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A framework for evaluating cultural policy investment

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Executive summary

The focus of this report has been to develop a framework for evaluating cultural interventions that sets out a ‘best practice’ approach to evaluating the benefits of public investment in culture. We show how a consistent conceptual framework for assessing the impact of cultural policy can be established. It can be applied to existing interventions or the development of new interventions. The framework has three steps:

- **Developing a policy matrix.** This provides a taxonomy for defining and identifying the different types of cultural policies that exist and what they aim to do – in particular how the interventions’ objectives relate to the overarching objectives for DCMS.
- **The rationale for each policy.** This involves understanding what the economic rationales are for the range of cultural policy interventions – it also involves mapping interventions to the various rationales and assessing the robustness of the arguments for intervention.
- **Evidence of impact.** This entails a critical understanding of the evidence that exists today on the benefits of cultural interventions. We describe the benefits that the policies are expected to deliver and the ways in which they could be measured.

We develop this framework in this report and show how it can be used in a practical way to evaluate the impact of cultural policy interventions. Figure 1 provides an illustration of the key elements of the framework. Each of the elements is discussed below.

Policy	Name of Policy						
Step 1: PSA/strategic objectives	Strategic objectives						
Step 2: Economic Characteristic	Education	Consumption	Research	Architecture & Renovation	Regeneration	Network Building	Clusters
Step 3: Rationale for intervention	Externalities Lack of information Quality of choice	Lack of information Externalities Coordination failure Quality of choice	Public good Quality of choice	Lack of information	Coordination failure Public good	Transaction costs Lack of information	Externalities Coordination failure
Step 4: Potential benefits from intervention	Improved exam results Improved 'soft skills' Larger supply of creative skill	Higher take up of cultural activities Increased number of repeat users	Enhanced knowledge base New products Input into education	Key input for other activities Projects not otherwise undertaken	New businesses Employment Higher skilled workers Graduate retention Tourism	Key input into other activities Reduced costs Better information flows	New businesses Skills training Graduate retention Employment

Figure 1: Framework for evaluating the impact of culture policies

Step 1: Strategic objectives

The first step is to identify which of the departmental strategic objectives the policy is aimed at. Ultimately, the success of the intervention will be measured by the extent to which it helps achieve the strategic objectives of the department.

In most cases it will be relatively straightforward to identify which objective is being targeted. However, in others, the intervention may appear to be targeting multiple objectives, and it is important to be clear about the relative intended impact of the policy.

Step 2: Key economic characteristics

The next step is to identify the key economic characteristics of the intervention. Typically, the type of investment is closely related to the underlying rationale for a policy. By identifying the key characteristics of the intervention, it will be easier to identify the rationale for the intervention. The flow of benefits to the intervention is also likely to vary considerably with its characteristics. Understanding the economic characteristics of the intervention is therefore an important step in developing the evaluation.

As can be seen from Figure 1 above, we have identified seven different types of cultural policy. Within DCMS, some of the current programmes are built around just one investment type but most contain elements of more than one.

The evidence base for one cultural policy in particular – clusters – is relatively thin. We have sought to address this through a case study which examines how the BBC’s investment in Scotland has led to clustering. A summary is provided in this chapter with a more in-depth description provided in Annexe 2.

Step 3: Identifying the market failure rationale

Having identified the key economic characteristics of the intervention, it is important to link these to the underlying market failure rationale. There are two main reasons for this:

- in the absence of a market failure rationale it is unlikely that the intervention will yield positive benefits; and
- by setting out the underlying market failure rationale it will become clear as to whether the policy under consideration is likely to correct the market failure, or whether it is the most appropriate policy to do so.

With regard to this latter point, take a policy that subsidises attendances at cultural events. If the underlying rationale is that people are not well-informed about the benefits of attendance, then it is not clear that merely subsidising attendance will overcome the problem. Even if it were to do so, it is not clear that it would yield benefits greater than other policies that more directly correct the problem – like providing information on events or improving cultural education.

As can be seen from Figure 1, each of the different policy types is associated with a number of rationales for intervention. The rationales set out in red are those for which we believe there is a relatively strong theoretical and empirical rationale. Those set out in blue are ones for which the economic case is less strong, and would need more work to develop.

Step 4: Identifying the benefits

The final step in the framework is to measure the benefits of the policy. The key steps are to:

- link the benefits to the correction of the identified market failure;
- take account of the ‘counterfactual’ – what would have happened in the absence of the intervention; and
- measure only genuinely additional benefits.

Figure 1 shows that the policy types are associated with a wide range of anticipated benefits. While some of these are classical economic benefits (for example, new businesses) many are benefits that have not traditionally been considered to be economic in the literature – for example, benefits around education and skills development or developing new products.

By following the approach set out above, it is possible to demonstrate the benefits that policies bring by linking them directly to the correction of identified problems and market failures.

In the report, we provide an illustration of the application of the framework using the Creative Partnerships programme. However, the aim is that the methodology can be used as a basis for examining interventions that currently exist and as a basis to an appraisal methodology for new interventions.

We have developed a practical framework that will allow DCMS to make better decisions about resource allocation between policy interventions, and understand more about what is important and what is less important. However, the framework is not a mechanistic or quantitative tool that simply churns out a set of numbers so that a policymaker can objectively assess each policy intervention and rank them in order of importance. Cultural investment, like other areas of policy (e.g. health and education), cannot be treated in that way and it would not be appropriate to do so.

An appreciation of how best to use the framework requires an understanding that incommensurables and uncertainties are pervasive in cultural investment. The framework will help policymakers to think more clearly and logically about the choices they face and will provide them with more relevant and improved information on which to base decisions.

1 Introduction

Frontier Economics has been commissioned by the Department for Culture Media and Sport (DCMS) to examine the economic impact of public investment and intervention in culture. The aim of the work has been to develop a framework for assessing the impact of cultural interventions.

Our approach has been to carry out the following tasks:

- Define what we mean by a cultural intervention and classify cultural interventions according to a set of characteristics or actions, for example buying things, investing, coordinating etc.
- Apply the standard procedures (set out in HM Treasury's *'Green Book'*) for establishing the rationale for cultural interventions – that is to ask the question 'why should this policy exist?' and assess the quality of the evidence that exists today on the impact of the interventions.
- Develop a practical framework that will lead policymakers to a better understanding of the logic of each their policy interventions and the degree to which the interventions are likely to have positive impacts.

The report is structured as follows:

- **'Chapter 2: Defining cultural investment'** breaks down DCMS's activities into cultural and non-cultural activities. The aim of the classification is to provide an overview of the aggregate DCMS spend on culture, and understand the types of DCMS funded policies and activities that are cultural.
- **'Chapter 3: The economic rationale for cultural investment'** classifies DCMS cultural policies according to their economic characteristics. This is important both to develop a common classification to group policies and to link that classification to the economic reasons underpinning the need for the policy.
- **'Chapter 4: Current evidence on the benefits of cultural investment'** summarises and critically reviews the available evidence on the economic impact of public spending on cultural interventions.
- **'Chapter 5: A practical framework for evaluating cultural investment'** builds a coherent approach that will improve the quality of analysis and evidence that is generated on the impact of cultural policies and activities.
- **'Chapter 6: An application of the framework'** illustrates how the framework can be applied using the Creative Partnership programme as an example.

The Annexes provide an overview of DCMS policies and programmes and a case study example of how BBC investment in Scotland led to clustering.

2 Defining cultural investment

There is no single definition of culture that easily allows the classification of activities as cultural and non-cultural. For instance, the UNESCO universal declaration on cultural diversity defined culture as the "set of distinctive spiritual, material, intellectual and emotional features of society or a social group that encompasses, in addition to art and literature, lifestyles, ways of living together, value systems, traditions and beliefs".¹

Consequently, in order to conduct the analysis a pragmatic approach is needed to divide DCMS activities into those that are cultural and those that are non-cultural, while drawing on accepted definitions as far as possible. To do so, we have examined in detail the full set of DCMS spending programmes and policies.

There are some interventions that can quite easily be defined as cultural (for example, expenditure on museums and the arts) or non-cultural (for example, support for athletes). Others, such as support for the creative industries, are harder to classify. For example, it is not clear where activities such as supporting publishing or fashion design should be classified.

We have made an attempt to divide DCMS activities into cultural and non-cultural activities in Table 1 below. We recognise this is difficult at the margins and that there will always be some element of interaction between cultural and non-cultural activities. With regard to the latter point, we have not regarded tourism as cultural activity. Although, we recognise that spending on cultural projects may help promote tourism: art galleries and museums are major tourist attractions.

According to this division, DCMS plans to spend £1.4 billion on cultural projects in 2005-06 out of a total budget of £3.4 billion. This is approximately 43% of DCMS spending.

Given the lack of a clear definition, this classification errs on the side of caution by including areas which may only loosely be defined as cultural. The creative industries have been included as cultural activities as they have an impact on popular culture. Sport, gambling, the national lottery and press related issues have not been included as cultural activities.

A summary of the main programmes in each of these remit areas is provided in Annexe 1.

¹ UNESCO "Universal declaration on cultural diversity" (2002)

Cultural	Non-cultural
Arts	Sport
Libraries, museums and galleries	Tourism
Broadcasting, film and the music industry	Gambling and the national lottery
Architecture and the historic environment	Press freedom and regulation
Royal Parks Agency	
European Regional Development Fund	
Creative industries: Fashion Design, Design council*, advertising*, computer games* and publishing*	

Table 1: Split of DCMS policies into cultural and non-cultural

Source: DCMS website, Frontier Economics

* Joint responsibility with DTI

2.1 CHARACTERISTICS OF CULTURAL INVESTMENT

Cultural investment is a broad term that covers a large number of DCMS policies supporting culture in the UK. These range from direct financial assistance (supporting regularly funded organisations via the Arts Council) to providing specialist advice and support (via CAFE or Culture Online) to developing regulatory frameworks (requirements for listing buildings).

It is important to characterise the activities by investment type. Typically, the type of investment is closely related to the underlying rationale for a policy (the underlying market failure) and the benefits that result. The rationale for the different types of activity can vary. For example, the rationale for public expenditure on capital projects (such as renovating museums) is likely to be very different to the rationale for public expenditure on education projects (such as integrating the arts more closely into the curriculum).

The flow of benefits from each of the activities is also likely to be very different. Understanding different types of cultural investment is therefore an important first step in developing an economic framework to measure the impact of cultural investment.

2.1.1 Cultural policies can be classified into seven types

We have used a practical approach to identify the key types of DCMS cultural investment. We have reviewed DCMS policies to identify core economic features that are common to several policies or remit areas. Some programmes are built around just one investment type but most contain elements of more than one.

Defining cultural investment

We have identified seven key investment types:

- education;
- consumption;
- research;
- architecture and renovation (capital spending);
- regeneration and strengthening communities;
- building networks; and
- clusters.

The characteristics are all, in some sense, ‘inputs’ which DCMS can use to achieve its goals. For instance, one DCMS goal is to achieve a vibrant theatre scene with high quality productions of a wide range of plays. One way to achieve this might be to directly provide consumption opportunities by supporting producers of high quality plays. This is done at present via Arts Council England. An alternative or complementary way would be to increase investment in education so people recognise the value of visiting the theatre and to support new writing (which is part of what we have called research). Some capital spending may also be required if privately owned theatres are unable to fund improvements themselves.

Looking across the range of characteristics, while all are inputs, some are clearly closer in nature to outputs or outcomes. For example, education or consumption are closer to achieving ultimate policy aims. On the other hand, capital spending is pure input and will often be used in conjunction with other inputs, such as regeneration or support for clusters to deliver DCMS objectives.

We discuss each of the characteristics in turn.

Education

Education about culture comprises a wide variety of activities. It can mean teaching history or drawing in a classroom environment; an introduction to new creative activities such as acting or sculpture; or visits to museums or stately homes. Cultural education programmes also include all members of society, not just schoolchildren. The common theme to educational programmes in this sphere is that they are introductions to new cultural information and experiences.

Consumption

The most obvious benefit of cultural activities is the value people get from using them. The term consumption is intended to include both the “entertainment” value of participating in cultural activities and the “personal value added which comes from engagement with complex art”.² Consumption is a core element of DCMS activity and encompasses a significant proportion of spending. For

² DCMS / Tessa Jowell (2004) “Government and the Value of Culture”

example, much Arts Council funding goes to subsidising performances while DCMS also funds free admission to a range of museums and galleries.

Research

Research covers investment in deepening our understanding of existing cultural forms and encouraging the development of new ones. The former includes investigations into the history of English Heritage sites, specialist examinations of objects in museum collections, or researchers making use of archives. The latter includes activities like commissioning new music, performing new plays and encouraging innovative architectural design.

Architecture and renovation

DCMS funds a range of capital projects every year. Often, the projects involve constructing new facilities or renovating existing buildings. Recent projects include the redevelopment of the South Bank Centre and the Space for Sport and Arts programme.

Regeneration and strengthening communities

Many regeneration projects include important cultural elements. In Birmingham (Symphony Hall) and Gateshead (the BALTIC Centre), the cultural input was in the form of a flagship building. In other cases, the cultural input has been more diffuse, for instance harnessing traditional crafts and skills to attract employment and tourism to rural areas which have lost previously established industries.

There are other cultural projects that promote closer community links and development even where large scale regeneration is not required. For instance, Renaissance in the Regions, the Government's main strategy for museums in the UK, aims to promote access and contribute to economic regeneration in the regions. Other programmes aim to use culture to integrate people at risk of exclusion from society including people with mental health problems and offenders.

Building networks

Many cultural organisations are relatively small. Of the 2,500 museums in the UK for example, two-thirds attract fewer than 20,000 visitors. It can therefore be difficult to develop links between cultural organisations, or links between cultural organisations and wider society, even where they would be mutually beneficial.

DCMS policies aim to facilitate links either by providing a central point of contact or by providing information to organisations. For instance, the Cultural Connections website aims to help share best practice between local government bodies and to provide useful case studies, legislation and policy documents.

Clusters

Agglomeration effects are factors that encourage similar organisations to locate near each other. Creative industries often form clusters, such as the Jewellery

Quarter in Birmingham or the theatres in the West End. They may form because:

- existing firms have created a pool of labour with valuable skills that new firms can exploit;
- existing firms have encouraged the development of an infrastructure, such as support services, or a network of useful contacts that make an area more attractive to similar firms; or
- the presence of many cultural firms and activities makes a location more desirable to live and work in, attracting employment and inhabitants.

Agglomeration effects are good for growing regions as the presence of creative firms can start a “virtuous circle” attracting more firms, skilled labour and investment. However, to generate substantial agglomeration effects may require a “critical mass” of firms. There are a range of government policies that attempt to encourage positive agglomeration effects or clusters. Tax relief for film making or BBC regional spend, for example, may spur the growth of national or regional clusters.

2.2 A VIEW OF CULTURAL INVESTMENT

The previous chapters have identified two ways to examine cultural investment. The first splits activities according to remit or policy area identifying those which are primarily cultural activities. The second examines activities in terms of the economic characteristics we have identified above.

These two approaches are brought together in a matrix. Figure 2 presents an analysis of the main characteristics of DCMS policies. As we have indicated a policy may use more than one characteristic in its armoury. Therefore, Figure 2 highlights which characteristics are central to each policy and which are important additional motivations.

The matrix groups policies into three broad categories:

- the Arts (including visual arts, music, film, theatre and dance);
- Environment and Heritage (projects which invest in the physical environment and historical culture); and
- Community Services (projects that aim to improve services and relations within local and national communities).

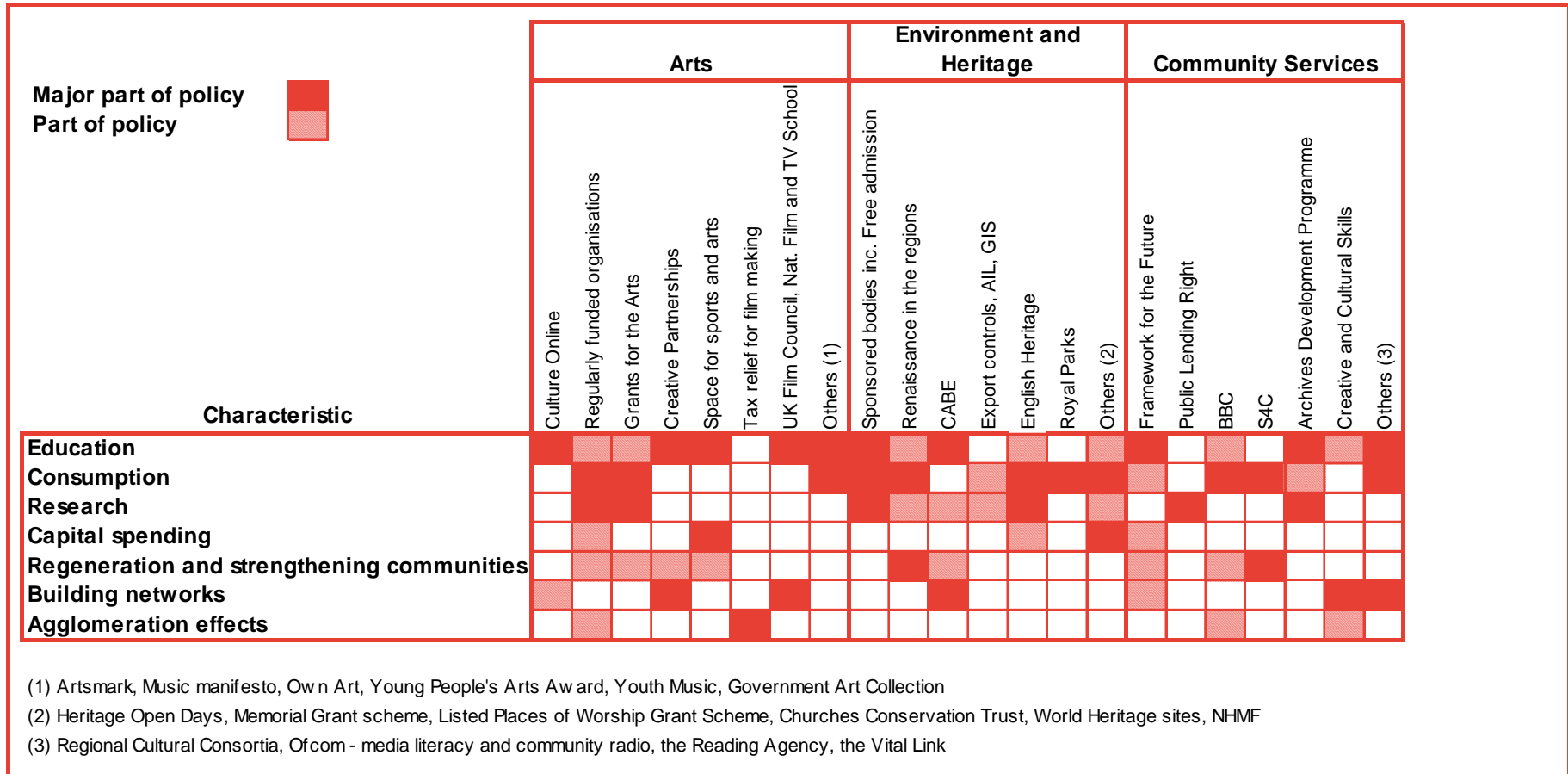


Figure 2: Matrix of DCMS cultural investment

Source: Frontier Economics

The matrix shows some important features of the cultural investment supported by DCMS.

- Consumption is a key characteristic of many policies, and these policies account for a large portion of DCMS spend. The Arts Council provides about £300 million per year to 1,000 Regularly Funded Organisations, including theatres, opera companies, and local arts centres. Much of this money is used to subsidise performances. Likewise, the free admission policy for sponsored museums has led to increased “consumption” of museum visits.

Education also features heavily in DCMS policies. While there are relatively few policies whose primary focus is the educational potential of cultural activities (like Culture Online and Creative Partnerships), many policies across all DCMS remit areas look for possible ways to relate education to their core purposes. English Heritage, and many theatres and museums, for example, encourage school visits, supply information to teachers and provide online resources to help children and adults.

3 The economic rationale for cultural investment

The previous chapter broke down DCMS policy into a set of seven economic characteristics: education, consumption, research, capital spending, regeneration, networks and clusters. These characteristics describe policy in terms of the types of inputs or economic actions DCMS uses to achieve its desired outcomes.

For any government intervention, it is important to be sure of its purpose or rationale. From the perspective of economics, government intervention can be supported where there is evidence of a market failure.

This chapter therefore examines which market failures and other rationales form the basis for each of the seven characteristics that are critical for achieving cultural outcomes. We begin by defining what we mean by market failures. Then, for each characteristic we give:

- a description of the characteristic and an overview of spend;
- each potential market failure rationale; and
- an assessment of the validity of each rationale.

3.1 WHAT IS A MARKET FAILURE?

A good starting point for understanding market failures is the policy appraisal and evaluation framework in the Green Book developed by HM Treasury.³ There are a number of different types of market failure which we will describe in this chapter. The key point to note, however, is that it is recognised by economists that individuals and firms acting in their own interests in a market context will not always deliver the most favourable outcomes for society. For many non-economists, this will appear obvious. However, in order to achieve effective policy interventions it is important to understand how and when markets fail.

