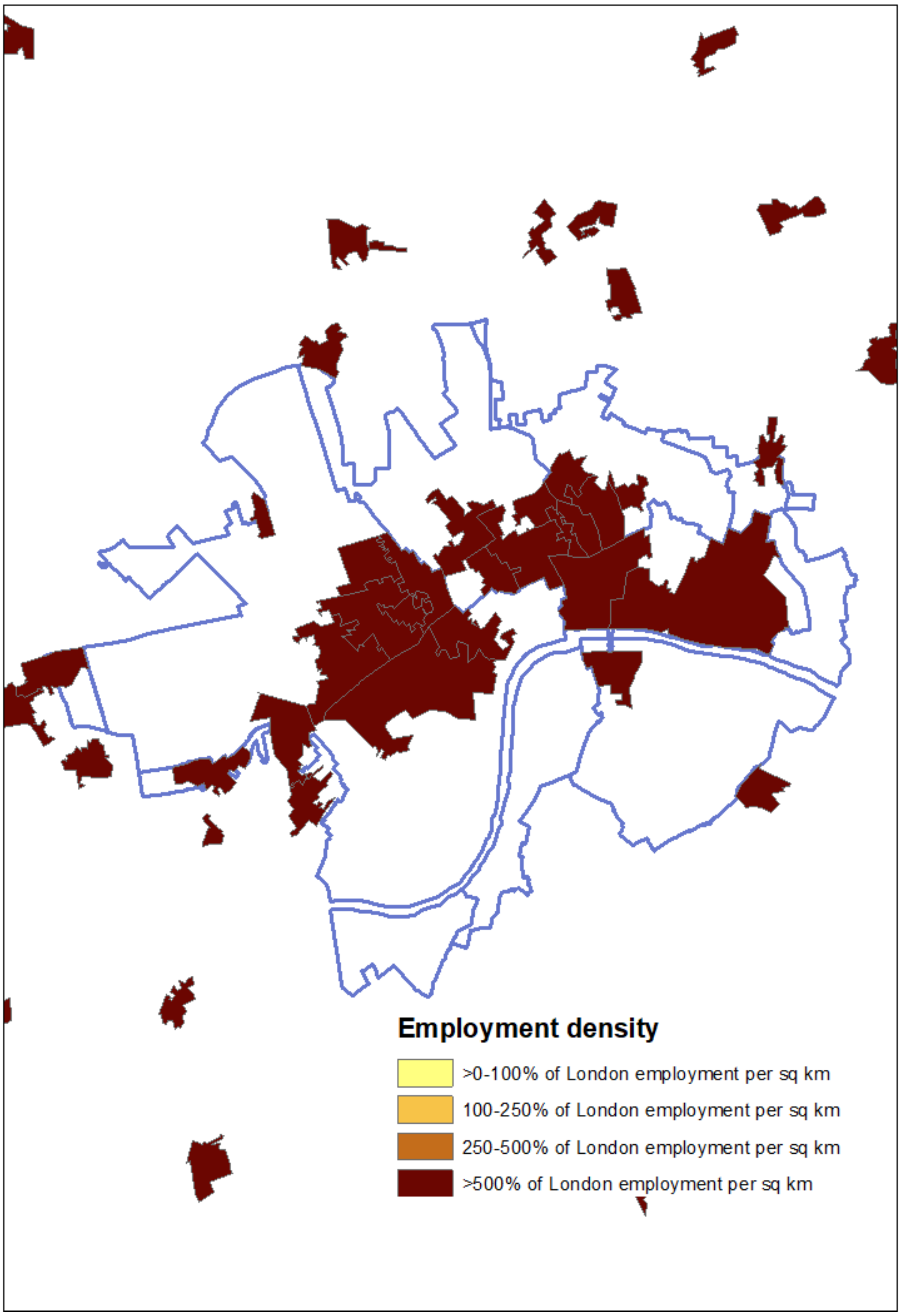
Source: GLA Economics analysis of ONS BRES

Map A.2: Architecture employment density in the CAZ, 2019



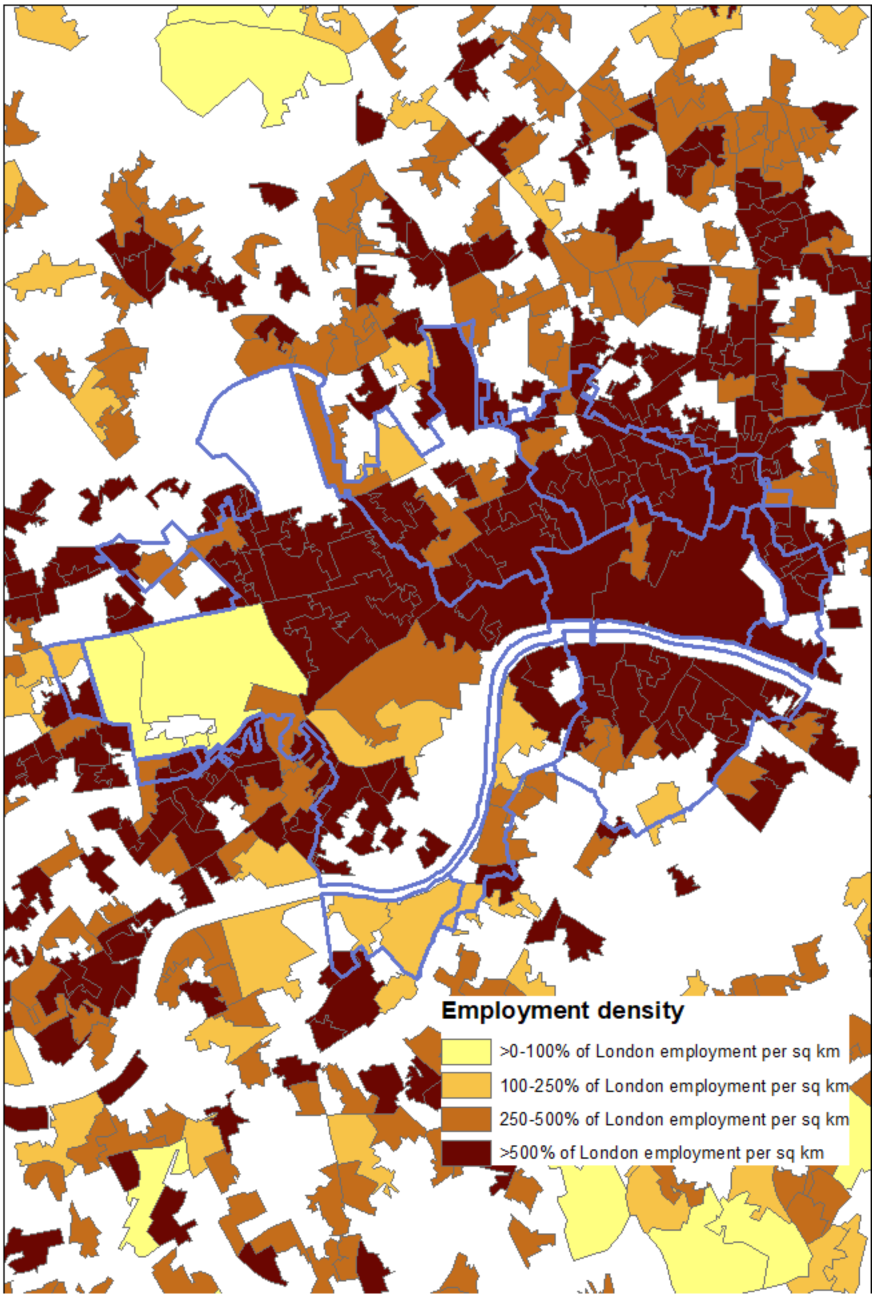
Source: GLA Economics analysis of ONS BRES