Markets usually work well in matching what individuals demand with what is supplied and in most cases this leads to outcomes that could *not* easily be improved upon by some form of government intervention. For example, the West End has a vibrant theatre community that survives and prospers, largely without government assistance. But markets do not always lead to the outcomes that are most favourable to society. In economic terms, markets can fail to lead to the most efficient outcomes.

³ "The Green Book: Appraisal and Evaluation in Central Government" (2003) HMT

3.2 REASONS FOR GOVERNMENT INTERVENTION

The following paragraph is taken from Chapter 3 of the Green Book.

3.2 The underlying rationale [for government intervention] is usually found either in market failure or where there are clear government distributional objectives that need to be met. Market failure refers to where the market has not and cannot of itself be expected to deliver an efficient outcome; the intervention that is contemplated will seek to redress this. Distributional objectives are self-explanatory and are based on equity considerations.

The literature emphasises six key types of market failure that can be associated with cultural investment.

- **Externalities:** in general, buying goods only affects the buyer and the seller. In some cases, other people are affected. For example, a festival may attract visitors who then spend money in local hotels and shops. If festival organisers do not own the hotels and shops, they may not take the extra profits relating to the festival into account when considering whether to organise a festival. Some festivals that would benefit the whole community may therefore not take place.
- **Public goods:** some goods, like parks or monuments, can be enjoyed by one person without affecting the amount available for others. It is also difficult to prevent people visiting parks and monuments. This means it would be hard for private operators to charge users and cover their costs – and so private operators will be unlikely to provide such goods or they provide them at a level which is below what is desired.
- **Lack of information:** without full information, it is hard to make good decisions. For example, people may not know which theatre production they would enjoy most and subsequently banks may not know how likely producers of theatre productions are to be successful. In that case, people may not visit the theatre even though it is worth the ticket price and banks may not lend money even to good credit risks.
- **Network transaction costs:** small organisations, like museums and schools, or actors and theatres, may benefit from closer links. These links take time and effort to develop, however, and are therefore costly. Individual organisations may not know where best to target their resources. There may then be a role for private or public institutions, like actor's agents or the Creative Partnerships programme who know all the parties well and can help choose appropriate partners.
- **Coordination failures:** some situations require many people to act together for anyone to benefit. For instance, many organisations opening together may regenerate an area but each one acting alone would fail. In that case, each business or group considering moving to an area may wait for others to take the risk of moving first. If all do so, regeneration will never occur.

- **Quality of choice:** A key theme in the literature is that many individuals do not appreciate the true value of culture, or are unable to identify the quality of some cultural objects or activities. Instead, professional judgement is required. This would not necessarily be recognised as a market failure by most economists. Most economic theory is based on the idea of consumer sovereignty which assumes individuals are the best judge of their own interests and normally takes individuals' tastes and preferences as given.

The remainder of this chapter explores the market failures underlying each characteristic in more detail.

3.3 CULTURAL EDUCATION

3.3.1 What is cultural education?

Cultural education encourages engagement in new creative activities and teaches people about culture. Some DCMS programmes are specifically aimed at schoolchildren, but others are directed at the whole community. For example, programmes range from school museum visits, to art classes at colleges of further education, to community singing groups.

DCMS supports several educational programmes such as Creative Partnerships and Artsmark. Creative Partnerships is a £32 million programme which integrates cultural activities into the curriculum by building partnerships between schools and a wide range of creative organisations. For example, the Northern Stage theatre company in the North East of England has forged links with 20 schools in the area to teach pupils about and engage them in making large-scale opera performances. Artsmark awards are designed to raise the profile of arts education by recognising schools that show a commitment to arts education.

Other programmes, for instance Renaissance in the Regions, also contain a strong educational element. An aim of the Renaissance in the Regions strategy is to help schools use museums as a learning resource. For example, twelve schools in Devon study the Romans and Citizenship by interactive video conference with the Royal Albert Memorial Museum in Exeter⁴.

3.3.2 Why does Government invest in cultural education?

There are three aims for public investment in cultural education:

- to use cultural resources to improve the quality of general education;
- to help develop a pool of people with skills needed by the creative industries; and
- to contribute to quality of life and combat “poverty of aspiration”.

⁴ Museums, Libraries and Archives Council “A Pocket Guide to Renaissance”

Using cultural resources to improve general education

It is generally accepted that the government has a key role to play in the provision of education. Education is frequently classified as a “merit good”. A merit good is one which individuals, given the choice, would consume too little of.⁵ The main arguments for public provision of education are that:

- people do not know how much they would benefit from education;
- people are unable to borrow enough money to pay for necessary qualifications;
- parents make decisions on behalf of children but may under-invest as they do not necessarily reap the benefits;
- people with advanced skills are the key to technological progress;
- public education helps integrate immigrant groups; and
- universal education raises the quality of public discourse.^{6,7}

Including cultural activities in the curriculum may make lessons more engaging, increasing educational attainment. For example, using artefacts or historical documents from museums may make history lessons more interesting. Cultural resources may then be a particularly effective way of attaining general government goals for education.

Developing skills in the creative industries

DCMS has particular responsibility for the creative industries. As with any industry, the creative industries require skilled workers to be competitive. It is possible that the market will fail to provide sufficient numbers of people with adequate training in creative skills. This is for four reasons.

- **Lack of information:** young people may not know where their talents lie before undertaking training. For example, training to become a musician or dancer usually starts at a very early age before the individual can be expected to know their inclinations or talents.
- **Transferable skills:** employers may under-invest in training their employees if after training they can receive higher pay at other companies. For instance, a clothing company could pay for its designers to receive a highly valued qualification. However, employees may move once the qualification is completed, meaning the company cannot recoup its investment.⁸

⁵ Besley (1988) “A simple model for merit good arguments” *Journal of Public Economics* Vol. 35, 371-384

⁶ Stiglitz (2000) “Economics of the public sector” 3rd edition

⁷ Besley and Ghatak (2003) “Incentives, choice and accountability in the provision of public services”, *Oxford Review of Economic Policy*, vol. 19 No. 2

Blundell, R., Dearden, L., Meghir, C. and Sianesi, B. (1999) “Human capital investment: the returns from training to the individual, the firm and the economy”. *Fiscal Studies* vol. 20, no. 1, pp. 1–23 provides a non-technical review of evidence.

- **Credit constraints:** investment in training is costly. If individuals are unable to borrow money, they may not be able to pay for training even if it would be worthwhile in the long run.
- **Hold-up problems:** employers or individuals may be tempted to renege on contracts once training has been completed. For example, if an employee invests in training which is specific to a single firm, the firm may be tempted not to offer a pay-rise after training as the employee would not be able to move to a higher paid job elsewhere. Recognising this, the employee may not acquire the additional training in the first place.

Improving quality of life

Culture may have a role to play in combating “poverty of aspiration”.⁹ If people are not aware of the opportunities available to them, they will not be able to take them.

Changing people’s aspirations can have a very large impact on their lives. While it can be hard to adequately capture the value of aspirations in economic terms, raising ambitions may still be a valid exercise for government. Engaging in cultural activities is potentially a powerful method of securing these goals.

3.3.3 Assessment

The chapter above sets out a number of different rationales for DCMS involvement in educational policy areas.

- **The contribution of culture to the effectiveness of education.** This justification ultimately rests on culture being an effective educational tool. This is essentially an empirical matter and relies on a well developed evidence base. At present there is little systematic evidence, although substantial narrative and anecdotal evidence exists which suggests that cultural resources may indeed be valuable.
- **Skills for creative industries.** The analysis of market failures indicates that lack of training may be a problem in particular circumstances. In many cases, long-term contracts will help both firms and employees to be sure they will both benefit from additional training. Only when long-term contracts are impractical and people cannot fund training themselves are skills shortages likely to be a problem.
- **Improving quality of life.** This is hard to assess in purely economic terms. Raising aspirations could improve an individual’s productivity and quality of life. However, this effect is very hard to measure systematically. Furthermore the argument relies on culture in particular being a key means by which aspirations can be raised. At present there is little research on the

⁹ DCMS/ Tessa Jowell (2004) “Government and the value of culture”

impact of culture on quality of life that involves “rigorous, theory-based, measurement instruments”¹⁰.

3.4 CONSUMPTION

3.4.1 What is consumption of culture?

A large proportion of DCMS funding supports direct participation in cultural activities – that is, consumption of cultural products and services.

Two major recipients of the cultural budget are Regularly Funded Organisations (RFOs) and Sponsored Bodies.

- RFOs receive £300 million via Arts Council England and are theatres, orchestras and arts centres. They include big London-based institutions like the National Theatre and Royal Opera House as well as much smaller regional organisations. Most have the primary purpose of staging plays, concerts or other artistic activities for members of the public.
- DCMS Sponsored Bodies include major museums and art galleries like the Tate galleries and the Natural History Museum. Since the introduction of a free admission policy, visits have increased by 75%.

Many other programmes directly provide cultural activities for the public.

3.4.2 Will consumption of culture be too low without help?

There are two broad categories of market failures which could mean people’s consumption of culture is “too low”. Market failures can be:

- **demand side:** where people left alone would not commit the socially optimal level of resources to cultural activities; or
- **supply side:** where private organisations fail to meet demand for cultural activities effectively.

3.4.3 Demand side market failures

There are two reasons why there may be market failures on the demand side. The first is that people do not value cultural activities sufficiently highly, perhaps because they do not know what they would gain from participation. The second is that even when people do value culture, this may not translate into a transfer of resources to the culture provider: there may be non-user values. For instance, people may value knowing that important buildings are being preserved even if they do not visit them. If they do not visit, however, it is hard for them to contribute to the maintenance and preservation of the building.

¹⁰ “Quality of Life and Well-Being: Measuring the benefits of Culture and Sport – A Literature Review” S. Galloway et al. (2006)

Under-valuing culture

Policies designed to increase participation in the Arts, or to boost visitor numbers at museums and interesting buildings often intend to make more people value culture more highly.

Culture may be a “merit good”, a good that should be consumed more than people would choose to. It may be that one person’s consumption of cultural services improves quality of life for others or that individuals do not know the benefits they would get from participation, especially if those benefits take some time to be realised.¹¹

Four factors may contribute to low demand:

- **Externalities:** individuals may not be the only ones to benefit from their own cultural experiences. Engaging with culture may contribute to better communication within society, improve the quality of public discourse and improve quality of life for other people.¹²
- **Experience goods:** cultural products, such as plays or exhibitions vary in quality. It is often not possible to tell in advance whether a particular play or exhibition is good or bad without viewing it. The risk of viewing a bad play may discourage people from visiting the theatre.
- **Learning to enjoy culture:** a more fundamental argument is that many aspects of culture take time and effort to appreciate. Some people may not know the full pleasure they could get from experiencing the arts, or may not take sufficient account of future benefits.¹³ The first time people go to a concert, therefore, they may not enjoy it enough for it to be worth buying a ticket. If they were to go several times, they might afterwards find concert tickets good value. If potential concert-goers have perfect foresight, they will realise this. There will be a market failure, however, if they do not realise in advance that their views will change, or if orchestras cannot make cheap seats available only to people who have not been before.
- **Quality of Choice:** engaging in culture may change people’s outlook on life.¹⁴ Further, it has been argued that “complex cultural activity is at the heart of what it means to be a fully developed human being. Government should be concerned that so few aspire to it, and has a responsibility to do what it reasonably can to raise the quantity and quality of that aspiration”.¹⁵ This clearly overlaps with education.

¹¹ Besley and Ghatak (2003) “Incentives, choice and accountability in the provision of public services”, Oxford Review of Economic Policy, vol. 19 No. 2

¹² Besley and Ghatak (2003) “Incentives, choice and accountability in the provision of public services”, Oxford Review of Economic Policy, vol. 19 No. 2

¹³ Peacock (2000) “Public Financing of the Arts in England” Fiscal Studies vol. 21 No. 2

¹⁴ Dworkin (1985) “A matter of principle” criticises the use of economic methods to study culture on the basis that culture determines our preferences in the first place. Quoted in Rushton (2002) “Public Funding of Artistic Creation: Some Hard Questions”.

¹⁵ DCMS/ Tessa Jowell (2004) “Government and the value of culture”

Non-user values

The second group of demand side market failures result from what Frey describes as “non-user values”.¹⁶ If people benefit from cultural opportunities but do not visit or otherwise obviously take part, they are less likely to contribute financially to their provision. These cultural activities may therefore be underprovided.

Non-user values create co-ordination problems. If they are wide-spread, society must find some way to encourage all who benefit to contribute. There are four main types of non-user values.

- **Existence:** individuals may value the knowledge that they could go to a museum even if they do not do so. Additionally, they may value simply knowing that historically important buildings exist.
- **Option:** many cultural objects are irreplaceable; historic artefacts, for instance, cannot be recreated once destroyed. If they are lost, society loses not just the value of using them today, but also the option of using them in the future.¹⁷
- **Bequest:** some argue the value that future generations gain from cultural objects should be taken into account. Alternatively, people who are uninterested in culture themselves may consider the potential value to their children and grandchildren.¹⁸
- **Prestige:** artistic and cultural institutions contribute to regional or national identity and may attract individuals even if they are uninterested in art. Such values are most commonly claimed by large institutions such as opera houses. If opera houses attract high-income individuals to a city but they do not then visit the opera, it may be worth the city subsidising the opera house’s existence. This market failure is also related to the scope for using iconic cultural projects in regeneration.

3.4.4 Supply side market failures

There may be certain aspects of cultural markets that mean too few cultural goods are produced for any given level of demand. These are supply side market failures.

Public goods

The Royal Parks are a good example of a cultural public good funded by taxes. Many Londoners benefit from the Parks and one person’s visit does not seriously affect the value of another person’s visit. It would also be impractical to charge for entry. Moreover, to do so would potentially be inefficient. It does not cost anything to allow an additional person in and so charging may discourage some

¹⁶ Frey (2004) “Arts & Economics: Analysis and Cultural Policy”

¹⁷ Note that this definition of option demand differs from Frey, who uses it to mean a variant of what we have called existence demand.

¹⁸ Peacock (2000) “Public Financing of the Arts in England” Fiscal Studies vol. 21 No. 2

people from visiting, reducing the total benefits to society of the park without altering the costs. Charging would also change the nature of what the park is used for at present and could conflict with other government objectives such as social inclusion and health.

Externalities

We indicated earlier in this chapter that an externality is a benefit or a cost imposed on a third party that is not covered by market prices.^{19,20} For example, high quality architectural design will benefit the users of a building. But non-users may also be made better off if the building makes an area more attractive or enhances the value of other local buildings. The high quality design is ‘exerting a positive externality’ on other residents, workers or property owners in the area. However, the people made better off are unlikely to make a financial contribution to the owner of the building. In that case, the owner may well consider it not worth while investing in a building’s upkeep.

In general, activities like festivals, which attract many visitors to a town, will be under-provided by a market. Producers are not rewarded for the full set of benefits they provide for others. In contrast, goods which impose costs, such as pollution or congestion, on others will tend to be over-provided.

Natural monopoly

Economies of scale can be important. In industries with large initial investment requirements (high fixed costs), average total cost declines as output increases. The adding of one more customer increases the company's revenue and lowers the average cost of producing the goods or services. Since the average cost of serving customers is declining as output grows, this may mean that only one provider is practicable. Once such a natural monopoly has been established then the price of the product can be above its marginal cost leading to too few goods being produced.

3.4.5 Assessment

The strongest reason for providing opportunities for people to attend the theatre or visit museums is that it is hard to understand the value of culture without having experienced it. In some cases, there may also be a role for policies to support widely appreciated but rarely visited heritage sites.

There is a strong overlap between the justifications for supporting opportunities for people to gain cultural experiences and cultural education provision. People who have been persuaded of the value of cultural experiences are prepared to pay market prices. The role of policy is to encourage people who may not yet be convinced. It is not simply to subsidise access to culture for those who would go in any case.

¹⁹ Rushton (2002) “Public funding of artistic creation: some hard questions” emphasises the role of externalities in providing an economic justification for supporting culture.

²⁰ Chapter 11 of Mas-Colell, Whinston and Green (1995) “Microeconomic theory” provides a technical explanation of externalities

- Non-user values, where people value the presence of cultural opportunities without necessarily using them, present coordination problems. It is difficult to ensure that all those who benefit contribute to upkeep. For local projects, such as village churches, communities may be able to overcome the problems. Monuments which are of value to a wider community may need a nationally coordinated response. This does not necessarily require government. Many private individuals have shown their willingness to contribute through the National Trust and other charities.
- Private individuals also take option values into account. A manufacturer may mothball a currently unprofitable plant rather than close it altogether, for example. However, if society places a higher value on use of an asset in the future than its owners, some objects worth keeping may be lost.

The supply of cultural activities in general poses less of a problem than demand. There are private theatres, art galleries and heritage sites which run without government assistance. The main claim for public support is to maintain artistic quality. However, private groups can meet the same standards where there is sufficient demand. For instance, many West End plays receive critical acclaim. This suggests the central problem is to ensure demand for quality productions.

There are some cases, such as The Royal Parks, where there are clear reasons for government to coordinate provision. The parks have widespread benefits, low costs and there is no easy way to determine exactly who benefits most. These characteristics make private provision unlikely. In most other cases, some form of private provision is likely to be possible.

3.5 RESEARCH

3.5.1 What is cultural research?

Research deepens our understanding of existing cultural forms and encourages the development of new ones. For example, some of the £300 million invested in Regularly Funded Organisations via Arts Council England funds new commissions for orchestras or new writing for theatres. Likewise, the Archives Development programme provides high quality resources for researchers and the Public Lending Right provides additional income to writers encouraging the development of new work.

3.5.2 Why does government invest in cultural research?

There are two rationales for encouraging additional research in culture.

- The first is for the same reason as for research in any other sector of the economy: the benefits of new ideas often spread beyond the individual or institution which initially developed the idea, but it is difficult for the originator to receive appropriate remuneration.

The second is related to the nature of new cultural ideas. While such ideas may not have a direct financial benefit, it is argued that a broader understanding of art or history may be an end in itself.

Cultural research as a public good

Ideas have many characteristics of a public good. One person's use of an idea usually does not prevent anybody else using the idea at the same time (non-rivalry).²¹ It is also often much cheaper to transfer knowledge once it has been developed than to develop it in the first place. Moreover, once ideas exist, it can be difficult to exclude others from using them.

Given these characteristics, private provision may not be the best way of developing new ideas. If many of the benefits of new ideas accrue to other people, private researchers are not going to have sufficient incentives to invest in finding new ideas in the first place. In addition, once new ideas exist, it is in the public interest to spread them as widely as possible. Private individuals have an incentive to restrict access to knowledge to encourage some users to pay.

Expanding cultural knowledge

It is sometimes suggested that expanding our knowledge of art or culture is a good thing in itself. Financial measures cannot capture the full value of our understanding; this value can only be revealed by those with professional knowledge.²² This justification is often used to support the existence of large museum collections that are rarely seen by the public or new writing and musical compositions that may not initially attract large audiences. While this is not a market failure rationale per se, it is a key theme across much of the formal and informal literature.

3.5.3 Assessment

Lack of research is a difficult market failure to correct. In most parts of the economy, research is supported by the patent system. This encourages one market failure (too little dispersion of new ideas) in the hope of correcting another market failure (too little investment in developing new ideas). The patent system supports research in pharmaceuticals, engineering and many other sectors.

In the cultural sector, the equivalent is copyright. Copyright gives monopoly power to the developer of an idea. This makes books and CDs more expensive but enables writers and musicians to earn money from their creations, thereby giving them an incentive to develop new ones. In addition, the Public Lending Right compensates copyright holders for books taken out of public libraries, increasing their returns and hopefully promoting new writing.

An alternative is to directly fund "research", for instance experimental plays. This is unlikely to be the most effective way of securing commercially successful results, and independent producers are more likely to develop new works

²¹ See Baumol "Applied welfare economics" in Towse ed. (2003) "A handbook of cultural economics"

²² Peacock (1995) "A Future for the Past: The Political Economy of Heritage" calls this the Ruskin tradition. He continues "the legacy of Ruskin is the denial of the scarcity problem as a necessary human condition, or at least the affirmation of the proposition that 'artists' should be immunized from economic realities, both because of the purity of their motives and the importance of their product".

themselves. However, public funds can help develop work which is aimed less at financial success. This should give producers the freedom to take more risks but will also afford them more freedom to focus on their own interests or seek peer recognition which may or may not be in the public interest. While there is no clear market failure associated with a lack of cultural experimentation, support may be justified on other grounds.

3.6 ARCHITECTURE AND RENOVATION

3.6.1 What is capital spending?

The large part of activity related to architecture and renovation involves capital spending. Capital spending comprises a relatively small part of DCMS cultural investment. In 2005, the total capital budget was about £150 million - approximately 10% of total cultural investment. Only a few programmes are devoted exclusively to capital spending, for instance the Space for Sport and Arts schemes.