Map A.3: Crafts employment density in the CAZ, 2019



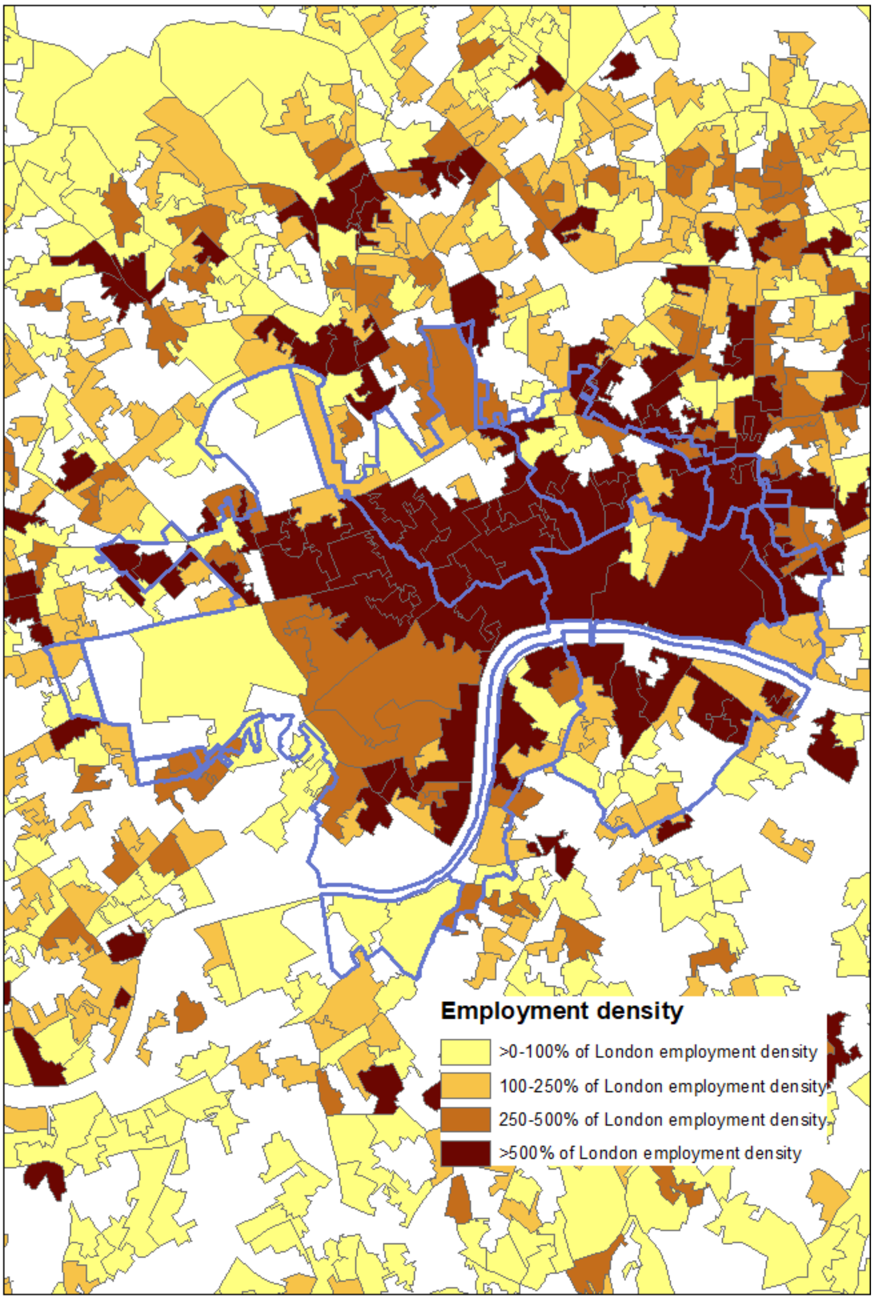
Source: GLA Economics analysis of ONS BRES

Map A.4: Design and designer fashion employment density in the CAZ, 2019



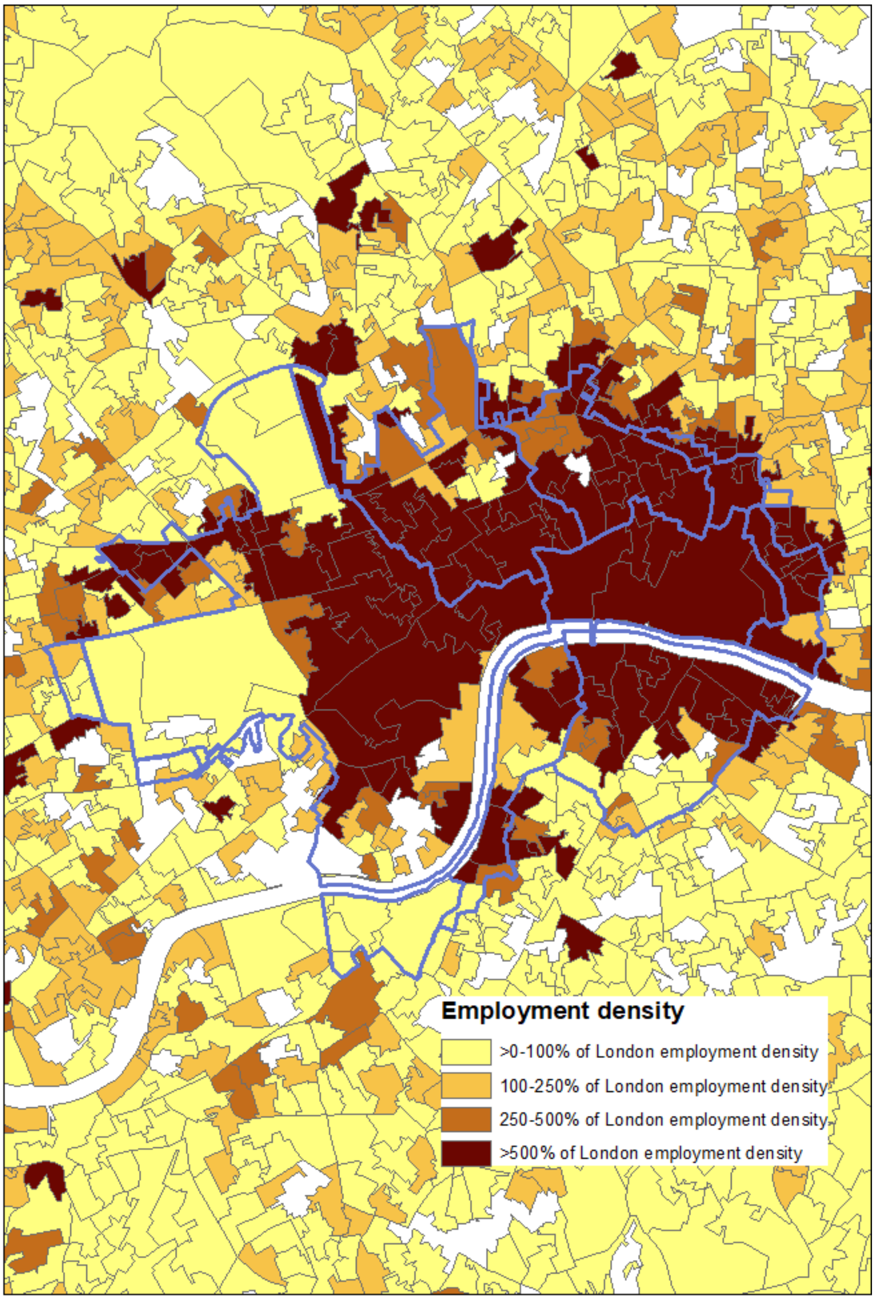
Source: GLA Economics analysis of ONS BRES

Map A.5: Film, TV, video, radio and photography employment density in the CAZ, 2019



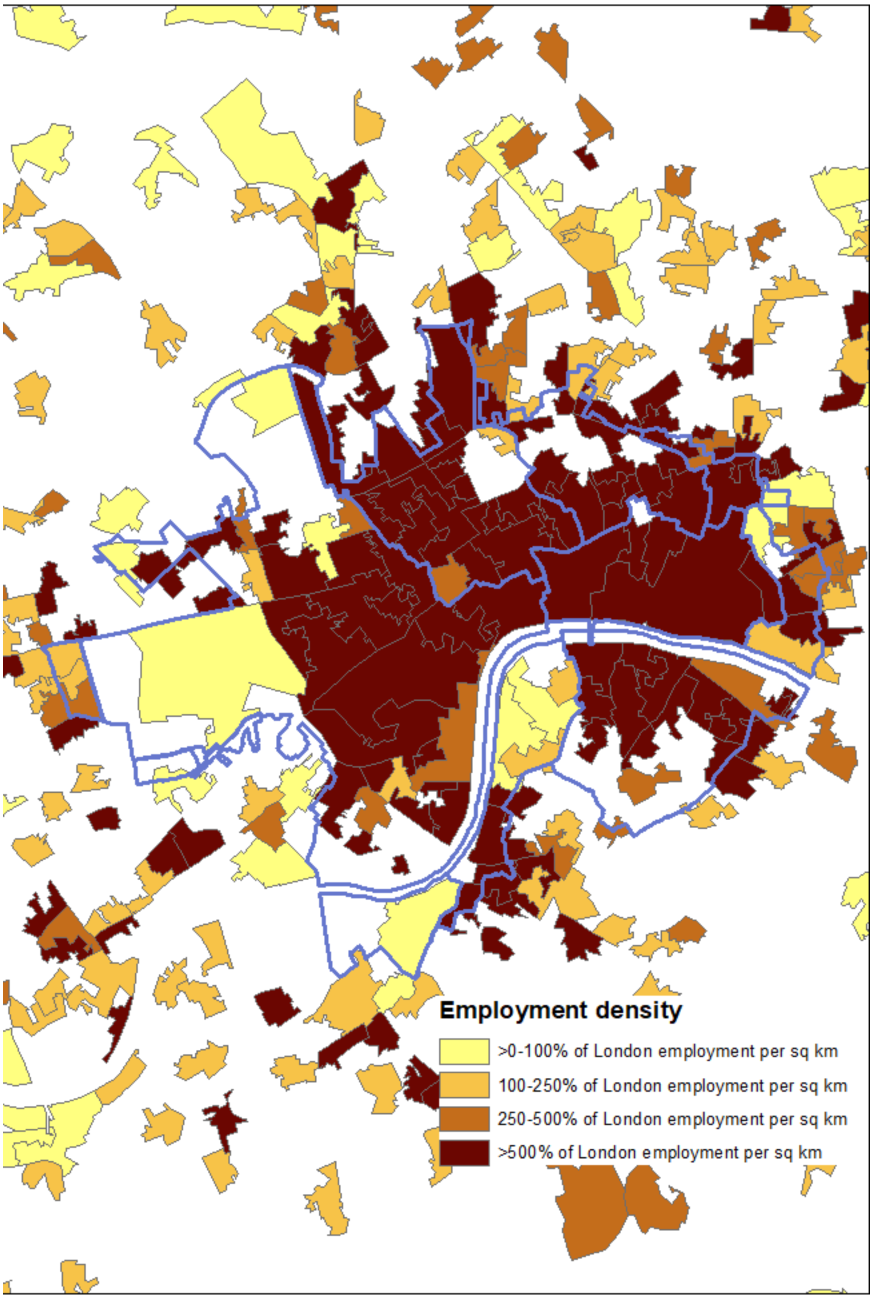
Source: GLA Economics analysis of ONS BRES