3.6.2 Why does the government invest in capital projects?

Investment in large capital projects should bring a flow of benefits over time. For example, building a new wing in a museum will provide space that can be used for new exhibitions over many years; building a new arts centre will provide long-term facilities for the community.

The value of a capital project is the sum total of the future benefits it is expected to bring minus its costs including the costs of borrowing money. If market failures limit future financial returns or the ability to deliver projects, a market may provide too little capital investment.

This point is best illustrated by using examples.

- **Example 1:** an innovative new building may attract many tourists and local businesses; it exerts a significant positive externality on the surrounding area (see Externalities in the Consumption section). However, developers may not capture the total future external benefits of that building. If the benefits are large relative to the rents the developer can charge for the building, there is a risk that the building might not get built even though it would be worthwhile doing so.
- **Example 2:** people value the existence of a historic monument but rarely visit. Since they do not visit, they do not pay any entrance fees or provide any other revenues. Future revenues may then be sufficient to repay the interest on loans taken out to pay for preservation or visitor improvements at the site.

The main concern in relation to capital markets is access to finance.²³ In general, financial markets work well. Risky projects are charged a higher rate of interest

²³ HM Treasury (2002) "Enterprise Britain: a modern approach to meeting the enterprise challenge". See Chapter 4 for a discussion of the market failures that can prevent small organisations gaining access to finance.

than safe projects because there is a high chance that there will be no benefits in the future. This makes sense from a bank's perspective as they will have a low default rate, but also from society's perspective, as fewer resources are spent on projects that are unlikely to succeed.

However, financial markets are not perfect. There is a risk that some projects may not receive funding, even if the financial returns are expected to be higher than costs. Most reasons financial markets fail are to do with access to information. In general, a bank will know less about a project, and how much effort the people involved are prepared to put in, than the people running it. They will therefore be more cautious about lending money than they would be if they had full information, and some valuable projects will not be financed.

3.6.3 Assessment

Most projects have some choice over whether to use current funds or invest in capital projects; which is chosen depends on the specifics of the project. An organisation which wishes to provide an arts space, for instance, will have to choose between a lump-sum investment in a new building and paying an annual rent. Which is chosen will depend on the relative costs of the two options, balancing the benefits of owning a building against the increased flexibility and possible lower risk of renting.

Limits on borrowing may, however, prevent some cultural organisations from investing in capital projects. Only some of these limits are likely to be market failures that policy makers can correct. Many cultural activities are risky and have an uncertain financial return. For that reason, many West End theatres are part of larger groups so that a mix of successes and failures average out in most years.

Most reasons that make banks reluctant to lend money to cultural (or any) organisations are to do with information. Unfortunately, those lending public funds are likely to be in a similar position. A bank cannot know exactly how likely a project is to succeed, how well-managed the project is now and in the future, and so the cost of lending money. Any policy that aims to correct this failure, therefore, must find some way to gather all the additional useful information or it will simply be an alternative way of providing subsidy to risky projects.

3.7 REGENERATION AND STRENGTHENING COMMUNITIES

3.7.1 What is regeneration?

Regeneration often involves cultural projects to revitalise areas that suffer from economic, social or environmental decline.²⁴ Many schemes have included large projects as their cornerstones. Examples include the Baltic art gallery and Sage

²⁴ DCMS (2004) "Culture at the Heart of Regeneration" reviews the contribution that cultural projects can make to regeneration of urban and rural communities. See also Evans and Shaw (2004) "The Contribution of Culture to Regeneration in the UK: a review of evidence" which was used in the development of the DCMS report.

music centre in Gateshead, or the Tate Modern and Peckham Library in Southwark. At other times, smaller scale cultural elements act as the catalyst for the revival of an area.

3.7.2 Why does culture contribute to regeneration?

There are two main rationales behind government funding for regeneration projects. First, cultural centres may be public goods which can make private provision difficult. Second, coordination problems may mean firms do not wish to be first to move to an area, preventing regeneration getting started in the first place.

Cultural centres as public goods

Cultural centres may act as public goods in an area. Art galleries, music centres and theatres enhance the desirability of an area to live and work. However people may not voluntarily contribute to the costs of their construction. Only large developers which control the whole of redevelopment project would capture these spillover effects. An individual art gallery owner would not and so might not be able to afford to set up in a new area.

Coordination failures

Businesses and individuals moving in large numbers to an area could halt or reverse economic and social decline – an example of this is the regeneration of Manchester's city centre. However, the costs of being the first to invest in an area can be high if others do not follow. A single arts centre could find itself isolated and unable to draw sufficient numbers of visitors. If it were situated within a complex including theatres, shops and restaurants, visitors could be attracted by the range and variety of cultural activities which would be easily accessible due to their proximity.

Improving community relations

Culture is also used on a smaller scale to strengthen community relations – this applies equally to any area whether it is wealthy or in decline. Cultural activities such as art or music festivals and cultural programs in prisons and hospitals may improve social outcomes.

3.7.3 Assessment

The different rationales can be assessed as follows.

- **Public goods:** attempts to charge people for the building and maintenance of cultural centres that they do not actually visit would be hard without government involvement. If contributions were voluntary, people and businesses could be tempted to free-ride on the payments of others. If everyone behaved in this manner, the construction would not occur. This problem may be internalised if a single large developer is involved in the reconstruction of an area. The construction of cultural centres would enhance the value of buildings in the vicinity also owned by the developer. If

the stakeholders are more diverse, this is less likely, creating a role for government intervention.

- **Coordination failures:** in this situation, Government may be able to play the role of the first mover, accepting some of the initial costs to regenerate an area and breaking a coordination problem. Alternatively, they may be able to create a framework which gives all parties confidence that others will follow.
- **Improving community relations:** it would be necessary to show that the cultural component of any of these programmes is a cost effective or very successful tool in improving the quality of life in a community. Quality of Life is a notoriously difficult concept to define or measure. Most research projects in this area opt to take as given that culture plays a key role in Quality of Life²⁵. It would also be necessary to show that cultural projects in the community would not occur without government involvement.

3.8 NETWORKS

3.8.1 What are cultural networks?

The UK is home to a vast number of cultural organisations – 2,500 museums alone – and there are potential benefits to creating links between the organisations themselves and between the organisations and wider society. An example of government policy in this area is the Cultural Connections website which aims to share best practice between local government bodies.

3.8.2 Why should the government provide cultural networks?

It takes time to develop good links between organisations. It is likely to be impractical for each organisation to forge links with all potential partners. For instance, teachers are unlikely to have time to contact all relevant local museums to find the best match for class projects. There may therefore be a role for an organisation, like the Creative Partnerships programme, which knows both schools and museums well.

One organisation at the centre of a network may make the network function more efficiently. A single point of contact makes coordinating links between organisations far easier. For example, the nine regional Arts Council boards are designed to provide a focal point for arts in each region.

3.8.3 Assessment

Providing a single point of contact for diverse organisations can make many more contacts feasible than would otherwise be the case. Actor's agents, for example, provide a link between theatres or television producers and actors looking for work. They reduce the cost of placing actors in new jobs and actors pay them for their services.

²⁵ See "Quality of Life and Well-Being: Measuring the benefits of Culture and Sport – A Literature Review" S. Galloway et al. (2006)

Other networks may fail to develop successfully. This is most likely to be the case where something prevents people who benefit from the networks from paying for them. Schools, for example, may face restrictions on how they can use their budget, which prevent them from employing agents to put them in touch with museums, even when the educational benefits are large. Also, DCMS may have a role in promoting the educational benefits using cultural partners if they would not otherwise be recognised by schools.

3.9 CLUSTERS

3.9.1 What are agglomeration effects?

There are potential benefits to cultural and creative organisations locating in the same geographic area. This is known as clustering. Theatres in London's West End and university towns are good examples of clusters.

3.9.2 Why does government support clusters?

There are two main rationales for public investment in the development of clusters.

- Existing firms may attract customers to an area which in turn will attract additional firms. Alternatively, existing firms may have encouraged the development of valuable support services or infrastructure, and will create a pool of skilled labour that other firms may exploit. These benefits are a positive externality.
- Coordination problems may inhibit cluster development in the same way as they inhibit regeneration efforts. Firms only gain the benefits of being in a cluster once other firms have joined. Each may want to wait until others have located first to avoid being left isolated.

Cluster externalities

New organisations or individuals to a group may benefit existing members. BBC Scotland has stimulated the growth of a range of creative media companies. On a smaller scale, Hay-on-Wye, has over thirty bookshops despite its small population. The large number of shops attracts many potential purchasers from around the country, supporting the disproportionate number of bookshops.

Coordination problems

Clusters may not be viable with only a few members. The benefits of being the first member are potentially small and the costs high if additional organisations do not join. Firms may wait for other to move first and take the risk. This can mean the cluster does not develop even if it would provide net benefits to all its members.

3.9.3 Assessment

Agglomeration effects have the potential to make some projects more effective. In general, most clusters possess two key characteristics.

- *Uniqueness*: Clusters are generally formed around a unique regional quality – either in terms of the organisations and skills that already exist in an area, or in terms of the tastes of an area with respect to a good, or group of goods.
- *Scale*: Clusters tend to be large both in terms of the number of organisations in the cluster as well as the size of some of the key players in the cluster.

However, it can be hard to predict quite how big a cluster needs to be to capture agglomeration effects. If the cluster is too small, public funds will attract little new activity; if the cluster is already large, additional public funds will simply replace private money.

In addition, some firms joining a cluster may have relocated, with no overall impact on the national economy. In other cases, where the new cluster is in a deprived area, the movement is likely to be beneficial. However, if firms leave other areas which then become too small to support clusters, the net impact could be negative.

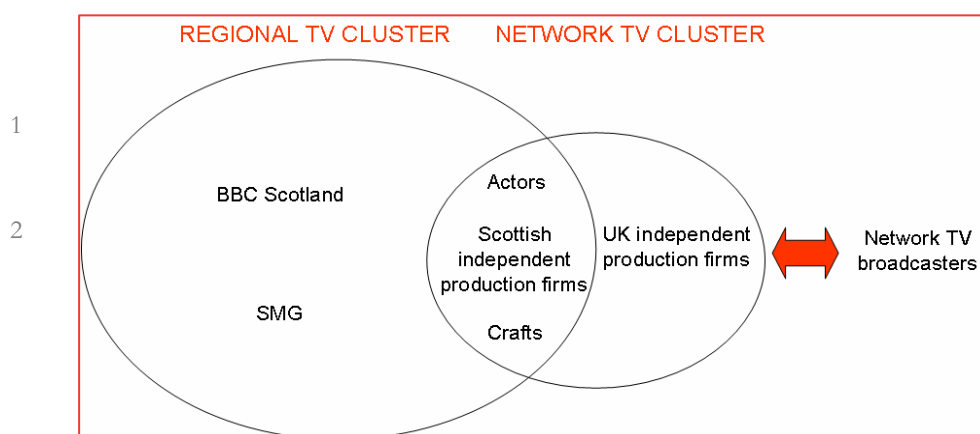
To understand further the role of public investment in clusters we have undertaken a case study which examines the role of BBC Scotland in creating and developing Glasgow's creative cluster. The key aspects are summarised in the following section. We provide a fuller description of the case study evidence and draw out some key implications for DCMS investment in cultural investment in Annexe 2.

3.10 CASE STUDY: CLUSTER BENEFITS OF BBC SCOTLAND

Glasgow's creative cluster can be described as a regional television programming cluster. This is composed of two large public service broadcasters (BBC Scotland and the broadcasting arm of Scottish Media Group (SMG)), several small independent production firms and a large number of free-lance craft suppliers to the industry (for example set designers and camera men).

In addition, a secondary network programming cluster has started to evolve. This draws on the same supply base for the crafts and in a few cases, independent production firms, but has started to attract large non-Scottish independent production firms whose focus is purely on producing for network television. There is no network broadcaster in Glasgow.

These clusters are illustrated below.



Both these clusters are supported by a wide range of public bodies. These include Scottish Enterprise²⁶, local drama and further education colleges; and research institutions such as the Research Centre for Television and Interactivity.

How fundamental was BBC Scotland to the regional TV cluster?

There is evidence that BBC Scotland has played a fundamental role in developing the cluster. In particular the following appear to have driven this:

- *Local tastes:* BBC Scotland identified a market for Scottish programming and focused on providing programming which was well aligned to Scottish tastes. It located itself within the region and employed local staff to deliver the services. Today, despite many independent production firms being owned by non-Scottish firms, these firms still employ Scottish individuals.
- *Training:* BBC Scotland is widely recognised as the largest and most dedicated provider of training to the Scottish industry. One independent producer commented that “nobody else comes close in terms of this

²⁶ Scotland's Regional Development Agency, credited with recognising the existence and importance of the cluster and developing a cluster strategy

provision". Training initially focused on individuals employed permanently by the BBC, but is now provided for individuals who may devote only part of their time working for the BBC. This has led to a wider spread of expertise throughout the industry. Many independent suppliers received their initial training from the BBC.

- *Large scale commissioning:* BBC Scotland remains the major purchaser of programming and other resources within the regional cluster. This has provided the necessary financial certainty for other firms to establish themselves and for some individuals to sustain a freelance career. The BBC is largely responsible for the formation of the first Scottish independent production firms through its commitment to purchasing a set percentage of programming from these firms. One of the organisations we spoke to said that it would be 'a catastrophe' for most independent production firms if the BBC were to leave Scotland.
- *Ability to attract additional investment:* BBC Scotland was (arguably) responsible for the location decision of SMG (Scotland's other Public Service Broadcaster). SMG also provides training to the industry and is a major (though now declining) purchaser of local programming resources.

How can BBC Scotland contribute to future cluster growth?

As the regional programming cluster has become fully developed, the cluster's focus has shifted to developing itself into a network programme-making cluster. There is evidence that development of the network cluster was started informally by the BBC. As before, its contribution stems in part from its scale (both in training and commissioning). It also stems from its public service broadcasting responsibilities, which require it to commission more programming from independent production firms in the nations and regions of the UK.

Looking forward, the notion of Glasgow's programme making cluster was formally recognised by Scottish Enterprise. As a result of this, several joint venture initiatives were brought into action. The BBC remains heavily involved in a number of these.

- *Pacific Quay:* This new development will provide the location for BBC Scotland's new headquarters from 2007. As a result of the BBC committing to this move we understand that several other key players have followed – including SMG. The development aims to bring together a wide range of similar organisations to maximise knowledge, share resources and provide a focus for programme making and the wider digital media sector.
- *The Series Producer Development Programme (Scotland):* A one-year talent development initiative for network programme-makers in Scotland, run as a joint-venture between the BBC and the Research Centre for Television and Interactivity. It is open to freelance and independent producers as well as BBC staff. The objective of this programme is to grow the series producer base.
- *Facility sharing with SMG:* The BBC and SMG are to share some of their key facilities once they are located at Pacific Quay. The BBC is investing in two

state-of-the-art television studios at Pacific Quay. It has agreed to share these with SMG in return for a share of the Outside Broadcasting equipment SMG is currently investing in.

Involvement in public sector development bodies: The BBC collaborates with a number of industry panels sector development groups. These bring together representatives from other public service broadcasters, independent producers, technical workers and government bodies. These aim to share knowledge and to ensure opportunities to grow the programme making cluster are maximised.

3.11 SUMMARY

In summary, we find that not every rationale has a strong theoretical evidence base. *Figure 3* below shows the main market failures supporting investment by each policy characteristic. A red tick mark shows areas where our analysis suggests a strong market failure justification.

	Externalities	Public Good	Lack of information	Network Transaction Costs	Coordination Failure	Quality of Choice
Education	✓		✓			✓
Consumption	✓		✓		✓	✓
Research		✓				✓
Capital spending			✓			
Regeneration		✓			✓	
Networks				✓		
Agglomeration effects	✓				✓	

- ✓ Strong market failure rationale
 ✓ Suggested market failure rationale

Figure 3: Market failure rationales for cultural policies

Figure 3 shows that:

- Cultural education programmes have the strongest economic justification when they maximise the external benefits of education and when they provide people with an understanding of the benefits of culture that they might otherwise be missing. This applies both to programmes which aim to use culture to reach general educational goals, and to programmes which increase people's ability to take part in cultural activities.
- Justifications for supporting consumption also largely rely on the idea that individual consumers do not value culture sufficiently highly: they lack information regarding its true current and future benefits.
- Market failure justifications which rely solely on problems with capital spending or network transaction costs are relatively weak: networks and access to finance are both provided privately in many cases. However, support may be appropriate if they are combined with other market failures.

Coordination problems seem to particularly affect regeneration projects. Also, policies to encourage agglomeration effects, or clustering, may be appropriate if firms do not take into account the way in which their location affects others.

4 Current evidence on the benefits of cultural investment

In this chapter we set out the economic framework for measuring the benefits of cultural investment. We begin by setting out the importance of accurately measuring the benefits of investment. We then define what we mean by benefits and set out how best to measure them. Finally, we provide a critical review on recent papers that have attempted to estimate the benefits of cultural activity.

4.1 THE IMPORTANCE OF MEASURING ECONOMIC BENEFITS

The increasing focus on evidence based policy making in recent years has made it ever more important that the benefits of any government intervention are measured accurately.

In relation to cultural investment, the Government faces a wide range of choices as to how to invest in culture and will want to invest in those projects which provide the greatest benefit. Consequently, in a world where public finances are limited, neither a market failure rationale, nor simply the fact that the benefits of an investment outweigh its monetary cost provides sufficient justification for making an investment.

Instead, the Government must recognise all the investment options available to it and be able to assess the relative benefits of these different options. In other words the Government must recognise the ‘opportunity cost’ of its investments. Opportunity cost can be defined as the most valuable benefit that is foregone by undertaking a particular investment.

4.1.1 Defining the benefits of an investment

When measuring the benefits of cultural investment it is important that two issues are taken into account:

- incremental benefits – the benefits that are measured should be those that are both unique and directly related to the investment and those that are truly new or additional benefits (rather than, for example, benefits that have been displaced from one part of the country to another); and
- net benefits – the benefits that are measured should be net of all costs of the investment.

Each of these issues is discussed in detail below. However, it is worth noting that a key factor to take into account in relation to measuring incremental benefits is that of market failure. Specifically, unless a publicly funded investment is directly aimed at correcting a market failure, it is unlikely that the incremental benefits it generates will be greater than the total costs of the investment.

4.1.2 Incremental benefits

Simply listing all the benefits that appear to be associated with a cultural investment is unlikely to provide a robust measure. For example, some of the benefits may simply replicate existing benefits (if public funding is used simply to replace private funding), or prevent other types of benefits from existing in the future (if government funding or investment crowds out alternative private investment).

In measuring the incremental benefits we are trying to understand what would happen were the cultural investment not to happen, or were it to be terminated. To do so, we must establish a counterfactual which describes the state of the world if the investment had not taken place.

The easiest way to think about the counterfactual is to ask the question, ‘absent the policy, what would have occurred?’ Take, for example, the Baltic Centre for Contemporary Art. Based in Gateshead, the Baltic is the largest gallery of its kind in the world. The Baltic receives funding from a number of sources, including the Arts Council. Using this example, to construct a counterfactual we must ask what activities would have been carried out in its place had the government not invested in the Baltic?

The answer to the question could be none. Alternatively, had the site not been converted into an Art Gallery, it may have been developed by a private developer for another purpose, such as housing, or even as a private art gallery. In addition, attendance at other art galleries (private or public) may have been higher.

To identify the incremental benefits of the investment, therefore, we must compare all the benefits that are associated with the intervention with those that would have been realised in the counterfactual (i.e. the world in which the investment did not go ahead, but where alternative investments could have been made).

Continuing with our example of the Baltic Art Gallery, the incremental benefit associated with this could be higher attendance at other galleries because the Baltic serves to introduce people to art who wouldn’t otherwise have visited (i.e. art galleries are an experience good) or lower attendance at other galleries because people now choose the Baltic over those galleries. In addition, if the Baltic prevented a housing development going ahead, we would have to subtract the potential net incremental benefits associated with this housing development to obtain our measure of net incremental benefit for the Baltic.

When measuring the incremental benefit of an investment it is important to take the following four factors into account:

- **Deadweight loss.** these are benefits or costs that would have existed in the absence of the investment. For example, the works on display in the Baltic may have been displayed elsewhere in its absence. Consequently, if we used the number of users as a measure of benefit, we would need to discount those who would have viewed the works anyway.
- **Substitution.** these are benefits that or costs that are replaced by the investment. For example, individuals may switch from attending other

galleries or institutions to attending the Baltic – this is not necessarily generating any additional benefit.

- **Displacement.** this is similar to substitution, but refers to benefits which used to occur elsewhere that have now ceased. If we were interested in the impact on the Northern economy, this would include tourists choosing to visit the Baltic rather than say the Lowry in Salford.
- **Leakages:** These are benefits which occur outside of the area that we are concerned with. For example we may not be interested in the benefits that the Baltic provides to overseas visitors.

The relevance of each will depend on the individual case. If we are measuring an intervention's impact on a local area, it will be necessary to allow for considerable leakage of its effects to other parts of the country – for example, participants in a regional cultural skills project may leave to find employment elsewhere.