Map A.6: IT, software and computer services employment density in the CAZ, 2019



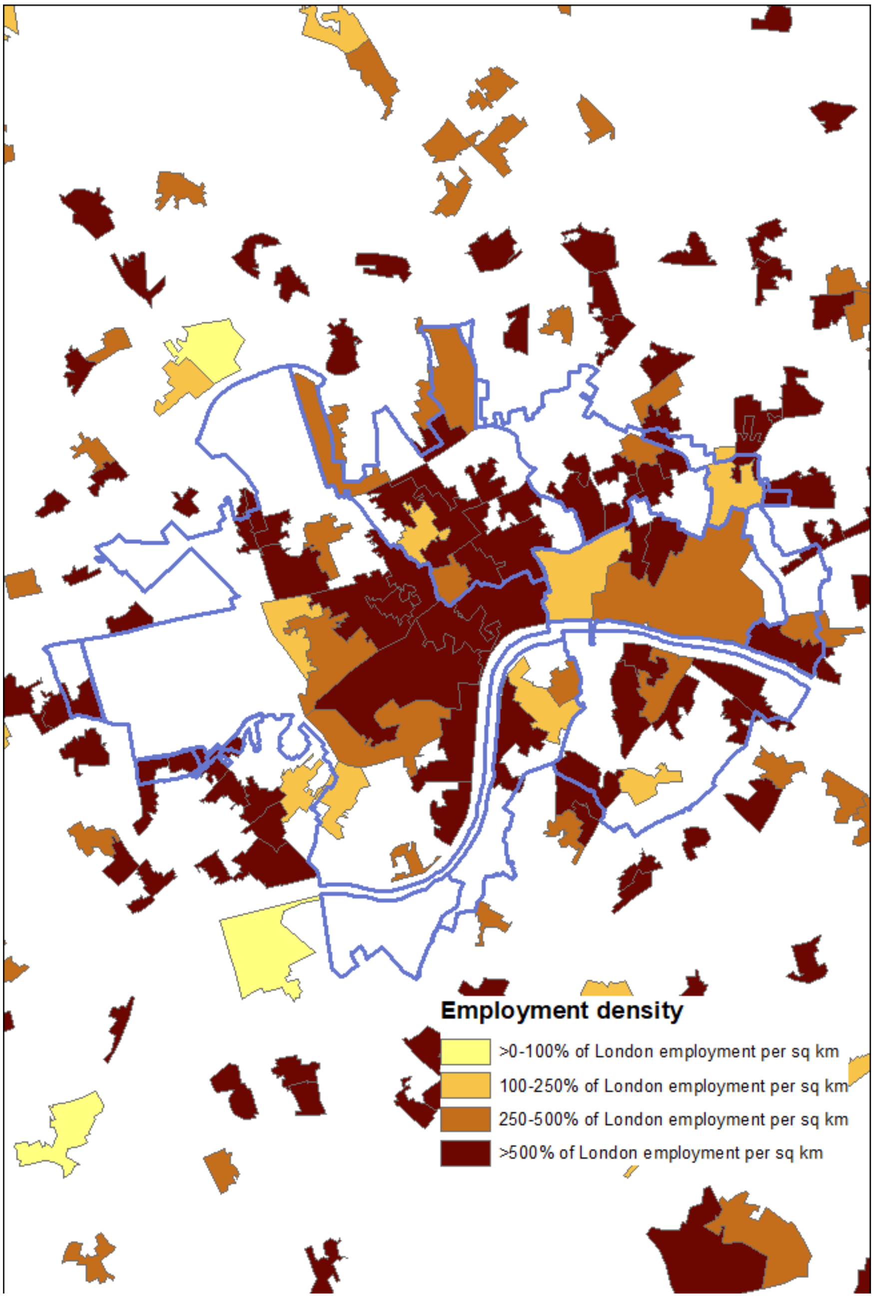
Source: GLA Economics analysis of ONS BRES

Map A.7: Publishing employment density in the CAZ, 2019



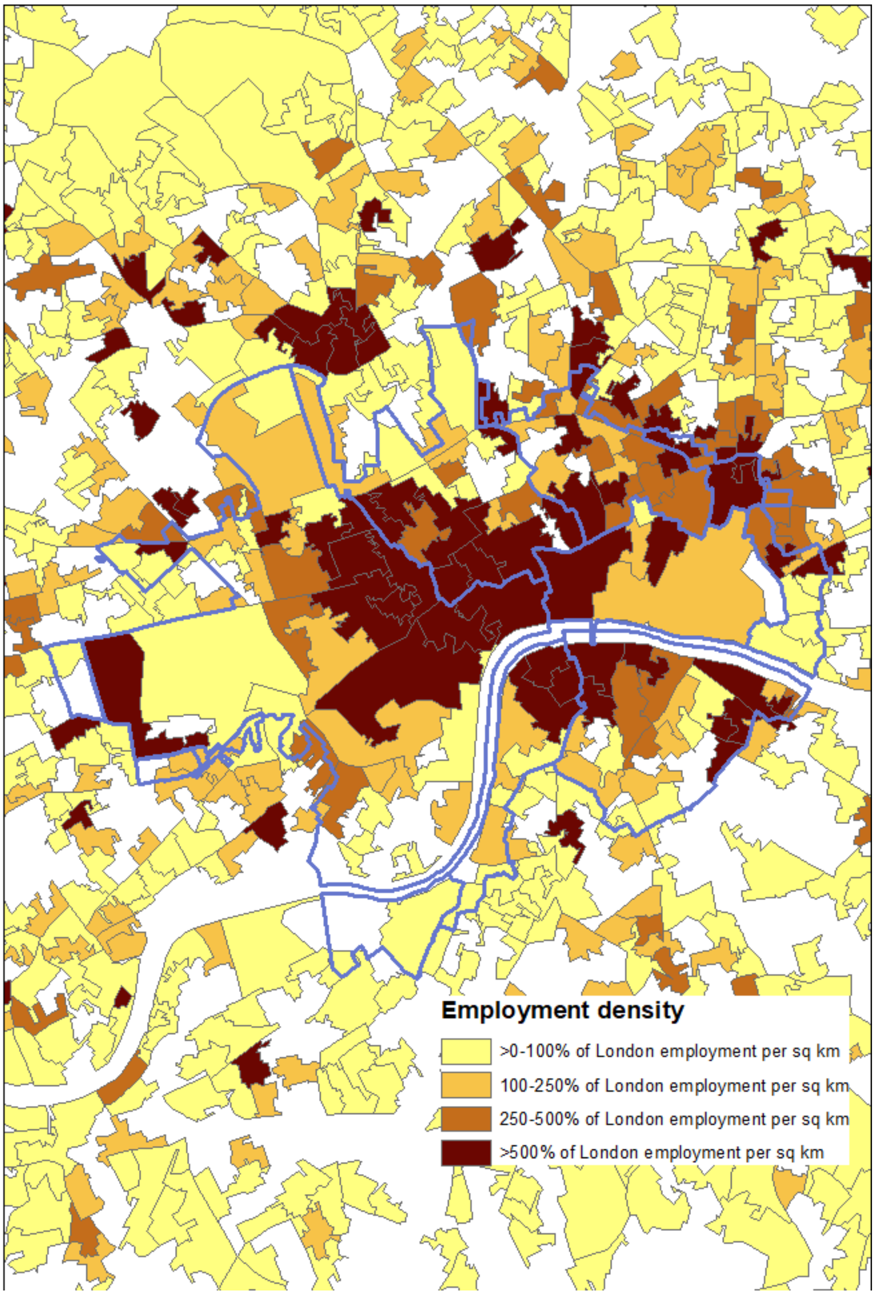
Source: GLA Economics analysis of ONS BRES