In considering incremental benefits and the extent to which each of the factors described above is likely to apply, a further issue to consider is market failure. Specifically, in the absence of a market failure justification for intervention, it is likely that the incremental benefits of any publicly funded intervention will be limited and will not exceed the cost of that intervention.

4.1.3 Net benefits

The net benefits of cultural investment are the benefits that an investment provides net of the costs of undertaking that investment. For example, when measuring the benefits associated with the Baltic, we must offset the costs associated with the investment. These include both the direct costs, in terms of the value of money provided to the gallery, but also, for example, indirect administration costs of the project.

Where benefits and costs can be monetised, we would subtract these costs from the gross benefits to arrive at a single financial measure of the net benefit. In practice it will typically not be possible to monetise all of the costs and benefits associated with cultural investment. This is not to say that these should be ignored, rather, the measure should recognise all the costs and benefits regardless of whether they can be expressed as a single value.

Finally, it is important to note that costs and benefits may occur in different time periods, and it is important that these are captured in any analysis.

4.2 A CRITICAL REVIEW OF THE LITERATURE ON BENEFITS

The previous chapter presented a framework for measuring the benefits of cultural investment. This chapter provides an extensive review and critique of the literature. It outlines each of the types of benefit identified in the literature and provides a review of their validity in relation to the framework set out in the previous chapter. This allows us to identify which of the benefits set out in the literature should be taken into account in practice.

In general, four types of value have been identified. We discuss each of these in detail in the rest of this chapter.

- **Economic.** the direct and indirect value people derive from cultural activities and objects. This includes wealth generation from cultural activities, for example unemployment decreasing in Southwark after the construction of the Tate Modern.
- **Social.** engagement in cultural activities can have positive effects on an individual's or a community's health, education and crime outcomes. These are called “instrumental” effects in the literature.
- **Cultural.** these are the benefits of having a “rich and varied cultural life”. Cultural outputs that have aesthetic value or historical, social, spiritual or symbolic significance that is not captured by economic value. These are also called “intrinsic” values.
- **Institutional.** this relates to the processes and techniques that organisations adopt and how these create value for the public²⁷. Value is created by the methods they use to engage with the public.

4.2.1 Economic benefits

These are direct and indirect economic values accruing from cultural activities. The literature divides them into three types:

- user values;
- non-user values; and
- GDP generation.

User values

User values are simply the benefits which individuals derive directly from their consumption of a good or service. The price people pay to consume the good is one indicator of value. However this is unreliable in most instances. For example, it is likely that many individuals will value the good or service, such as a visit to a local museum, more highly than the entrance fee (if there is one). In this case, the difference between the consumer's valuation and the price is the ‘consumer surplus’. The total user value is given by the sum of the price they pay and this surplus. This is shown diagrammatically in Figure 4. The user value of q_0 people consuming a good is shown by the shaded area.

²⁷ Holden, J. “Cultural value and the crisis of legitimacy”

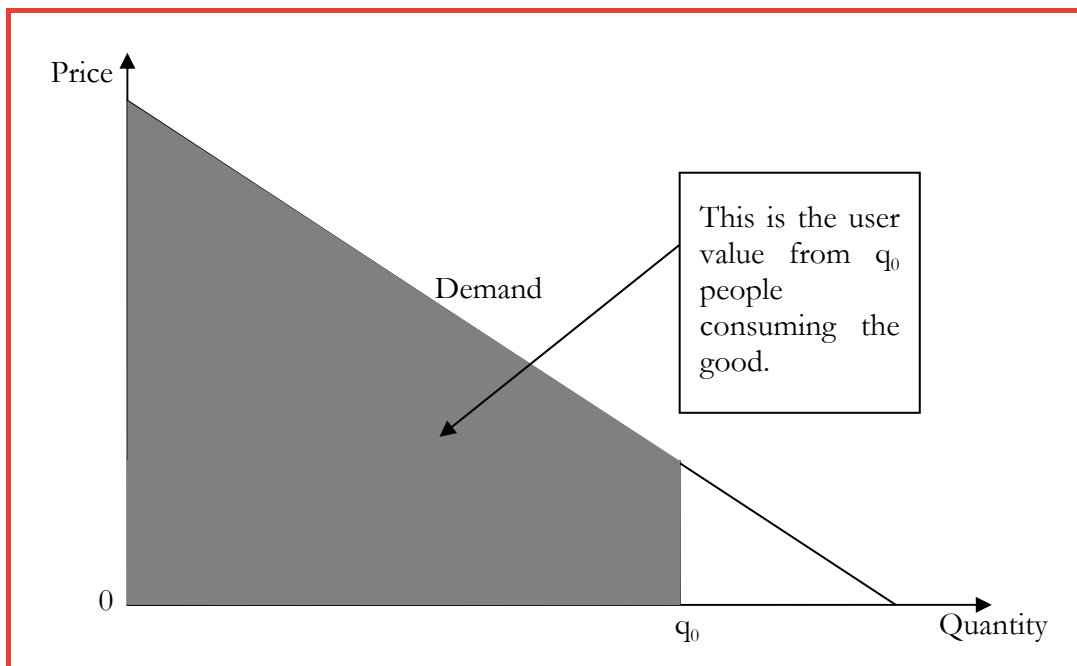


Figure 4: User values

Source: Frontier Economics

Using user values to justify public investment in cultural or any other type of good is unconvincing. Firstly, if a person derives positive consumer surplus from a cultural activity, they will be prepared to pay for the experience. Second, if there are consumers who derive benefits from a good or service greater than the cost of its production, there is a profit possibility, so private providers will enter the market. The only reason for under- or over-provision is in the case of a market failure, as previously stated.

Non-user values

Non-user values were described in the previous note as a potential market failure. These describe the benefits which people derive from cultural opportunities that they do not take up. They include existence, option, bequest and prestige values. The magnitude and existence of these values is difficult to establish since the benefits can accrue to people who do not actually consume the good or service at all. This is because there are no price signals that we can use to estimate them. One possible way to estimate these is through voluntary donations.

Measuring user and non-user values

Contingent valuation studies are often used to reveal a community's valuation for a particular good or service. These use questionnaires which are applied to users and non-users of a service. Those completing the questionnaire are asked about their willingness-to-pay for the particular service that is under scrutiny, for example how much they would be prepared to pay to prevent the service from

closing and how much they would need to be compensated should they be excluded from the service²⁸.

An example of this type of study is that conducted for the North West Museums, Libraries and Archives (MLA) Council on the economic valuation of Bolton's MLA services²⁹. The report on Bolton's MLA services found that they were valued by users and non-users at £10.4 million. Public funding amounted to £6.5 million, so the literature reported a gross benefit of £3.9 million. Other examples include the valuation of the British Library which found that it is valued at £363 million, compared to its £83 million grant-in-aid³⁰ and a study of the value that the BBC creates, which found that if it were privatised it would charge a monthly subscription fee 30% higher than the current level while providing a poorer service due to the loss of customers³¹.

There are several potential problems with studies conducted in this manner. First, the studies can fail to calculate the incremental benefits appropriately. In the case of the Bolton study, the user consumer surplus was calculated on the basis that if there was no government investment, the libraries would not exist. This is not necessarily true. The counterfactual should include the possibility that privately owned libraries which charged for membership would be created by the private sector, in which case a certain amount of consumer surplus would exist regardless. The true opportunity cost also needs to be calculated: the value of the goods or services that could have otherwise been provided with the £6.5 million.

A second problem is the credibility of people's responses. For instance, if an individual was asked how much he or she would be willing to pay for the BBC, if that individual felt his response may lead to his paying more he may revise his valuation downwards. Conversely if a service cut or a tax rise would not have a significant impact on him, he may overstate his valuation in order to ensure the status quo is maintained.

Finally, while user values have a straightforward interpretation and are therefore relatively easy to design questions around, it is questionable whether the same can be said for non-user values. Although it may not be necessary to identify precisely how the value of a good or a service breaks down in existence, option, bequest and prestige values, the questionnaire must be designed in such a way that respondents consider these to be potential benefits. For example, in the case of Bolton's MLA services, respondents had to be made to understand that the very existence of the library could be of value to them. Similarly that they may value the library because of the life-long learning opportunities it offers to others or because of the impact it has on general literacy.

²⁸ A good example of such a questionnaire is that used for the British Library's contingent valuation study, see: www.bl.uk/about/valueconf/pdf/quest.pdf

²⁹ "Bolton's Museum, Library and Archive Services, an economic valuation" MLA North West

³⁰ <http://www.bl.uk/about/valueconf/pdf/value.pdf>

³¹ "Measuring the value of the BBC" A report by the BBC and Human Capital (2004)

In summary, contingent valuation studies are clearly an important tool in measuring benefits once it has been established that a market failure is being corrected. However, it is vital to ensure the correct questions are being asked. User values have a straightforward interpretation so it is relatively easy to design a question that determines them. However, it is less easy to design questions to extract non-user values as the person answering the question needs to be clear as to what we mean by existence, option, bequest and prestige values. For further discussion on the reliability of contingent valuation techniques, see Bateman et al (2002)³².

While neither the existence of user and non-user values can be brought into question, we can examine how they are measured and how these measures are interpreted. We have reviewed the different ways in which this has been done in the literature. Overall, we find that the literature does not tend to examine the question of whether a market failure is being corrected, and does not attempt to develop a counterfactual, to allow measurement of the incremental benefits of the interventions examined.

GDP generation

This can be measured as:

- the direct economic impact of money spent by users of the cultural attraction on other services, for example, the money spent on accommodation by visitors to London's art galleries; and
- the indirect economic impact generated by businesses and individuals spending the income generated by the cultural attraction. These are known as multiplier effects.

These effects are calculated in economic impact studies. In general, these studies focus on employment, turnover and spending in the local economy generated by the sector, its audience and its consumers. Several different methods of measuring these impacts have been used.³³

Examples of economic impact studies include an investigation carried out for the Notting Hill Carnival by the London Development Agency (LDA)³⁴, and a study on the impact of the UK's major museums and galleries for the National Museums Directors' Conference (NMDC)³⁵. The LDA study estimated the overall impact of the Notting Hill Carnival at £93 million, compared to estimated costs of £6-10 million. The NMDC estimated the impact of the NMDC sector – which includes the UK's national museums, libraries and archives – to be in the range of £1.83 billion to £2.07 billion per year, compared to a turnover of £715 million in 2003-04.

³² Bateman et al "Economic valuation with stated preference techniques: a manual" (2002)

³³ See Reeves, M "Measuring the economic and social impact of the arts: a review" (2002) for a detailed survey of the different methodologies.

³⁴ "The Economic Impact of the Notting Hill Carnival" www.lda.gov.uk

³⁵ Travers, T. & Glaister, S. "Valuing Museums" www.nationalmuseums.org.uk

Another example is a report by Travers on the economic impact of London's West End, which estimated the economic impact of the theatre cluster at over £1 billion³⁶. This report found that theatre-goers spent £433 million on restaurants, hotels, transport and merchandise in addition to the £250 million on tickets. It also calculated that 41,000 jobs depend on the West End. Other studies on the impact of the UK's theatres include a report for the Arts Council England by Shellard (2004)³⁷.

It is important that these studies are conducted carefully. A key criticism which applies to many studies is their recourse to multipliers when estimating second round. Another criticism is their potential to over-rely on this evidence and forego any consideration of other costs and benefits, or the counterfactual. This latter point is demonstrated well by the report on the West End. This demonstrates that government investment is not necessary for cultural activities to have a large economic impact.

It is vital to be clear about what would exist in the absence of government investment in order to estimate the incremental benefits alone. The existence of market failures implies that the economic impact of an activity would be greater with government intervention. However, in the absence of a market failure, there is no reason to believe that the economic impact of an activity would be greater with government investment than without.

Economic impact studies are generally used to measure the benefits of GDP generation. Again, there is little evidence that these studies focus on the existence of market failure or attempt to report incremental benefits. Rather the studies we have examined focus on the use of multipliers to indicate the value of different investments. Without a detailed examination of the market failure the investments examined are correcting it is difficult to interpret the true value that public funding brings.

Multipliers are often used in economic impact studies to measure the second round or indirect effects of an intervention. Their advantage is that they provide a simple representation of otherwise complex benefits. However, as we will discuss, this is not always a robust way to measure indirect benefits.

Second-round, or "multiplier", effects are those that flow from the further actions of those immediately affected by an intervention. For example, if a business hires 1,000 extra workers, their earnings will lead to increased expenditure, which in turn provides sales opportunities for other businesses, and may create more jobs.

The multiplier summarises this income expenditure chain reaction by stating simply that for every £100 spent in the economy, a further multiple of this amount will be spent as a result.

³⁶ Travers et al "The Wyndham Report: the economic impact of London's West End Theatre" (1998)

³⁷ Shellard, D. "Economic impact study of UK theatre" (2004)

Many research papers have used multipliers to estimate the economic impact of an intervention (see for example Travers and Glaister (2004)³⁸ for the UK museum sector and Edinburgh Festivals Study (2005)³⁹ for the Edinburgh Festival).

In some cases the multipliers that are used appear to be somewhat ad hoc, in others they are the result of extensive statistical modelling exercises (such as that carried out in the early 1990s for the Scottish Tourism industry and used in the Edinburgh Festival report)⁴⁰.

However, the validity of measuring these multiplier or second round effects in relation to public expenditure depends on the underlying rationale for the investment. If no market failure rationale exists, and government is merely replacing/substituting activity that would have taken place in any event, then the size of the multiplier effect is immaterial, as it would have occurred even in the absence of the intervention. If there is a valid justification for intervention, then it is reasonable to take the second round or multiplier effects into account when assessing the overall impact of the intervention.

Overall, however, it is only possible to provide *estimates* for the size of second round effects. In some cases, these estimates can be inaccurate because of double counting, leakages or ignoring the potential costs that are associated with the second round effects.

4.2.2 Social benefits

Economic valuation is clearly an important method of measuring the benefits of cultural investment in the literature. However, it is not the only source of value. There is also a strong focus in the literature on the extent to which cultural investments “contribute to a stable, confident and creative society.”⁴¹ These are values that can be difficult to measure in economic terms, and also require a subjective judgement about what is ‘good’ in a society.

The hypothesis here is that engagement in cultural activities can have positive effects on an individual’s or a community’s health, education and crime outcomes. These are called “instrumental” effects in the literature.

A number of studies examined focus on trying to identify and measure the impact cultural activities can have in relation to these social benefits.

³⁸ Travers, T. & Glaister, S. “Valuing Museums” www.nationalmuseums.org.uk

³⁹ Edinburgh’s year round festivals 2004-05 – a final report to the City of Edinburgh Council, Scottish Enterprise Edinburgh, Event Scotland and Visit Scotland, by SQW and TNS Travel and Tourism. http://efaextra.efa-aeef.org/efadoc/11%5Cfestivals_exec_summary_final_%20edinburgh%2004-05.pdf

⁴⁰ Surrey Research Group (1993), Scottish Tourism: Multiplier Study, Volumes 1-3, Report for the Scottish Office, HMSO

⁴¹ Matarasso, F. “Use or ornament? The social impact of participation in the arts”

Education

The literature focuses on the extent to which cultural programmes in schools may be able to improve outcomes in other areas of education. The key area examined in this regard is: the extent to which cultural activities improve learning ability.

The evidence from the literature regarding the impact of culture on learning ability is inconclusive. Some studies find no strong correlations between cultural activities in schools and academic achievement. Winner and Hetland (2000) inspected the results of cultural education studies carried out between 1950 and 1999 and found evidence for only three statistically viable causal relationships between cultural activities in school and learning in other areas of the curriculum:

- listening to music and spatial-temporal reasoning;
- learning to play music and spatial reasoning; and
- classroom drama and verbal skills⁴².

This does not imply benefits in traditional areas of education such as reading, writing and mathematics. In addition a longitudinal study by Harland et al (2000)⁴³ which examined arts education over a period of three years in secondary schools in England and Wales concluded that there was no evidence to support the assertion that studying the arts improved performance at GCSE.

However, other studies – particularly from the USA – show improvements in learning outcomes for children who have participated in cultural activities. For example, Gardiner et al (1996)⁴⁴ examined the school performance of children aged 5 to 7 years and found that of those who participated in music and the visual arts, 75% were at or above grade level in mathematics compared to 55% of those who did not participate. Her Majesty's Inspectorate (HMI) in their Ofsted reports have also noted that high achieving primary schools often have a strong emphasis on the arts which may help pupils to develop confidence in their attitude to other work⁴⁵. This is perhaps due to the nature of the arts, or, as another Ofsted survey noted, it may be because arts teaching is consistently good across schools unlike other subjects⁴⁶.

However, it is not clear that the studies we have examined are focusing on the correct issues. The studies do not tend to set out the intervention logic; outlining the way in which cultural activities might be expected to affect outcomes. It is important to be clear about what the potential impacts of cultural activities are likely to be, so that these can be tested. For example, studies such as those by

⁴² Winner, E. and Hetland, L “The arts in education: evaluating the evidence for a causal link” (2000)

⁴³ Harland, J. et al “The arts in secondary schools, effects and effectiveness” (2000)

⁴⁴ Gardiner, M. et al “Learning improved by arts training” (1996) quoted in Matarasso, F. “Use or ornament? The social impact of participation in the arts” (1997)

⁴⁵ Ofsted “The curriculum in successful primary schools” (2002) HMI 553

⁴⁶ Ofsted “Improving city schools: how the arts can help” (2003) HMI1709

Winner and Hetland (2000),⁴⁷ examine only the link between arts education and academic achievement. This may, however, miss potential beneficial impacts that arts programmes may have on improving non-academic skills, such as communication and team-working skills. Improvements such as these also need to be taken into account when measuring the impact of cultural education programmes.

Health and Crime

A number of studies have focused on the links between cultural investment and improved outcomes in relation to health and crime. These studies have sought to examine the extent to which engagement in cultural activities can:

- improve health outcomes in hospitals;
- have therapeutic value for those with mental health problems; and
- help to rehabilitate prisoners and reduce rates of re-offending

There are some recent studies which have attempted to examine whether including arts activities in hospital timetables can help to reduce levels of depression in patients and improve rates of recovery. Ruiz (2004) in a literature review of the evidence for arts, culture and sports policy states that few projects attempt any formal evaluation⁴⁸. However a 2001 review by Jermyn cited a study at the Chelsea and Westminster Hospital which aimed to produce “quantitative analysis and critical evaluation”⁴⁹ and found that two thirds of staff, patients and visitors felt that live performances helped to diminish their stress levels. This did not, however, appear to be evaluated against the costs of the project.

There is also evidence to suggest that cultural activities can have a therapeutic value for those with mental health problems⁵⁰. An example of a study which has attempted to systematically review the benefits of complementary therapy in depression is by Ernst et al (1998)⁵¹. This study examined the impact of different types of music therapy programmes for patients aged 61-86 years, and found that the programmes had a significant impact on depression scores compared to control groups.

In a similar respect, cultural activities may also help to rehabilitate prisoners and reduce rates of re-offending. Again, it appears little systematic evidence which attempts to quantify the benefits of arts programmes has been collected. An example of a study which did is Brewster (1983)⁵². This study examined the

⁴⁷ Winner, E. and Hetland, L. “The arts in education: evaluating the evidence for a causal link” (2000) and Winner, E. and Hetland, L. ["Does Studying the Arts Enhance Academic Achievement?"](#) (2000)

⁴⁸ Ruiz, J. “A literature review of the evidence base for culture, the arts and sports policy” (2004)

⁴⁹ Jermyn, H. “The arts and social exclusion: a review prepared for the Arts Council England” (2001)

⁵⁰ Geddes, J. “Art and mental health: building the evidence base” IPPR (2004)

⁵¹ Ernst, E., Rand J.I., Stevinson, C. “Complementary therapies for depression: an overview” (1998)

⁵² Brewster, L. “A cost benefit analysis of the California Department of Corrections arts in correction program” (1983)

effects of participation in an Arts in Corrections (AIC) programme on rule-breaking by inmates in California and found that rule breaking diminished in those who engaged in the programme.

Although there are possible positive effects of culture on mental health and rates of re-offending, DCMS has not yet been directly involved with programmes in either hospitals or prisons. However, the Arts Council has funded health-related initiatives in the past. An example of this is the 2006 £60,000 grant through *Grants for the Arts* for a programme at the Royal Alexandra's children's hospital to enhance the environment for children and their parents⁵³. The benefits of this grant have not yet been evaluated.

Evidence from the Kings Fund from their £1.5 million "Enhancing the Healing Environment Programme" indicates that such programmes are enthusiastically received, however Geddes (2004) suggests that they need to be evaluated "more thoroughly and objectively to ensure that the benefits are worth the costs"⁵⁴. While some studies such as that by Brewster (1983) mentioned above attempt to relate the benefits of cultural programmes to the cost of their implementation, few others that we are aware of attempt to do this. Neither have any attempted to relate the programmes to the market failures that they may or may not be correcting.

In addition, the studies that have examined the links between culture and health and crime outcomes have focused on very specific therapeutic arts programmes in prisons and hospitals. While these may represent valid benefits, they are not representative of the majority of publicly funded cultural investments. Specifically, there is no research evidence that we are aware of which examines the impact of engaging in general cultural activities (for example, visiting a classical concert) on an individuals' state of health or their propensity to commit crime. This gap in the evidence base means we are unable to conclude as to whether DCMS' direct interventions could yield these types of benefits.

Community

A number of studies have examined the extent to which cultural projects may improve relationships both across communities and between communities by "developing networks and understanding, and building local capacity for organisation and self-determination."⁵⁵

The case studies examined by Matarasso (1997) provide evidence that participatory culture projects which actively involve the community in project conception and execution can help bring people together and promote tolerance, amongst other benefits. For example, when examining cultural projects in

⁵³ See http://www.artscouncil.org.uk/subjects/news_detail.php?browse=homepage&sid=17&id=460

⁵⁴ Geddes, J. "Art and mental health: building the evidence base" IPPR (2004)

⁵⁵ Matarasso, F. "Use or ornament? The social impact of participation in the arts" (1997)

Portsmouth, Matarasso found that that “people frequently spoke about how they had learnt to get on with a wider range of people”⁵⁶.

In addition, studies have looked at the importance of culture in helping to regenerate of deprived areas. A good example of this is the regeneration of Gateshead with the re-development of the BALTIC building into an art gallery and the construction of the Sage Gateshead arts and music centre which has helped to redefine the Gateshead area as a cultural hub for the North East, making it a desirable place to live and work. Other examples of culture-led regeneration include the Lace Market in Nottingham and the Chocolate Factory in Haringey.

In the case of the Lace Market, combinations of public and private grants have helped to develop the area and have attracted over 450 firms, a quarter of which are related to fashion design and production. The remaining three quarters represent “a mix of cultural production (arts and media, architecture, visual communications) and consumption”⁵⁷. The Chocolate Factory was a former Bassetts sweet factory which was redeveloped by Haringey Arts Council to provide studios for over 120 local artists. It is now a key centre of production for the creative industries in North London⁵⁸. Other examples of regeneration projects that were either led by or involved culture are detailed in Evans and Shaw (2004)⁵⁹.

The studies discussed above have demonstrated that cultural investment can help to regenerate deprived areas. However, they do not attempt to isolate the role or importance of the cultural element of investment in relation to the outcomes. In each of the cases listed above, cultural investment formed only a part of the overall regeneration package. The studies do not try to estimate the benefits accruing to this element of investment only. Consequently it is difficult to identify the incremental benefits from the cultural investment element of the overall regeneration package – or, indeed, to say whether the benefits would have been any less had the cultural element been excluded.

4.2.3 Summary

In examining the literature on benefits in relation to the impact of culture on social outcomes, there are a number of issues to consider:

- the artificial distinction between economic and social outcomes;
- the extent to which studies are asking the correct questions in relation to benefits; and
- methodological concerns regarding the approaches taken in the studies.

⁵⁶ ibid

⁵⁷ Evans, G. and Shaw, P. “The contribution of culture to regeneration in the UK: a review of evidence” (2004)

⁵⁸ ibid

⁵⁹ ibid

We discuss each in turn below.

There appears to be a relatively artificial distinction between economic and social outcomes

While the literature is trying to measure social outcomes that are harder to place a value on, it is not clear that there is an obvious distinction between these and what are classified as economic benefits. Moreover, the framework identified in Chapter 1 for measuring the benefits of cultural investment remains valid for identifying and measuring social benefits.

First, the market failure justification for intervention remains valid when considering social benefits. In the case of education, health, crime and community regeneration, it is still important to identify the underlying rationale for intervention and to link this to the identified benefits. Indeed, given that it can be hard to identify the relationship between cultural activity and social outcomes, it is even more important that studies should focus on identifying the potential impacts and then trying to test whether these impacts in fact exist.

Second, it is still valid to try to measure incremental net benefits (social or otherwise) from cultural investment. For example, in relation to education this would mean looking at the extent to which cultural education activities improves outcomes over and above other approaches. In community regeneration, it means trying to understand the additional impact that the cultural aspects of a regeneration package may have.

It is not clear from the studies we have examined that this approach is being taken with regard to the measurement of social benefits. The studies do not appear to set out the underlying rationale for intervention or set out the types of benefits one would expect to see as a consequence. They also do not attempt to measure the additional or incremental benefits of the cultural activity. Rather, they seek to examine whether there is a correlation between cultural investment and social outcomes.

Finally, it is important to recognise that arts activities can also have a negative impact. Guetzkow points out that some types of cultural events such as rock concerts or raves could have adverse effects on a community in terms of noise pollution, delinquency or security expenditure⁶⁰. Matarasso (1997) found that “badly planned or executed arts projects can damage personal and community confidence and produce other negative outcomes”⁶¹.

It is not clear that the studies are asking the right questions

It is not clear whether the correct questions are being asked in the studies that do exist. For example, studies of educational effects tend to focus on the academic achievement of pupils in arts programmes, and conclude that arts programmes have no impact on students. This may, however, miss potential beneficial

⁶⁰ See Gazel, R. “Beyond Rock and Roll: the economic impact of the grateful dead on a local economy” (1997)

⁶¹ Matarasso, F. “Use or ornament? The social impact of participation in the arts” (1997)

impacts that arts programmes may have on improving non-academic skills, such as communication and team-working skills.

Moreover, the studies which do examine the social impact of culture appear to focus on participatory cultural activities. Little evidence has been gathered on whether non-participatory cultural activities aimed at the general public have a significant effect on social outcomes even if those classified as socially excluded could be persuaded to attend. These activities – for instance the opera or national galleries – do, however, account for substantial amounts of government investment.

Methodology

Finally there are potential concerns regarding the methodology used in the studies to measure benefits. For example, there are potential selection problems since people who choose to participate in cultural programmes may not represent a good cross section of their community.

Additionally, there is a lack of appropriate comparisons: few studies attempt to examine whether cultural programmes are more likely to achieve improved social outcomes than other activities – for example it could be argued that youth delinquency may be better tackled using sports programmes.

4.2.4 Cultural benefits

There is an element of the literature that criticises the concept that cultural objects can only have an economic or social value. A number of authors have argued that, with respect to cultural investment, only cultural value is important. While cultural value has been characterised in several different ways, five main categories of cultural value have become accepted⁶². They are that cultural objects or activities can have:

- **historical value:** a special relationship with past events;
- **social value:** where they are able to form and reinforce concepts of identity and connections between people;
- **symbolic value:** they are stores of meaning;
- **aesthetic value:** their beauty (although this is a highly disputed concept); and/or
- **spiritual value:** they can have religious or mystical significance and be a source of inspiration.⁶³

The literature further argues that a classical economic approach to valuation will not appropriately identify and measure this cultural value. This assertion is based largely on three assumptions.

⁶² Throsby, D. “Economics and culture” (2002)

⁶³ Holden, J. “Capturing cultural value” Demos (2004)

- **The public are not well-informed enough to judge value:** it may be that the general public are not sufficiently well-informed to express a valid preference over the value of a cultural object or activity.
- **Heritage should be treated as priceless:** it has been argued that heritage should be treated as “priceless” in the same way that human life is. Consequently, we cannot put a monetary value on a cultural activity or object.
- **Intrinsic value:** cultural objects are endowed with a value which is independent of the person who may value them – cultural objects have an “intrinsic” value (for a more detailed exposition of these arguments, see the 2005 report on “Valuation of the Historic Environment” by eftec).

It is not clear, however, that these assumptions are valid, and that an economic approach cannot be used to value cultural objects or activities.

The first assumption, that the public are not well enough informed to value the objects appropriately, is a potential market failure identified in the earlier chapter. The policy response to this should be to provide the public with the appropriate information to allow them to judge the value of an object or activity. Only then if there is an additional market failure that prevents the market from providing the object or activity should the government intervene to provide it.

Regarding the second and third assumptions, that culture is priceless like human life or has intrinsic value, it should be noted that government must take decisions on a regular basis that affect human life. For example, the Department of Health must frequently make decisions as to whether certain drugs should be available on free prescription, while hospital trusts must prioritise the operations and procedures they fund. These all require policymakers to make decisions that affect people’s lives very directly. Such decisions are typically made on an assessment of the costs and benefits of public funding or intervention.

4.2.5 Institutional benefits

The literature also identifies institutional benefits or value. Institutional value is an additional benefit of cultural institutions which can be related to the idea of “public value”. The benefits cultural institutions can bring to society have been defined as:

- the creation of trust and mutual respect among citizens;
- enhancing the public realm; and
- providing a context for sociability and the enjoyment of shared experiences⁶⁴.

This is an argument put forward by Holden (2006), who argues that the role of cultural organisations is not “simply as mediators between politicians and the public, but as active agents in the creation or destruction of what the public

⁶⁴ Holden, J. “Cultural value and the crisis of legitimacy” Demos (2006)

values.”⁶⁵ Trust in the public realm can be generated (or destroyed) by institutions.

The example that Holden gives of such an institution is the BBC. The BBC can be thought to bring benefits greater than the benefits accruing to the consumers of its television or radio broadcasts because it also endows the public sphere with a benchmark of quality, honesty and objectivity. In this way it could be argued to also raise the quality both of other public offerings and of private offerings.

Again, however, these benefits can be measured within an economic framework. The first point to note is that the rationale for a public institution is to provide publicly funded services that have either the correction of market failure or redistribution as their objective. If neither of these rationales were present then there would be no need for the public institution. For example, one would not set up a public institution merely for the public value it might bring.

However, assuming there is a rationale for the institution’s existence, it is most certainly the case that the quality of that institution and the delivery of its service can add to or diminish the overall benefits of the public intervention. It is unclear, however, why cultural institutions should provide these benefits more effectively than any other public institution. Indeed, private institutions can perform a similar role, an example of which is the National Trust. Although this does have charitable status and is therefore exempt from taxation on its trading, it is a privately operated institution, yet it is expected to uphold a similar moral standard as the BBC or English Heritage.

4.2.6 Summary of the literature

The literature we have examined in relation to the benefits of cultural investment is relatively sparse and piecemeal. The studies considered take many different approaches to measuring the benefits of cultural investment. Moreover, there is not a coherent approach in the literature to the types of benefits that are measured.

The majority of the studies we have considered do not approach measurement in a way that is consistent with the framework set out at the beginning of this chapter. Specifically, the studies typically do not attempt to link the benefits of publicly funded cultural investments to the correction of market failures. The studies also typically report either gross or net benefits. They do not attempt to measure the incremental benefits of cultural investment.

With regard to the specific types of benefit outlined in the literature, we find the following.

- **Economic benefits.** studies aimed at measuring economic benefits typically focus either on user values or on multiplier studies. Neither of these approaches tend to capture appropriately the incremental benefits of cultural investment. Moreover, the studies have largely different methodologies and

⁶⁵ Ibid

so are almost impossible to bring together to provide a coherent measure of the economic benefits of cultural investment.

- **Social benefits.** from the studies we examine, we find that there is a relatively artificial distinction in the literature between social and economic benefits. Social benefits tend to be those things that are hard to measure, but which can be considered within an economic framework. Specifically, the framework identified above is valid for measuring cultural benefits. Almost all of the studies examining social benefits are qualitative in nature.
- **Cultural benefits.** a number of authors have argued that, with respect to cultural investment, only cultural value is important. The literature further argues that a classical economic approach to valuation will not appropriately identify and measure this cultural value. This is based on the assumptions that: i) people are not well informed enough to measure value; and ii) that cultural activity is either priceless or has intrinsic value. It is not clear, however, that these assumptions are valid, and that an economic approach cannot be used to value cultural objects or activities.
- **Institutional benefits.** institutional value is an additional benefit of cultural institutions which can be related to the idea of “public value”. Again, these benefits can be measured within an economic framework. The rationale for a public institution is to provide publicly funded services that have either the correction of market failure or redistribution as their objective. If neither of these rationales were present then there would be no need for the public institution. However, assuming there is a rationale for the institution’s existence, it is most certainly the case that the quality of that institution and the delivery of its service can add to or diminish the overall benefits of the public intervention.

5 A practical framework for evaluating cultural investment

Developing robust measures of the impact of any intervention is difficult. The evidence we have reviewed suggests it is particularly difficult in relation to cultural interventions. While there are valid economic reasons to suggest intervention is required, it is often difficult to measure the extent of the problem that needs to be addressed. The evidence in the previous chapter shows that it can also be difficult to develop robust measures of the benefit of intervention.

In these circumstances, where evaluation will rely on a mixture of qualitative and quantitative information, it is vital to use a consistent and robust framework to evaluate policy interventions. In doing so, it will be possible to develop a consistent evidence base of the economic impact of cultural interventions.

In this chapter we set out the key elements in the evaluation framework, and in the following chapter we provide some practical guidance on how different types of intervention can be measured.

Figure 5 below sets out the key steps in the framework for evaluating the impact of cultural intervention. Each is discussed in turn below.

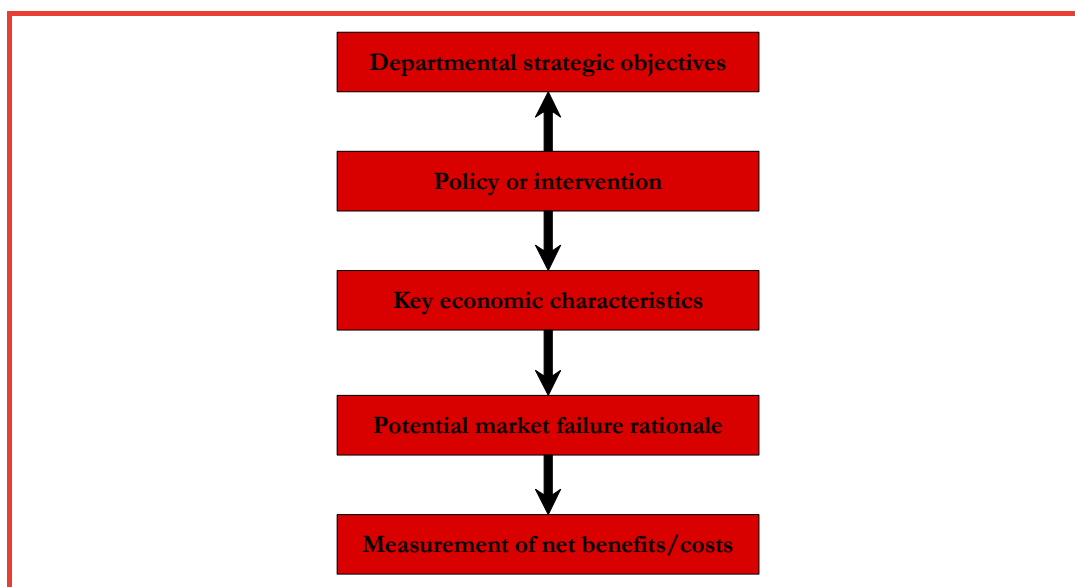


Figure 5: A practical framework for evaluating cultural intervention

Departmental strategic objectives

The first step is to identify which of the departmental strategic objectives the policy is aimed at. Ultimately, the success of the intervention will be measured by the extent to which it helps achieve the strategic objectives of the department. In most cases it will be relatively straightforward to identify which objective is being targeted. However, in others, the intervention may appear to be targeting multiple objectives, and it is important to be clear about the relative intended impact of the policy.

Key economic characteristics

The next step is to identify the key economic characteristics of the intervention. Typically, the type of investment is closely related to the underlying rationale for a policy; by identifying the key characteristics of the intervention, it will therefore be easier to identify the rationale for the intervention. The flow of benefits to the intervention is also likely to vary considerably with its characteristics. Understanding the economic characteristics of the intervention is therefore an important step in developing the evaluation.

In chapter 2 we set out the seven different types of cultural intervention we identified, and the characteristics associated with each. Using this, and the classification of current DCMS cultural policies by investment type it should be possible to identify the key characteristics of any particular policy intervention. It is important to note also that an intervention may have elements of more than one characteristic.

Identifying the market failure rationale

Having identified the key economic characteristics of the intervention, it is important to link these to the underlying market failure rationale. There are a number of reasons for this:

- in the absence of a market failure rationale it is unlikely that the intervention will yield positive net benefits; and
- by setting out the underlying market failure rationale it will become clear as to whether the intervention is likely to correct the market failure, or whether it is the most appropriate intervention to do so. Take for example an intervention aimed at subsidising investment in a cultural centre. If the underlying rationale is an information failure or co-ordination problem then it is not clear that the intervention will correct the market failure. Even if it were to do so, it is not clear that it would yield benefits greater than those associated with other interventions that more directly correct the market failure.

Chapter 3 set out the different market failure rationales for cultural interventions, and linked them to the key economic characteristics of the interventions. (see Figure 6 below). This shows that each of the intervention types has a number of different market failures associated with it. Our analysis suggested that six of these appear to be relatively strong market failure rationales.

	Externalities	Public Good	Lack of information	Network Transaction Costs	Coordination Failure	Quality of Choice
Education	✓		✓			✓
Consumption	✓		✓		✓	✓
Research		✓				✓
Capital spending			✓			
Regeneration		✓			✓	
Networks				✓		
Agglomeration effects	✓				✓	

✓ Strong market failure rationale
 ✓ Suggested market failure rationale

Figure 6: The economic rationale for government investment in culture

Source: Frontier Economics

Measuring net benefits

The final step in the framework is to measure the net benefits of the intervention. Chapter 3 set out the correct approach to measuring benefits. The key steps are to:

- link the benefits to the correction of the identified market failure;
- take account of the ‘counterfactual’ – what would have happened in the absence of the intervention;
- measure only incremental benefits – for example, if looking at the benefits associated with subsidising consumption, one should measure only the benefits derived by people who consume only as a result of the intervention; and
- take account of the costs of the intervention to arrive at a measure of net benefits.

In the next chapter we set out some more detailed guidance on how to measure the benefits associated with correcting some of the key market failures identified above.

5.1 A PRACTICAL APPROACH TO MEASURING BENEFITS

In this chapter we outline for a number of key types of market failure, the appropriate approach to measuring the benefits of publicly funded cultural investments that correct these market failures.

The chosen market failures that we examine are selected from those that provided a strong rationale for the different types of DCMS investment in culture (see Figure 6 above). These are:

- cultural education externalities;
- education information failures;
- consumption information failures; and
- regeneration coordination failures.

5.2 CULTURAL EDUCATION EXTERNALITIES

In chapter 3 we identified a rationale for public investment in cultural education because of the positive externalities associated with this. The research evidence suggests that cultural education externalities may contribute to improving the learning process:

- the inclusion of cultural activities may make lessons in other subjects more engaging;
- studying cultural subjects (art drama etc) may enhance pupils' capacity for learning, improving academic achievement; and/ or
- studying cultural subjects may improve pupils' general attitudes to learning, their behaviour, and increasing the overall quality of teaching and learning⁶⁶.

We discuss the validity of these arguments and the benefits associated with each below.

5.2.1 Making lessons more engaging

The first hypothesis is that lessons in other, potentially more academic, subjects are made more engaging through the use of cultural activities.

Typical examples of what this might entail include:

- visits to museums or historical/heritage sites as part of history lessons;
- visits to the theatre to study plays that are studied as part of English lessons; and/or
- poster making/art work in science classes.

To evaluate the benefits of these activities we need to examine three questions:

1. Why would the activities not take place without intervention?
2. How can intervention result in greater use of culture in class rooms?
3. What are the benefits and how do we measure them?

⁶⁶ "The impact of the arts: some research evidence" The Arts Council England (2004)

Why would the activities not take place without intervention?

There are several reasons as to why cultural activities might not be used in other subjects in the absence of intervention:

- teachers may not be aware of the potential for cultural activities to improve outcomes – the provision of information could help to overcome this;
- teachers may not be aware of the relevant information on creative activities or organisations that they could use – again, information can help to overcome this; and
- the school does not have the time or resources to pay for both the planning and delivery of activities – in this case there is a need to provide actual resources in addition to information to ensure that activities take place.

How can intervention result in greater use of culture in class rooms?

There are a number of ways in which the intervention could result in greater use of culture. These include:

- providing information to teachers on cultural resources and potential partners;
- subsidising visits to cultural events; and/or
- providing additional resources to help schools to plan and deliver activities.

Indeed, an example of this type of intervention is the DCMS sponsored Creative Partnerships, which uses each of the above mechanisms to encourage greater usage of culture in education.

What are the benefits and how do we measure them?

Having established that intervention can address the market failure and that the activity might not otherwise take place, we next need to evaluate the benefits of the intervention.

To do so, we need to first identify what the potential benefits might be, and then identify how to measure them.

If lessons are made more engaging, then ultimately we would expect to see exam performance in those subjects improve. However, there may also be other intermediate benefits that could be observed – for example, improved attendance or reduced instances of class disruption.

There may also be indirect effects associated with this. For example, there may be improvements in student's team working or communication skills.

To measure these types of benefits one would need to draw on a mixture of quantitative and qualitative evidence.

Quantitative and qualitative evidence

Ideally, to measure the impact of this type of intervention we would want to set up a ‘treatment’ group and a ‘control’ group. The groups would contain students who are identical in all measurable characteristics. The treatment group students would then attend lessons where cultural activities were used as part of the programme, while the control group would not. We would then compare the outcome for the two groups to see what impact the intervention had had.