Map A.8: Museums, galleries and libraries employment density in the CAZ, 2019



Source: GLA Economics analysis of ONS BRES

Map A.9: Music, performing and visual arts employment density in the CAZ, 2019

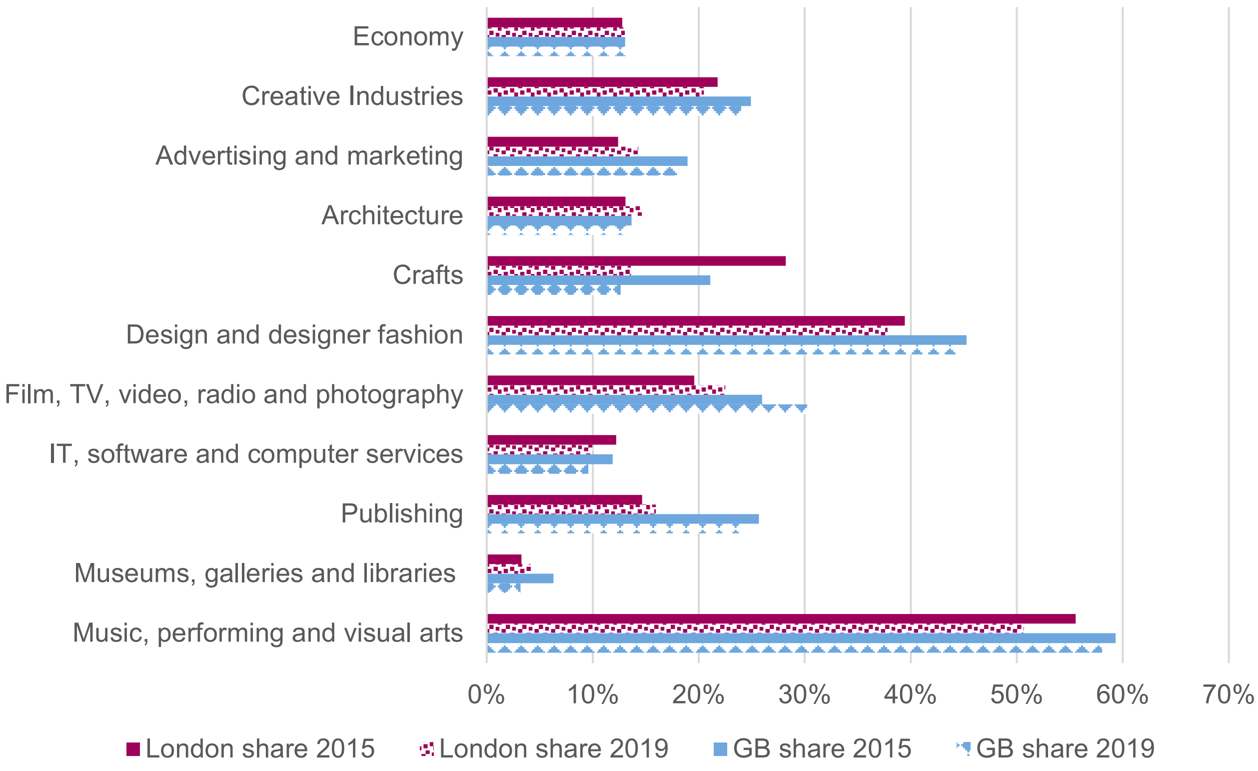


Source: GLA Economics analysis of ONS BRES

A.3 Contribution of the self-employed to the creative industries

The self-employed, including freelancers, accounted for 13% of jobs in both the London and British economies in 2019; this is little changed from 2015. Across the creative industries around a fifth of jobs in London, and a quarter in Britain were held by self-employed individuals. By sub-group, the proportion of self-employed jobs was significantly higher than the sector average in only two sub-sectors: music (over half of jobs in both London and Britain), and design (over a third of jobs). Across Britain, but not in London, the film and publishing sub-sectors consistently had an above average proportion of self-employed jobs. The crafts sub-sector is notable because the share of self-employed jobs fell markedly for both London and Britain between 2015 and 2019, Figure A.1.