In practice, however, it is difficult to set up perfect treatment and control groups. Specifically, it is hard to identify groups that are identical in all respects other than the policy intervention. However, there are a number of practical techniques that can be used to overcome these problems.

First, to measure the direct impact of the policy on exam performance and attendance we could look at the performance of a group of students over time. We would wish to measure their performance in the subjects prior to the introduction of cultural activities and then compare that with their performance in the subject once cultural activities had been included as part of the course.

Then, controlling for any other possible changes, we could identify whether using culture in lessons had resulted in improved exam performance or attendance.

However, it can take a long time to collect this type of information. Instead, therefore, we could look to compare performance of students in schools where culture activities are included in lessons with performance of students in schools where this is not the case. Assuming that we can take account of any major differences between the schools, then we should be able to identify whether there is a positive relationship between using culture and exam or attendance performance.

In terms of the potential indirect benefits, such as team working or communication skills, it is unlikely that these could be measured quantitatively. This is largely because there are no obvious measures that can be used to assess team working or communication skills. The approach to measuring these benefits, therefore, should be case study based. Focusing on qualitative evidence from groups of schools that have included cultural activities in their education programmes.

We have not identified any studies in the literature that examine the extent to which cultural activities can make lessons more engaging.

5.2.2 Enhancing pupils’ capacity for learning and improving academic achievement

The second hypothesis is that studying culture subjects such as art, music and drama can enhance pupils’ capacity for learning and improve academic achievement. Given that these subjects are already part of the curriculum, any intervention would likely be focused on encouraging uptake of the relevant subjects.

When considering why uptake might be too low in the absence of intervention, the key issue is information. It is possible that schools, students or parents may

be unaware of the positive impact on overall achievement of studying cultural subjects. Consequently, take up of these subjects may be lower than if people were fully informed. To correct the potential failure any intervention would be focused on providing information to people and encourage take up of the relevant subjects. An example of this type of intervention could be Artsmark, which aims to raise the profile of arts education by recognising schools which show a commitment to the arts

To measure the benefits of interventions aimed at increasing the up take of cultural subjects we would first need to test the hypothesis that studying cultural subjects leads to improved overall academic performance.

We would again wish to compare the exam performance of students who take arts subjects with those who do not. This could be done by examining exam performance data for students who have similar characteristics and attend either the same or similar schools. If the data showed that, when other factors were accounted for, students taking a greater proportion of culture based subjects achieved better performance then it would be possible to validate the hypothesis.

The key issue – and difficulty – in carrying out this type of evaluation is to try and control for as many other factors as possible that might influence the exam performance of the students under consideration. A number of studies have examined the link between culture and academic achievement (see box below). The results of these studies, while not conclusive, suggest that the possible correlation between academic achievement and cultural activities in school may merit further investigation.

Assuming we could measure a link between studying cultural subjects and overall achievement, we would also need to measure the success of the intervention in increasing uptake. There are a number of ways this could be done. For example, one could compare rates of take up in areas where the intervention was used with those where it was not, or one could compare rates of take up before and after the introduction of the intervention. Alternatively, one could use surveys of schools or pupils to identify the factors that were important in determining subjects offered or subject choice respectively.

5.3 PARTICIPATION IN CULTURAL SUBJECTS AND ACADEMIC ACHIEVEMENT

In the US studies such as Winner (2002) have found a positive link between academic performance and participation in culture based projects. However, there is also some evidence to suggest that the results can be attributed to the fact that students who study the arts are more likely to be high achieving⁶⁷. Such clear relationships are not found in the UK. This may suggest that academically strong students in the US are encouraged to study the arts, whereas in the UK they are guided towards the sciences⁶⁸.

To examine this perceived correlation, Winner and Hetland (2000) analysed the results of cultural education studies carried out between 1950 and 1999. They found evidence for only three statistically viable causal relationships between arts learning and learning in other areas of the curriculum:

- listening to music and spatial-temporal reasoning;
- learning to play music and spatial reasoning; and
- classroom drama and verbal skills⁶⁹.

A three year longitudinal study of English and Welsh secondary schools by Harland et al (2000) found no sound evidence to support the claim that the arts boosted general academic performance at GCSE level⁷⁰. Other studies such as that by MacBeath et al (2001) did, however, find that non-examined leisure activities had a positive effect on academic attainment⁷¹.

5.3.1 Improving pupils' attitudes to learning, their behaviour, and increasing the quality of teaching and learning

The third hypothesis is that the inclusion of art and drama lessons in the curriculum makes school in general more engaging. The focus of this hypothesis is that cultural subjects that require student participation (art or drama) enhance personal development, confidence and softer skills such as communication and creativity, and ultimately lead either to improved education or labour market outcomes.

The approach to evaluating the benefits of interventions aimed at increasing the number of students involved in participatory activities is similar to that outlined in the chapter above.

The rationale for such intervention is also similar to that outlined earlier. For example from a school's perspective performance is currently judged on its

⁶⁷ Winner, E. "Commentary on arts education in secondary schools: effects and effectiveness" (2002)

⁶⁸ Winner, E. "Commentary on arts education in secondary schools: effects and effectiveness" (2002)

⁶⁹ Winner, E. and Hetland, L "The arts in education: evaluating the evidence for a causal link" (2000)

⁷⁰ Harland et al "The arts in secondary schools: effects and effectiveness" (2000)

⁷¹ MacBeath et al "The impact of study support research brief No 273" DfES (2001)

pupils' exam achievements, which do not necessarily take account of the softer skills that cultural activities could enhance. We would expect that if schools were not aware of the links or were not provided with an incentive to offer cultural activities to its pupils, in general too few cultural activities would be supplied. This could provide sufficient reason for the encouragement of active arts programmes in all schools.

In this case, however, measuring the link between participation and labour market outcomes is likely to be more difficult. This is because it will be hard to get any quantitative information on the factors affected (self-confidence, communication skills etc). It would also be hard to get data on levels of participation in cultural activities (e.g. drama classes). It would also take a long time to see if participation in cultural activities had any impact on labour market performance.

Consequently, the focus of any evaluation would be on qualitative evidence of a link between participation and improved performance. The types of technique one would use include surveys and case studies. A number of such studies have found qualitative evidence of a link between participation and improved performance (see box below).

5.4 THE LINK BETWEEN PARTICIPATION IN CULTURE AND IMPROVED PERFORMANCE

There is evidence to support the link between participation in culture activities and improvements in educational performance. The key piece of evidence is findings from Ofsted inspections. They suggest that the arts can:

- instil positive attitudes towards school;
- inspire self-confidence; and
- contribute to an “enabling ethos”⁷².

Matarasso (1997) also found that the arts and cultural activities in general enhance personal development, confidence and softer skills such as communication and creativity⁷³.

The findings of both of these studies suggest that cultural activities, participatory activities in particular, could have a positive impact on a pupil’s school career and their employment prospects – be it within the arts or the sciences. For example, involvement in any type of performing art – roles in theatre productions or music concerts – may help to develop self-confidence and communication skills.

5.5 EDUCATION INFORMATION FAILURES

The previous chapter of this report identified a potential information failure in the market for creative skills, in that it may fail to provide sufficient numbers of people with adequate training in creative skills.

Skills shortages are potentially more serious in the creative industries than elsewhere, as it can be necessary to begin training at a very early age. This is particularly true for the performance industries such as theatre and music. For example, if there are skills gaps for singers, dancers, musicians or actors this gap may take more time to be filled than say a skills gap in the construction industry.

To evaluate investments or interventions that seek to reduce skills gaps, we need to examine four questions:

1. Is there a skills gap?
2. If so, why does the skills gap exist?
3. Can intervention reduce or eliminate the skills gap?
4. What are the benefits and how do we measure them?

⁷² Muschamp, P. “Arts education: an Ofsted perspective” HMI (2004) IPPR

⁷³ Matarasso, F. “Use or ornament? The social impact of participation in the arts” (1997)

Is there a skills gap?

Accurately measuring the extent of a skills gap exists is notoriously difficult. This is because it is very difficult to determine what the right level of a particular set of skills should be in the economy.

However, two practical approaches to overcome the problem are:

- surveys; and
- analysis of job turnover and vacancies.

Surveys typically focus on firms in a particular sector, and ask qualitative questions regarding the ease with which firms are able to attract workers. The key risk with this approach is that firms typically over-estimate the extent to which there is a skills gap.

Vacancy analysis focuses on advertisements for employees with particular skills. It seeks to measure the extent to which vacancies are filled over a particular period of time, whether the individuals filling the vacancies had the required skills and the length of time taken to fill the vacancies. Job turnover looks at the degree of job turnover in a particular time period. The proposition being that the greater is the rate of turnover, the less likely it is that a skills gap exists.

It should be noted that these approaches will be able to provide a strong indication of the extent to which a skills gap is likely to exist. They will not, however, provide quantitative evidence of the size of the skills gap.

Why does the skills gap exist?

Assuming that there is a skills gap, the next question to address is the cause of the skills gap. There are two common potential causes:

- lack of information; and
- lack of courses.

The first common cause of a skills gap is that people do not have information regarding the particular skills, or the returns they could earn were they to improve their skills. This is a classic market failure common to all types of skills, not just creative skills.

However, the literature identifies a common perception that the returns to creative skills are low and that artists tend to be “poor”⁷⁴. This perception could be problematic for the creative industries because it may lower people’s inclination to take up training in the first place. In practice, however, it does not appear to be the case that artists are significantly worse off than non-artists. Filer (1989) analysed the gap between earnings for artists and non-artists using US

⁷⁴ Benhamou, F. “Artist’s labour markets” in “The handbook of cultural economics” R. Towse ed.

census data, but found that once lifetime differences were taken into account, the average artist earned only 2.9% less than a non-artist⁷⁵.

The creative arts may also be unique in that its 'workers' obtain a relatively large overall benefit not from the financial compensation they receive, but from actually carrying out the activity. However, until they are sufficiently skilled to carry out the activity, they will be unable to take these benefits into account when deciding which skills to acquire and so may opt for training in other sectors.

The second issue may simply be that there is a lack of training opportunities provided in creative skills. Given limited public funding, and perceived lack of demand colleges may choose to provide courses in areas where it is perceived that returns are higher.

Can intervention reduce or eliminate the skills gap?

There are a number of ways in which the intervention can reduce the skills gap:

- providing information to prospective students about available courses, careers and returns;
- providing information to colleges about relevant skills gaps and the type of training required; and
- providing funding for additional training

What are the benefits and how do we measure them?

The final step is to consider the benefits that are likely to arise from the intervention and how to measure them.

The focus here should be on the individuals who participate in skills training and the returns they receive from that training. The two issues to address in measuring benefits therefore are:

- how many additional people received skills training as a result of the intervention; and
- what benefits they received from that training.

To address the first issue one could examine take up rates for relevant courses before and after the introduction of the intervention. Moreover, one could examine the number of people with relevant qualifications before and after the intervention. Alternatively, if the intervention has not been introduced everywhere, we could compare take up rates for areas where the intervention has been introduced with take up rates for areas where it has not.

To measure the benefits people receive from training we can look at two factors:

- the probability of employment – again, we would look to identify individuals with similar characteristics and consider the probability of

⁷⁵ Filer, R.K. (1989), 'The Economic Condition of Artists in America', in D.V. Shaw *et al.* (eds), *Cultural Economics 88: An American Perspective*

employment for those with the relevant skills against those that do not have the skills; and

- the returns to employment – this also involves identifying individuals with similar characteristics and comparing the wage returns of those with the relevant skills to those that do not have them.

The benefit of the intervention can then be measured as the average increase in wage returns times the number of additional people receiving training as a result of the intervention.

5.6 CONSUMPTION INFORMATION FAILURE

Chapter 3 set out in detail the different potential market failures that lead to too little cultural services or products being consumed. One of the key issues identified was an information failure; it is argued that people find it hard to appreciate or measure the value of cultural activities to them without having experienced it. The literature argues that proof of this is provided by the fact that those who tend to attend cultural activities are those who have a long history of involvement.

For instance, less than 5% of the population account for almost half the visits to the UK's museums⁷⁶. This suggests that once a person has visited some cultural attractions, they will visit many more, but the first visit is the hardest to encourage people to make.⁷⁷

Assuming that there is a market failure rationale, we must again consider how intervention can overcome the market failure. There are two potential types of intervention that may help:

- providing information to people on cultural opportunities and the potential benefits – however, information alone not be enough to overcome the problem if people truly need to experience activities to appreciate their value; and
- subsidising the provision of cultural activities – by providing activities for free, or at a subsidised rate, the intervention may increase the likelihood of individuals consuming cultural products.

Measuring the benefits

To measure the benefits of such intervention one must examine two factors:

- the impact on take up; and
- the benefits accruing to those that consume.

⁷⁶ “ Renaissance in the Regions: a new vision for England's museums” Re:source (2001)

⁷⁷ Alternatively, this evidence could suggest that only a minority of the population actually value the UK's museums sufficiently to visit them. There is however substantial evidence to support such information failures.

The key issue with measuring the impact on take up is to measure the incremental effects of the policy. For example, simply counting all those who attend a subsidised event or venue will considerably overstate the impact of the policy in terms of take up, as many of the individuals might have attended even if the event or venue were not subsidised.

To measure the incremental impact on take up, it is again necessary to use some of the techniques described earlier:

- before and after studies – one could examine attendances at a particular event or venue before and after the introduction of the intervention. However, if the intervention has been in place for a long time (for example, if the venue has always been subsidised) it is likely to be difficult to get information on this;
- compare attendance levels in non-subsidised events or venues with similar characteristics to subsidised events or venues. If attendances are, on average, higher at the subsidised venue then this may give an indication of incremental attendances. However, if there is a genuine market failure, one may find limited examples of non-subsidised events or venues;
- questionnaires – use visitor questionnaires to try to identify the factors that influenced attendance; and
- analyse attendances amongst target groups – some interventions are targeted at particular segments of the population or in particular areas. Where this is the case one can examine attendance rates for these groups.

None of the above measures is likely to give a perfect quantitative estimate of the incremental impact of the intervention on take up rates. However, if used in combination, the techniques may provide a reasonable estimate of the extent to which take up effects are incremental.

Having identified the impact on take up, the next issue is to measure the benefits people receive from having attended. This is difficult, because, assuming the event is subsidised, there is no obvious monetary measure of value. However, two factors that could be considered are:

- repeat visits or consumption of cultural activities – if the aim of the intervention is to overcome a market failure and help people identify the value of cultural consumption, then a measure of the effectiveness of the intervention may be the extent to which people engage in further consumption – particularly if that consumption is of non-subsidised services or products; and
- value of time – one estimate of the minimum value people receive from consumption is the time they give up to attend an event or venue. This can be estimated relatively easily. Moreover, there are many studies that have estimated the value of people's time. Consequently, used in combination, we can go some way to estimating the benefits people derive from attending an event or venue.

The gross benefit of the intervention can then be measured by combining the estimates of the additional people who attend an event with the value those people derive from attendance. This must then be offset against the cost of the intervention to get a measure of net benefit.

5.7 REGENERATION COORDINATION FAILURES

Regeneration often involves cultural projects to revitalise areas that suffer from economic social or environmental decline. Chapter 3 identified a number of market failures in relation to regeneration and culture:

- there may be co-ordination failures that prevent individuals or businesses from grouping together to invest in the regeneration of an area; and
- cultural centres – which can enhance the desirability of an area – may be public goods. Consequently, no private individual or business will be willing to invest in developing cultural centres as part of a regeneration project as they cannot recoup enough of the benefits from the investment.

It is argued that the cultural centres can substantially enhance the impact of regeneration projects in an area as they:

- attract visitors – tourists may visit an area primarily to attend an arts event;
- attract residents and businesses – the prevalence of arts events may attract residents and businesses by improving an areas’ image and making it more appealing; and
- attract investments – by improving a community’s image, people may feel more confident about investing in that community⁷⁸.

Typically, however, cultural investments form only part of an overall regeneration project. There may also be other publicly funded investment as well as privately funded investment. It is critical therefore not just to measure the total benefits of a regeneration project, but to assess also the role that the cultural investment played.

To measure the impact of cultural investments as part of regeneration projects it is necessary to:

- assess whether the regeneration would have taken place in the absence of intervention;
- identify the benefits from the overall regeneration of an area; and
- identify the role that the cultural element of the investment plays.

⁷⁸ Guetzkow “How the arts impact communities” (2002)

Would regeneration have taken place in the absence of intervention?

It is very difficult to provide an absolute answer to this question. However, a key indicator that may help is to examine the extent and timing of private sector investment.

If there is substantial private investment in the regeneration project, or if the private sector investment took place in advance of the public intervention, then this may suggest that public intervention was not necessary to achieve all of the benefits of the regeneration project.

Where this is the case, however, the public intervention may still have been important either in helping to co-ordinate the private sector investment or in helping to get the investment off the ground. Case studies and interviews with private sector investors may help to identify the role of the public intervention in the project.

Where private sector investment is low, or where it takes place substantially after the public sector investment, this may indicate that the public intervention was necessary. Here, however, it is important to check that the public intervention or investment did not ‘crowd out’ private sector investment. Again, there is no obvious measure of this, but case studies and interviews with private sector investors could help provide some evidence.

Identifying the benefits from the regeneration project

There are a number of techniques for measuring the benefits of regeneration projects. These are common to all regeneration projects and are not unique to culture based investments. For example, the impacts of public investment for regeneration can be measured by looking at:

- the environmental impact, for example the change in the number of empty and vacant properties in an area;
- the economic impact, for example businesses, investment, employment, higher visitor spend or the retention of graduates in an area; and
- the social impact, for example better relationships between communities.

When measuring these benefits it is important to measure only additional or incremental benefits. For example, business may move from one area to another – for example from Sunderland to Gateshead – which will have a positive impact on Gateshead but a negative impact on Sunderland. This displacement effect should be accounted for in the calculation of the benefits.

What role did the cultural element of the investment play?

The final step is to identify the specific importance of the cultural element of the investment. It is unlikely that this can be measured quantitatively. However, there are a number of ways in which this can be measured qualitatively. For example, one could consider:

- the proportion of the public investment that was cultural in nature;
- the types of businesses that located in the area and the types of employment that was created; and
- interviews or case studies with local stakeholders to identify the importance of the cultural element.

6 An application of the framework

6.1 CREATIVE PARTNERSHIPS

What is “Creative Partnerships”?

“Creative Partnerships” is described by DCMS as their flagship programme in the education field. We examine this programme using the framework described in the previous five chapters as an example of how the framework can be applied.

The Creative Partnerships programme aims to build long-term “genuinely collaborative partnerships” between schools and creative organisations and to integrate cultural activities into the curriculum. The network created by Creative Partnerships helps schools, businesses and creative practitioners identify possible partners to work with.

It is hoped that successful partnerships will:

- enliven all subject areas, which may improve the quality of school education and raise standards of attainment;
- improve pupil self-confidence;
- improve teacher recruitment and retention; and
- equip young people with the necessary skills to supply the creative industries.

To achieve these goals, creative activities are integrated into the curriculum rather than increasing curriculum time set aside for creative activities or expanding the provision of extra-curricular activities. This is intended to maximise student coverage and affect all subject areas.

Creative Partnerships was set up in April 2002 for a trial period of two years. Schemes were set up in 16 areas with initial funding of £40 million, of which each area received £750,000 annually. The focus has been on deprived areas, which have been selected using indices of multiple deprivation, taking into account cultural, coastal and rural isolation factors. In 2003, the programme was expanded to an additional 20 areas across England and has now received guaranteed funding until 2008. In 2005-06 this totalled £32 million from DCMS and £2.5 million from DfES. Areas that receive Creative Partnerships funding include Hackney, Islington and Enfield in the London area and Coventry, Nottingham, Hull and the Tees Valley elsewhere.

Partnerships that have been set up since 2002 include links between schools and individual artists, opera singers and theatres. By 2005, 3,767 projects had been set up involving 5,119 schools, 3,507 creative organisations and 392,265 student attendances by young people.

A wide variety of projects have been set up. An example of a project is “an opera for Tees Valley” where the theatre company Northern Stage worked with pupils aged 11 to 16 from 20 schools in Tees Valley to create an opera over the

course of a year. Under the direction of a professional composer and librettist, participants created the music and drama and assisted with the technical side of the production and the promotion and marketing. Another example is the “N’Large” project, where the Knowle West Media Centre worked with students from south Bristol to develop documentary and photography skills. A further example is of the artist Simon Woolham, in collaboration with the Baltic Centre for Contemporary Art, working with pupils in a junior school in Sunderland to encourage creative thinking across the curriculum and to help pupils gain an understanding of the creative process. Further details on these and other projects are available on the Creative Partnerships website⁷⁹.

How does it relate to DCMS’ PSA targets?

The Creative Partnerships programme can be directly linked to one of DCMS’s five PSA targets, that is: to increase the take-up of cultural and sporting opportunities by people aged 16 and above from priority groups by 2008. The programmes for the age groups 16-18 could help to encourage the young people involved to take up opportunities both within the programme and externally.

Creative Partnerships can also be connected to three of DCMS’ strategic priorities, those relating to:

- children and young people;
- communities; and
- the economy.

Creative Partnerships could help enhance children’s access to culture outside the scheme as well as within it. The focus on deprived areas could help to improve access to culture by social groups C2DE that are currently under-represented at cultural events, broadening the impact of culture. In the longer term, Creative Partnerships programmes could also have an economic impact by supplying people with creative skills for the creative industries.

What are its economic characteristics?

In terms of economic characteristics, Creative Partnerships clearly incorporates several of those identified in chapter 2. These are:

- education;
- regeneration and community strengthening; and
- network building.

The major component of the programme is education, since all the projects involve schools and student development through skill building. However, the additional element of regeneration and community strengthening is demonstrated by the focus on deprived areas. Network building is also a component since

⁷⁹ <http://www.creative-partnerships.com>

Creative Partnerships forms a portal through which organisations and schools can search for suitable and willing partners, thus saving participating organisations the main shoe leather costs of the search.

What market failure rationales might underpin it?

There are several possible market failures, identified in chapter 3, that a scheme like Creative Partnerships might correct. They are:

- externalities associated with cultural education;
- a lack of information on the part of pupils as to how much education to receive; and
- failures of regions to coordinate regeneration projects.

As we have established in chapter 3, these are all market failures which appear to have strong theoretical foundations. No strong theoretical basis was found for a network related market failure, so it is not examined further.

Cultural education externalities

This market failure suggests that cultural education could have a positive impact on student performance at school, for example, by improving their academic results. Creative Partnerships aims to access this benefit by helping to integrate cultural activities into the curriculum. If there are external benefits to be felt, such as enhanced academic performance or improved behaviour, they could be achieved through Creative Partnerships schemes.

Lack of information in education

Pupils may not know whether they have creative skills if they do not experience an activity, so if creative activities are not included in the curriculum, students may not develop skills which could be useful for future employment. By ensuring access to such activities, Creative Partnerships could also help to inform students as to opportunities that exist within the creative industries and where their talents lie.

Regeneration coordination failures

This is when a deprived region could benefit from projects which could help to restore confidence to the community and investment in skills which could attract businesses to an area. However, the investment does not take place privately because beneficiaries are widely spread and the problem of free-riding would make it very difficult to coordinate contributions. The focus on investing the funds from Creative Partnerships indicates that the programme may help to overcome these coordination failures. Firstly, by improving educational outcomes for pupils in those areas it can help increase levels of employment and reduce levels of crime, which would be beneficial. Secondly, equipping young people with creative skills, in particular, could help to draw new and dynamic industries into the areas which could have a positive impact on many people in the area, other than those who participated in a Creative Partnerships project.

What are the potential benefits?

The potential benefits from the Creative Partnerships project could include many of those outlined in chapter 4. Creative Partnerships programmes could bring a wide range of:

- economic benefits; and
- social benefits.

Some of these may be felt in the short-term, while others may be felt over the longer-term.

In the short term, the main benefits are social, as described in chapter 3. They could be the enhanced effectiveness of education which could improve educational attainment and behaviour at school. This would be shown by improved examination results and an enhanced atmosphere at the school. A possible knock-on effect could be the impact of young peoples' behaviour outside of school, reducing youth delinquency.

Over the long-term, improved educational attainment could bring economic benefits such as increases levels of employment in an area and attract new industry to an area which could have a regenerative effect as mentioned above. It could also have social benefits such as reducing crime by helping to engage children in education who might otherwise have become involved in criminal activity later on in life. Enhanced learning outcomes across all subject areas could also improve health outcomes in the longer term by increasing access to health information.

How could the benefits be measured?

Creative Partnerships was only initiated in 2002, yet there are already some evaluation studies which aim to examine the effects of participation in some of the programmes. These focus on the direct impact that Creative Partnerships has on educational outcomes in schools. Two examples are examined in detail here, the first is an evaluation of the "Young Promoters" scheme run by Black Country Touring and Creative Partnerships⁸⁰ and the second is an evaluation of the "Creative Action Research Award" scheme⁸¹. Several other evaluation reports exist which are listed on the Creative Partnerships website⁸², but are not in the public domain.

Before examining these programmes, it is worth noting two other pieces of research that have been carried out. The first is a report by Burns Owen Partnership which examined the impact of the Creative Partnerships programme on the cultural and creative economy. The second is a report by Ofsted which examined the programme.

⁸⁰ Gillio-Terry, N. "Young Promoters: an evaluation report of the 2004/2005 scheme run by Black Country Touring and Creative Partnerships" (2005)

⁸¹ Comerford Boyes, L. et al "Evaluation of the creative action research award scheme" (2005)

⁸² <http://www.creative-partnerships.com>

The Ofsted report found that the programme gave rise to good creative approaches and positive attitudes by school leaders, teachers and creative practitioners. It also noted that involvement in the initiative appeared to help pupils develop good personal and social skills.

Young Promoters

The Young Promoters programme links Black Country Touring (BCT) – a charitable organisation which brings regional, national and international shows to local community venues in the Black Country – with a number of primary schools in the same area. Children are involved in the “behind-the-scenes” work which goes into a production, for example, the stage management, lighting and marketing. The aim is to help children gain general and curriculum based skills such as literacy, science, ICT, numeracy, problem-solving and teamwork among others.

The evaluation report was based on written feedback and questionnaires from children, teachers, theatre professionals and workshop leaders throughout the duration of the project. The emphasis of the evaluation was on: what the children learnt from the experience – did they feel they had gained any new skills; whether they had enjoyed the project and achieved any personal goals; and whether they had developed any awareness of potential future careers. As mentioned above, the use of creative activities to enhance education is a possible correction of a market failure, as is making the information on career possibilities available to children.

In all cases, the outcomes were reported as being positive. In general, children in all schools felt that they had learnt new skills in an enjoyable atmosphere and had learnt about new career possibilities.

However, these benefits were not assessed firstly in respect for what might have happened without the Creative Partnerships funding, for example whether the school might have initiated its own cultural programme, and secondly with respect to the cost of the scheme. This would be a necessary addition to the evaluation procedure. It would also be necessary to examine the longer term benefits – if there are any – of the project. For example: whether involvement in the scheme makes a substantial impact on the children’s future lives.

Creative Action Research Award

The creative action research award is a programme that covered 104 projects in 2004-05, involving 145 schools. The projects all involved class teachers, creative practitioners and mentors who were mainly drawn from higher education. A range of different projects were included, which used a variety of approaches to improve pupils’ creative learning. The specific impact focus was on: language and literacy; thinking skills and problem solving; subject knowledge; behaviour and personal social health and citizenship education (PSHCE). The different approaches were: arts based; specific teaching or learning techniques based; curriculum based; and other non-arts, non-curriculum based, for example using puppetry or the environment.

The evaluation is based on interviews with, or questionnaires completed by the teachers, practitioners and mentors. The outcomes evaluated included: whether the project had an impact on pupils' skills; whether the adults involved had experienced professional development and whether the projects could be run differently in the future, if at all.

In general the report recorded positive feedback from all those involved. Over 67% of all teachers, practitioners and mentors thought that pupils had gained personal skills, over half of teachers thought that pupils' had gained academic skills and many others thought that pupils' had gained social and arts skills. 91% of teachers also thought that they had also learnt from the project.

However, similar to the evaluation report for the Young Promoters project, the benefits were neither assessed with respect to the counterfactual, nor with respect to the costs of the project.

It is crucial to note that there is a necessary difference between these types of evaluation project and ordinary research. An ordinary research project may seek to examine what happens naturally, to describe correlations and look for causation. However, when government looks to evaluate its own work, it must seek to understand whether the type of project examined should be undertaken instead of others. To find a correlation between pupil involvement in a creative activity and learning outcomes is a valid reason for funding such projects, but only if it is thought to produce superior learning outcomes to any other type of project.

Evaluating Creative Partnerships programmes

Firstly, to evaluate any programme, we should be clear about what questions need to be asked. These must obviously relate to the types of benefit that are hoped to be achieved. For the example of Creative Partnerships, we should be interested in two main impacts:

- the educational impact; and
- the regeneration impact.

These can be directly related to two market failures identified in chapter 2.

Educational impacts

For educational component of projects such as Creative Partnerships, we are clearly interested in the impact on the lives of the children involved. In the longer term this could be their:

- academic achievement;
- employment prospects, including the type and level of their jobs;
- crime rates;
- health outcomes; and
- overall well-being.

In the short-term, it will not be possible to evaluate the effects on, for example employment prospects, of involvement in a project for children who could be as young as 5 years old. However, we can examine the effects of the programme on factors which we do know to have an impact on outcomes in their future. For example, if a programme helps a child to perform well at GCSE, which could be evaluated in the short to medium-term, we know that this could increase the likelihood of that child going on to obtain A levels and go to university and then into employment. Or if a project helps to develop a child's creative skills, it could help them to obtain a job in the creative industries which would reduce the chances of their involvement in criminal activities.

To assess the true impact on a child's education performance, it would be necessary to know how the child performed before and after the activity and if there were any other factors which may have impacted on their performance. For example, the project involving Creative Partnerships may have coincided with the arrival of a dynamic new teacher who could have improved performance without the help from Creative Partnerships. This effect could be controlled for by having control groups within the school and having control schools which do not (at least initially) receive any funding. We could assume that random effects such as new teachers could be distributed normally across schools and would be uncorrelated with the occurrence of the Creative Partnerships project. This would mean that we could isolate the effect of the project from other factors. Having control schools would enable us to estimate the counterfactual – what would have happened to pupil performance if the Creative Partnerships project had not occurred.

Assessment could use examination results, but in order to examine non-academic impacts, such as the building of “soft-skills”, case study and interview-based research – such as has been used already in some evaluation reports, such as those mentioned above – can be used. These could also be used to examine the counterfactual in greater detail since reliable controls are unlikely to be available. To enhance reliability, a wider set of stakeholders could be included.

Longer term benefits could be assessed using a longitudinal study which followed students from their involvement in a Creative Partnerships project to their entry into the labour market, their involvement in crime and their health outcomes. They could be assessed against students in the same cohort with the same initial characteristics who did not become involved in a Creative Partnerships scheme.

These benefits must be offset against the costs of the project. However, with projects such as these, it may be difficult in the short-term to assess their impact in monetary terms. We can easily assess the cost, but in the short-term we may not be able to accurately assess the benefits which may only be seen in the longer term. For example, a long-term emphasis on cultural activities in a school may enhance its pupils' long-term well-being, their probability and type of employment and their rates of criminal activity. While it may be difficult to assess well-being in monetary terms, we can measure the benefits of increased employment and reduced criminal activity (if these effects are observed). This may show that the benefits of the project may far outweigh the costs.

Regeneration impacts

Potential regenerative impacts which could be examined are:

- levels of employment in the area;
- new business moving into an area; and
- population migration into an area.

These are all longer-term impacts, which would need to be assessed using studies which covered a longer period of time than that which has elapsed since the inauguration of the Creative Partnerships programme.

Were these impacts to be examined, it would be necessary to collect information on the different impacts listed above, which could be compared to the changes in areas which did not receive Creative Partnerships funding, controlling for other differences which may have an impact, such as initial levels of migration. It would also be possible to measure the benefits by using willingness-to-pay surveys undertaken in the region. The benefits could be measured in monetary terms – the impact would be the extra GDP generated in an area, which could be offset against the cost of a scheme. Nevertheless, the net impact would be extremely hard to measure, since so many other factors could contribute to an area's regeneration.

In general, these impacts may be much smaller than the educational impact on individuals due to the small size of the Creative Partnerships budget, however, if a larger scheme was implemented, they would certainly need examination.

Annexe 1: Over view of DCMS policies and programmes

This annexe provides an overview of major DCMS policies. The structure of the annexe is based on DCMS remit areas as set out in the Annual Report (2005). There are five sections:

- arts;
- museums, galleries and libraries;
- broadcasting and media (including film);
- architecture and the historic environment (including The Royal Parks); and
- additional cultural spend.

The annexe presents a brief summary of major policies within each of the remit areas based on information from the DCMS website and, where appropriate, the websites of related organisations. It is not intended to evaluate the programmes but to describe their principal features. The note also gives more weight to spending programmes than to other DCMS functions.

ARTS

DCMS has three key aims from its arts policies. They are to:

- broaden access to art and culture;
- fund high quality art and cultural education and training; and
- ensure that funded activities reach the highest standards.

Virtually the entire DCMS spend on the arts is channelled through Arts Council England, a non-departmental public body (NDPB) which operates at arms-length from government. DCMS agrees the objectives it wants to achieve with the Arts Council under the terms of a Funding Agreement. However, the Arts Council has substantial discretion over its spending and it decides how to use its resources to meet those objectives: DCMS cannot intervene in individual funding decisions. The Arts Council must also account for its decisions and explain them to Parliament and the public. Table 2 shows the DCMS budget for the Arts between 2003-04 and 2007-08.

Total budget £millions	2003-04	2004-05	2005-06	2006-07	2007-08
Arts	£ 329.9	£ 378.9	£ 411.7	£ 418.7	£ 419.7

Table 2: DCMS projected spend on Arts

Source: DCMS Annual Report, 2005

The Arts Council

The Arts Council was awarded grant-in-aid of £369 million by DCMS in 2004-05. This will rise to £410.4m in each of the years 2005-06 to 2007-08. Most Arts Council funding supports 1100 regularly funded organisations (RFOs) who will receive £300.8 million in 2005-06. A further £29.4 million in 2004-05 was earmarked for the Creative Partnerships programme, the only part of the Arts Council's budget that is restricted to a specific purpose. The remainder of the grant-in-aid income funds Grants for the Arts and administration.

As well as receiving funding from DCMS, the Arts Council was awarded £160.7 million from the National Lottery Distribution Fund in 2004-05. The Arts Council also receives small amounts of income from investment returns on the Distribution Fund and other income, giving it a total budget in 2004-05 of £548.9 million. Most national lottery funding is used to support capital spending projects and Grants for the Arts (for organisations and touring) but smaller amounts support the Urban Cultural Programme, Youth Music, the Space for Sports and Arts Programme and Awards for All.

Regularly funded organisations

The 1100 regularly funded organisations (RFOs) receive a minimum of £20,000 per year. The largest awards are to big London institutions such as the National Theatre (£17.2 million in 2005-06) and the Royal Opera House (£24.9 million in 2005-06) while smaller awards go to local theatres, arts centres and community arts groups. Total funding for RFOs will rise from £300.8 million in 2005-06 to £325.8 million in 2007-08.

Providing regular funding is intended to give arts organisations a degree of stability in their revenues. Sixty per cent of RFOs will receive a standard annual increase of 2.75% in their support in 2006-07 and 2007-08. Twenty per cent will receive larger increases and five per cent will receive smaller increases. The Council has decided, however, to “fund fewer organisations better” and so will stop funding 121 organisations by March 2008 to provide additional funds for those organisations it is continuing to support.

Grants for the Arts

Arts Council England introduced Grants for the Arts in April 2003. The scheme has collected more than 100 separate funding programmes into a single application process, making the grant process more consistent across England. In 2004-05, the Arts Council made 4,659 grants together worth £70 million.

Individuals can apply for grants of £200 - £30,000 for activities lasting up to three years (with some larger grants for major projects and residencies). Successful applicants may be artists, performers, writers, curators, producers or other individuals working in the arts. The average grant in 2004-05 was £5,000. DCMS funds individual grants through Art Council England's grant-in-aid. Grants to individuals are awarded for a wide range of time-limited “activities that benefit people in England or that help artists and arts organisations in England to carry out their work”.

- Organisations, which may be companies, charities or other groups, can apply for grants of £200 - £100,000 for activities lasting up to three years. Grants are available for arts organisations, local authorities, community groups and others. Most grants are under £30,000 and the average grant in 2004-05 was £18,000. The National Lottery funds grants for organisations. Grants to organisations are also awarded for time-limited arts activities predominantly carried out in England.
- Grants for stabilisation and recovery are aimed at arts organisations with audiences of at least 25,000 per year and turnover of £250,000 or more who need funds to “undertake major change to programmes to achieve long-term creative and financial stability”. The grants were launched in January 1999 but the budget is now “heavily committed” and there are currently no plans for future applications.
- Capital grants are funded by the National Lottery and can be used to support a wide range of activities including new buildings and technology, improving existing buildings and technology or setting up or strengthening project management teams. The last round of Capital Grants was awarded a total of £61 million in February 2004.

Creative Partnerships

DCMS describe Creative Partnerships as their “flagship programme in the cultural education field”. It aims to build “genuine collaborative partnerships” between schools and creative organisations and individuals, including architects, theatres, museums, cinemas and film makers, historic buildings, dance studios, orchestras, website designers and others. Creative Partnerships is based at Arts Council England and is funded primarily by DCMS. DCMS will contribute a minimum £32 million in 2005-06, with additional support of £2.5 million from DfES. DCMS funding for Creative Partnerships is hypothecated and cannot be used for other Arts Council spending programmes.

Creative Partnerships aims to integrate cultural activities into the curriculum, rather than increasing curriculum time set aside for the arts or expanding the provision of extra-curricular activities. To do so, the programme funds supply staff to release teachers for planning and delivering projects and helps schools identify possible partners they can work with to develop projects appropriate to the school and cultural organisation.

The aims that DCMS provide for Creative Partnerships are mostly related to improving the quality of school education, broadly understood. DCMS hopes that the scheme will stimulate pupil’s imagination by broadening and enriching the curriculum, and that this will raise standards of attainment across the board, including literacy and other basic skills. Successful Partnerships would also create a distinct school ethos which would improve pupil self-confidence and teacher recruitment and retention and equip young people with skills that are in demand in the creative economy.

The scheme was originally launched in May 2002 in 16 areas in England, primarily concentrating on areas of economic and cultural deprivation. Since

then, Creative Partnerships has expanded in two phases and now operates in 36 areas, with between 15 and 25 primary and secondary schools in each one.

Artsmark

The Artsmark award aims to raise the profile of arts education by recognising schools that show a commitment to the full range of the arts including art and design, music, dance and drama. Participation is voluntary and open to all schools in England, and it is hoped that the award will help develop the arts within schools, and identify and spread good practice as well as rewarding students and teachers for their commitment.

There are three levels of the award. In the most recent round (May 2005), 1,166 schools were awarded an Artsmark, of which 43% were gold, 37% were silver and 20% were bronze. Schools gain higher levels by devoting more time within the curriculum to the arts and providing or enabling better quality extra-curricular arts activities. Each Artsmark is valid for three years and there are now 3,067 Artsmark schools, including 31% of all secondary schools.

Artsmark is managed by the Arts Council but supported by DCMS, DfES, the QCA and Ofsted.

Music Manifesto

The Music Manifesto was published by DfES in 2004 and backed by DCMS. It “offers a strategy and a set of ideas for the next three to five years, focussing on children and young people”. It was developed by a coalition of sixty musicians, educators and policy makers and is designed to “act as a spur for those who want to contribute to music education” and to help all those involved in delivering musical opportunities for young people to work together.

Own Art

Own Art is an interest free loan scheme to help people buy contemporary art. About 250 galleries are participating selling art including paintings, photography, sculpture, glassware and furniture. Loans range from £100 to £2,000 and are paid back over ten months. Own Art was initially introduced outside London to encourage a regional arts infrastructure but is now being opened to invited members specialising in young artists and innovative contemporary practices in the capital.

Space for Sport and Arts

Space for Sport and Arts was administered by Sport England on behalf of DCMS, DfES, the Big Lottery Fund, and Arts Council England. It granted £134 million towards modernising and providing new facilities for arts and sporting activities in primary schools in deprived areas. All the facilities were expected to be finished by December 2005 and there are no plans to extend the scheme.

Young People's Arts Award

The Bronze, Silver and Gold Young People's Arts Award are accredited qualifications at Levels 1, 2 and 3 on the National Qualifications Framework. They are awarded to young people aged between 11 and 25 who show knowledge and gain experience of the arts and take responsibility for leading arts projects.

Projects can be run in arts organisations as well as schools, youth clubs, community groups or anywhere else young people engage in the arts. The Arts Award is run by Arts Council England and Trinity Guildhall, and was introduced in September 2005 after a two-year pilot. By 2008, the Arts Council hope 1,000 advisers will be helping 10,000 young people achieve an award each year.

Youth Music

Youth Music is a national charity set up in 1999 which now receives £10 million of lottery money a year provided through Arts Council England. It aims to provide high quality and diverse music-making opportunities for 0-18 year olds, especially those living in areas of social and economic need. Youth Music provides funds to not-for-profit organisations for 6 – 24 months for music-making activity taking place primarily outside school hours. It also works to bring together partnership organisations from across the music, education and social sectors and to act as an advocate for music education.

Culture Online

Culture Online was set up by DCMS in 2002. It consists of a team of specialists involved in broadcasting, technology, publishing and marketing. It provides funding to organizations to set up online interactive cultural resources. It also offers consultancy support to other Government Departments and Non-Departmental Public Bodies. Its goals are to:

- enhance access to the arts for children and young people and give them the opportunity to develop their talents;
- open up cultural institutions to the wider community, promoting lifelong learning and social cohesion;
- extend the reach of new technologies and build IT skills;
- support wider engagement and learning by adults; and
- promote good practice within the industry and public sector with regards to commissioning, process, usability and accessibility.