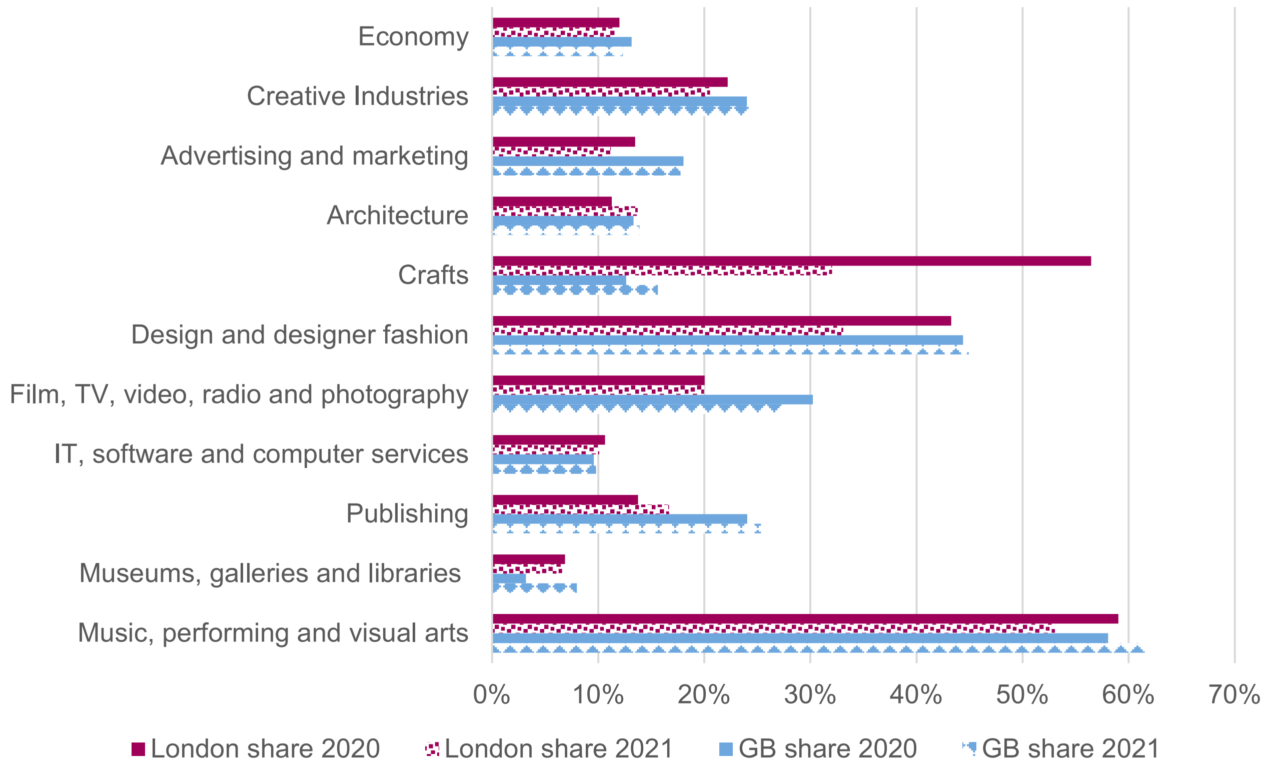
Figure A.1: Self-employed share of jobs in creative industries and its sub-sectors and whole economy, London and Great Britain, 2015 and 2019



Source: GLA Economics estimates of ONS Workforce jobs, BRES and APS

During the pandemic in 2020 and 2021 there was relatively little movement in the proportion of self-employed jobs in both the overall economy and the creative industries for London and Britain. There have been some sharp shifts in the proportions for certain sub-sectors particularly in London. London's share of all self-employed jobs in London fell from 28% in 2015 to 14% in 2019, before rising to 56% in 2020, and falling again to 32% in 2021. The self-employed proportion in London's design sub-sector were 39%, and 38% in 2015 and 2019 before rising to 43% in 2020 before falling to 33% in 2021. There have also been fluctuations in the share of London's self-employed jobs in the music sub-sector from 56% to 51%, 59%, and 53% for the same years, Figure A.2. For these sub-sectors, the use of freelancers provides a means to manage the fluctuations in demand for services.

Figure A.2: Self-employed share of jobs in creative industries and its sub-sectors and whole economy, London and Great Britain, 2020 and 2021



Source: GLA Economics estimates of ONS Workforce jobs, BRES and APS

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