The budget for Culture Online was formerly included with the libraries, museums and archives sector, where it comprised £12.5 million in 2002-03, of which £10.3 million was a capital spend. It has since been subsumed into the arts budget where it has not been defined as a fixed amount, however given spend in 2002-03 we can estimate current project spend at £2.5 million.

MUSEUMS, GALLERIES AND LIBRARIES

DCMS sees the libraries, museums and archives (LMA) sector as helping to develop the UK as a knowledge society and contribute to policy goals on access and inclusion. There are four broad areas in which DCMS want the LMA sector to have an impact:

- **Learning, education and skills:** LMA can support both formal education and informal lifelong learning.
- **Communities and creativity:** programmes can be run through LMA help to tackle social issues such as health education, crime reduction and prevention and environmental improvement.
- **The knowledge economy:** LMA can promote regeneration and tourism and stimulate creativity.
- **Networking knowledge:** LMA can provide easy access to information via the internet.

Funding for libraries, museums, galleries and archives comes from a variety of sources including DCMS, the National Lottery, ODPM, DfES and the Wolfson Foundation. Table 3 shows the DCMS budget for this sector.

DCMS Budget:

Total budget £millions	2003-04	2004-05	2005-06	2006-07	2007-08
Museums and Galleries	£ 373.1	£ 469.9	£ 424.5	£ 457.0	£ 488.0
Libraries	£ 440.7	£ 146.6	£ 145.7	£ 146.5	£ 146.5
Museums, Libraries and Archive Council	£ 29.3	£ 36.4	£ 45.8	£ 45.8	£ 45.8
Culture Online	£ 1.4	£ 12.5	£ -	£ -	£ -

Table 3: DCMS annual expenditure on culture

Source: DCMS Annual Report, 2005

Sponsored Bodies

The bulk of DCMS spending on museums and galleries and libraries is allocated directly to a number of major national institutions. These are shown in Table 4 below. The British Library received over 60% of libraries' funding each year between 2002 and 2005 excluding 2003-04 which was an exceptional year for

funding. Grants to individual museums and galleries represented over 70% of DCMS funding for museums and galleries between 2002 and 2005. These institutions are directly linked to government free admissions policy. Since the policy was introduced in 2001 visits to museums and galleries have risen by 75%, reversing previous declines.

The British Library	The British Museum	Design Museum	Geffrye Museum
Horniman Museum and Gardens	Imperial War Museum	Museum of London	Museum of Science and Industry in Manchester
National coal mining Museum for England	National Football Museum	National Gallery	National Maritime Museum
National Museums Liverpool	National Museum of Science and Industry	National Portrait Gallery	Natural History Museum
People's History Museum	Royal Armouries	Sir John Soane's Museum	Tate Gallery
Tyne & Wear museums	Victoria and Albert Museum	Wallace Collection	

Table 4: Examples of museums

Source: DCMS

DCMS sponsors additional institutions on a project-by-project basis both with government money and with a £4 million grant from the Wolfson Foundation.

The Museums, Libraries and Archives Council

The Museums, Libraries and Archives Council (MLA) is the most important organisation in terms of policy. Its current priorities are developing audiences, modernising delivery, enhancing the sector's public profile, building knowledge and delivering strategic initiatives.

Three major national policy reviews have been undertaken in the recent past: Renaissance in the Regions covering regional museum policy; Framework for the Future covering national library policy and the Archives Development Programme covering national archives policy. All three policies are administered by the MLA.

The MLA budget is shown in Table 5. This shows that the bulk of MLA spending goes towards museums and galleries under the Renaissance in the Regions strategy.

£millions 2005-06	Cross Domain	Renaissance in the Regions	Framework for the Future	External Programmes
Grants	£ 6.7	£ 28.5	£ 1.5	£ 2.7
Projects	£ 1.9	£ 1.0	£ 0.5	£ 0.0
Running costs	£ 4.5	£ 0.5	£ 0.0	£ 0.3
Total	£ 13.1	£ 30.0	£ 2.0	£ 3.0

Table 5: MLA budget

Source: MLA "Investing in Knowledge" operational plan 2005-06

Other projects include the Reading Agency which supports the Summer Reading Challenge aimed at improving literacy in 4-11 year olds and The Vital Link which is aimed at literacy in adults.

Renaissance in the Regions

Renaissance in the Regions (RinR) is central government's main strategy for museums in the UK that are not sponsored directly. It is the outcome of an investigation into the role of regional museums in the government's plan for culture.

The UK is home to over 2,500 museums. They make up four out of the top five tourist attractions in the UK. 77 million visits are made to England's museums each year (in 2001), a figure that was decreasing until eliminating entrance charges reversed the trend. However 23% of all visits are accounted for by overseas visitors, and the visitor profile is skewed by socio-economic group and educational achievement. Less than 5% of the population account for almost half the visits and ethnic minorities are underrepresented. Most regional museums are small, over 50% attract fewer than 10,000 visits per year and 66% attract fewer than 20,000.

The aim of RinR is to establish a strong national strategic and operational framework for museums and galleries based on co-operation and mutual dependency. The report argued that the resources represented by England's large network of regional museums are under-used and have the potential to deliver key public services especially in education and learning. The report suggested that museums can be used:

- as an important resource for learning and education;
- to promote access and inclusion;
- to contribute to economic regeneration in the regions; and
- to use collections to encourage inspiration and creativity.

At the same time, the sector could ensure excellence and quality in delivery. RinR asked for investment directly for these goals and for the modernisation and installation of ICT in museums around the country. The RinR report recommended that:

- A new regional framework for museums should be established to develop integrated strategies. Each hub should co-ordinate outreach programmes to schools and other social groups for the whole region.
- The MLA should give annual funding support to major regional museums to enable them to develop sustained long-term strategies.
- The government should increase its annual grant to the MLA from 2004-05 to enable it to extend support to regional museums and galleries.

The Government allocated £70 million over the three years starting in 2002 towards the implementation of the plan. The MLA has set up nine regional hubs from which to direct policy. These are now also used for co-ordinating strategy for libraries and archives.

Framework for the Future

Framework for the Future (FfF) spells out long-term government aims for the use of the nationwide network of libraries. It provides a basis for authorities to prioritise and plan services to meet the needs of citizens, adapted to suit local circumstances.

The UK has 3,500 public libraries and 17,000 additional service points in community centres, playgroups, youth groups and other public organisations. They are run by 149 library authorities. This extensive network contributes to six in ten people in the UK being members of a library. Such a decentralised system, however, can lead to a lack of strategic direction for the service as a whole. Successful innovations in one library district are not necessarily passed back up the line to be implemented across the country and the sector misses opportunities to share resources.

In 2002 an Audit Commission report highlighted the flaws in the UK's public library system.

AUDIT COMMISSION: BUILDING BETTER LIBRARY SERVICES (MAY 2002)

Since 1992-93, visits to libraries have fallen by 17% while loans of books have fallen by almost 25%. 23% fewer people are using libraries for borrowing than three years ago. Over the same period, consumer book sales have risen 25% as booksellers responded to the end of the Net Book Agreement with aggressive pricing, longer opening hours and new retail formats. Libraries also tend to focus on current users rather than non-users. A decline in the proportion of library users under 55 has led to facilities and a book stock that does not reflect the interests of younger age groups, generating a vicious circle.

Libraries have the potential to contribute to several of the central government's key social objectives in learning; education and skills; communities and civic values; and the knowledge economy. FfF identifies a set of four national priorities for public libraries:

- **Evolution:** libraries should build upon their capabilities in promoting reading, informal learning and self-help.
- **Public Value:** libraries should focus on areas where public intervention will generate social benefits such as adult literacy and pre-school learning.
- **Distinctiveness:** libraries should build upon their open, neutral and self-help culture. They should not duplicate the efforts of other public and private sector providers.
- **Local interpretations of national programmes:** national offers must be flexible enough to be adapted to local needs, styles and priorities.

The FfF report stated that DCMS needs to build stronger relationships with local government across the full range of its service sectors and develop integrated approaches to their development. The role for the MLA is to provide the strategic vision and direction for the whole library sector. It should:

- act as the national representative for public libraries when dealing with national agencies and departments,
- assist local and library authorities to maximise their libraries' potential,
- develop a strong regional network for libraries to provide support and foster innovation,
- devise workforce development and leadership plans for the library service, and
- broker common ICT standards and national content agreements.

The Advisory council on Libraries (a small expert team of library advisers) works closely with DCMS and the MLA to deliver the vision set out in FfF. Since FfF the MLA has produced a Libraries Development plan (Action Plan 2003-06) and a £12 million workforce leadership programme.

Many partners are involved in delivering projects within the Framework for the Future action plan. These include: the Commission for Architecture and the Built Environment, Chartered Institute of Library and Information Professionals, Early Years Library Network, Improvement and Development Agency, Local Government Association, National Literacy Trust, National Youth Agency, Opening the Book, Regional Agencies for Museums Libraries and Archives, Society of Chief Librarians and The Reading Agency.

The Public Lending Right

The Public Lending Right Act 1979 gave British authors a legal right to receive payment for the free lending of their books by public libraries. Central government provides funding through DCMS and for payments to eligible

authors based on how often their books are lent out by UK public libraries. The fund will distribute £7.4 million in 2005-06 and £7.6 million in 2006-07.

Library Authorities

There are 149 library authorities in the UK corresponding to the local education authorities in the London boroughs, counties and metropolitan counties. National policy for public libraries rests with DCMS, however core funding is provided to local authorities as part of their unhypothecated block grant allocation from ODPM. Local governments spend approximately £800 million on library services. DfES contributes additional funding. In addition central government is providing local authorities with a further £675 million between 2001 and 2006 to ensure all local authority services including libraries are electronically enabled. The National Lottery is funding the £120 million People's Network scheme to provide internet access in all public libraries.

The Archives development programme

There are 2 million visits to archives each year, a figure which has doubled in the past decade. Action for Archives sets out the government's ambitions for future national archive policy. The aim is to make collections in the UK's archives readily accessible to everyone. The report's key recommendations are:

- create a digital gateway to UK archives;
- position UK archives as key contributors to local regional and national social and economics objectives;
- increase community participation in archive activities with particular focus on engaging hard-to-reach communities;
- encourage business, private and specialist archives to integrate their services;
- encourage the creation and sustainability of new media archives; and
- put in place a programme to modernise service management and improve workforce development opportunities.

The report estimated that between £500,000 and £1 million a year for three years would have a significant impact on service development and capacity.

Additional DCMS Policies

- Compliance with the PSA target of increasing visits to museums by people from less privileged social backgrounds. This will be achieved primarily through maintenance of free access to DCMS sponsored museums and galleries and a VAT refund scheme for university museums.
- Increasing the number of children visiting museums.
- Implementing the Goodison Review:

- 6.2 Tax relief for owners to donate works of pre-eminent importance to public collections during their lifetimes.
 - 6.3 Changes to Acceptance in Lieu scheme enabling (1) executors to offer objects of pre-eminent importance against all forms of tax liability on a deceased estate and (2) owners during their lifetimes to arrange offers in lieu of tax liabilities following their deaths.
 - 6.4 The creation within the MLA of an executive function to deal with most of the programmes concerned with the retention of works or art and other cultural objects. The aim is to bring consistency into the current programmes.
- Raising the annual grant to the National Heritage Memorial Fund to at least £20 million.

BROADCASTING, FILM AND THE MUSIC INDUSTRY

Table 6 shows DCMS expenditure on broadcasting, film and the music industry. Over 70% is spent on Sianel Pedwar Cymru (S4C) the Welsh language channel.

Budget:

Total budget £millions	2003-04	2004-05	2005-06	2006-07	2007-08
Broadcasting and Media	£ 114.1	£ 129.9	£ 121.6	£ 121.8	£ 122.4

Table 6: DCMS expenditure on broadcasting, film and the music industry

Source: DCMS Annual Report, 2005

DCMS acts as a regulator for broadcasting and media. It:

- sets the framework for public service broadcasting;
- ensures the framework fosters competition and promotes high quality, diverse programming; and
- sets the BBC licence fee.

DCMS is also currently working on ensuring a smooth transition from analogue to digital TV and the BBC's Royal Charter review.

Film

DCMS spends approximately £24 million per year on the UK Film Council. The council also receives substantial lottery funding. The council was set up to deliver a coherent strategy for the development of the film industry. It channels almost 60% of its funds into development, production, distribution and exhibition.

In addition tax relief is available for lower-budget British Films for between 16 and 20% of their budget. This is not explicitly accounted for in the DCMS

budget since it is a relief not an expenditure, however the tax ready reckoner calculated by HMT for the pre-budget report in 2005 put the value of this relief at £520 million in 2004-05 and £560 million in 2005-06.

DCMS also allocates £3 million per year to the National Film and Television school. The school provides education in direction, production, screenwriting, cinematography and editing, among others.

The music industry

DCMS maintains an arm's length involvement in the music industry. It acts as the music industry's advocate within government and runs the 2-year *Live Music Forum*. This forum was set up in February 2004 to monitor and evaluate the impact of the Licensing Act 2003 on live music and to support and promote music in England and Wales.

Ofcom

DCMS provides grant-in-aid funding to Ofcom to promote media literacy and community radio. In 2005-06 this sum was £1.4 million.

ARCHITECTURE AND THE HISTORIC ENVIRONMENT

Architecture and design

DCMS has responsibility for architectural design quality. It hopes to raise awareness of good architectural design and to encourage high standards of design quality in building projects.

Better Public Buildings

The Better Public Buildings Group, led by DCMS, published a report in 2000 aiming to encourage good design quality in all new public buildings, not just high-profile buildings. The report believes that good design can often reduce whole-life costs while helping public services perform better and revitalising neighbourhoods and cities.

To help maintain the profile of the Better Public Buildings initiative, the Commission for Architecture and the Built Environment (CABE) and the Office of Government Commerce (OGC) jointly sponsor the Prime Minister's Award at the British Construction Industry Awards. The award is given to the project commissioned by the public sector that sets the highest standards in design, construction, delivery and operational performance. Past winners include the Jubilee Library in Brighton, Tate Modern and the A650 Bingley Relief Road.

Commission for Architecture and the Built Environment

ODPM and DCMS jointly sponsor the Commission for Architecture and the Built Environment (CABE) to “stimulate debate and provide the very best of architecture and urban design”. CABE is independent of government and aims to move building design up the policy and public agenda by offering advice and support, gathering evidence on the impact of good design and providing education opportunities to increase demand for good design.

CABE received just over £11 million current grant-in-aid funding in 2004-05 and some deferred funding. Most came from ODPM which contributed £8 million; DCMS provided £3.5 million; CABE also received just under £400,000 from other sources.

The Commission includes a Design Review panel which offers free advice to planning authorities, particularly at the early stages of important national and regional projects. An “Enabling Programme” provides “hands-on advice” and technical assistance for public sector clients who are delivering or procuring new buildings. CABE also contributes research and policy advice to influence and inform government policies including planning, construction and public buildings.

CABE education is a website run by CABE to assist teachers using the built environment as a teaching resource. As well as the website, CABE has a network of educators, publishes a magazine, runs events and compiles research on best practice in built environment education. The website includes teaching materials, a discussion forum and information on events and available grants.

Cultural Property

DCMS is “responsible for protecting cultural objects of outstanding quality for the whole nation”. The principal policies it uses to fulfil its responsibility are:

- **export controls**, which require anybody exporting valuable works of art to notify the government which, in exceptional cases, will defer export in case a British purchaser can be found;
- **acceptance of Cultural Objects in Lieu of taxes (AIL)**, which allows families to reduce inheritance tax liabilities by making important cultural objects available to the public;
- **the Government Indemnity Scheme (GIS)**, which underwrites the risk of damage or loss to objects loaned to exhibitions or other institutions; and
- **the Treasure Valuation Committee**, which manages Treasure finds.

Export controls, AIL and GIS are all now managed by the Museums, Libraries and Archives Council (MLA) following recommendations made by the Goodison Review. DCMS has also established a Code of Practice Drafting Group for the keeping of human remains in museums; an illicit trade advisory panel to help limit illegal trade in antiquities; and a Spoliation Advisory Panel to help resolve claims from people who lost cultural property during the Nazi era.

Treasure Valuation Committee

Treasure finds are gold and silver antiquities found by the public, generally while metal detecting. All treasure finds belong to the Crown. However, to encourage the public to report finds, DCMS makes *ex gratia* payments to the finder and land owner. The Treasure Valuation Committee assesses the market value of objects; if museums wish to keep the object, they are invoiced the market value at which point they gain legal ownership from the Crown and the money is divided between the finder and the land owner. If no museum wishes to keep the object, it is returned to the finder.

Historic Environment

DCMS describes its responsibilities as the “identification, conservation and enhancement of the historic built environment in England” which includes listing and scheduling buildings and monuments and World Heritage sites, protecting conservation areas, managing the DCMS historic building estate and State ceremonial duties.

Over the past few years, the government has been reviewing the way in which the historic environment is protected. DCMS and DTLR jointly published “The Historic Environment: A Force for Our Future” in 2001 which was followed by a consultation paper “Protecting our Historic Environment: Making the System Work Better” in 2003 and a policy document “Review of Heritage Protection: The Way Forward” in 2004. The new proposals contain some major policy changes which would require primary legislation and so, in preparation, DCMS is expecting to bring out a White Paper in the near future.

The main proposals include drawing up a unified list of protected buildings which would be the responsibility of English Heritage, replacing the current system of listing and scheduling which is the responsibility of several bodies. DCMS would move towards a more strategic role and would cease to take initial decisions about which buildings to protect, although there would continue to be a right to appeal designation decisions to the Secretary of State.

English Heritage

English Heritage is a non-departmental public body (NDPB) responsible for the maintenance, repair and presentation of over 400 properties and is the government’s statutory adviser on all matters concerning the conservation of England’s historic built environment. English Heritage is taking on additional responsibilities relating to listing and scheduling buildings as part of the review of heritage protection.

English Heritage has established an Outreach department which aims to get more people involved in its activities and increase its links with local communities. It also provides educational resources for teachers and contributes to Heritage Open Days.

The National Heritage Act (2002) additionally allows English Heritage to trade in overseas countries and become involved in underwater archaeology in English territorial waters. Under the Protection of Wrecks Act (1973), DCMS is responsible for designating wreck sites considered to be of artistic or historic importance and issuing licences to dive at protected sites. English Heritage is now responsible for the day to day administration of the 1973 Act.

A majority of the DCMS budget for the historic environment pays for grant-in-aid for English Heritage. It is due to receive a total of £127.8 million grant-in-aid in 2005-06.

Royal Parks Agency

The Secretary of State has a duty of care for the eight Royal Parks (Hyde Park, Kensington Gardens, St. James's Park, The Green Park, The Regent's Park, Greenwich Park, Richmond Park and Bushy Park), which is carried out by The Royal Parks, an executive agency of DCMS. The agency also tends Brompton Cemetery, the gardens of 10, 11 and 12 Downing St and a number of other spaces in London. The Royal Parks is due to spend £27.1 million in 2005-06 rising to £27.7 million in 2006-07 and 2007-08

Other duties

- DCMS is responsible for issuing the rules for hoisting the Union Flag on government buildings. There are 19 fixed days on which the flag should be flown.
- DCMS coordinates Heritage Open Days via the Civic Trust. The Open Days allow visitors free access to properties, including factories, offices, private homes and castles that are normally charged for or not open to the public. English Heritage provides funding and support. London Open House is a similar event in London each year. DCMS participates by opening some of its rooms but is not otherwise directly involved.
- DCMS continues to have ultimate responsibility for Somerset House in the Strand and the former Royal Naval College in Greenwich, Chatham Historic Dockyards, The Theatres Trust and the Architectural Heritage Fund.
- The Memorial Grant Scheme was announced in the 2005 Budget to give VAT relief to UK charities involved in the construction, renovation and maintenance of public memorials. The scheme refunds all VAT incurred in a project and is expected to cost £5 million per year.
- The government is currently negotiating for revised EU VAT rules which would permit a reduced rate of 5% for repairs to listed places of worship. In the meantime, the Listed Places of Worship Grant scheme allows eligible works to reclaim the full rate of VAT.

- The Churches Conservation Trust preserves Churches of architectural, historical or archaeological importance which are no longer used for regular worship. Currently the Trust is responsible for around 300 churches and receives an annual grant of £3 million from DCMS as part of a total income of around £5 million.
- DCMS is responsible for organising and overseeing the annual Remembrance Sunday service at the Cenotaph.
- DCMS has overall responsibility for occupied Royal Palaces (those used by the Queen) but management and day to day operation and the responsibility of the Royal Household. Royal Palaces no longer used by the Queen are now managed by a charity, Historic Royal Palaces.

New World Heritage sites in England are nominated by DCMS, who are also responsible for the UK's general compliance with the World Heritage Convention adopted by UNESCO. There are currently 26 World Heritage sites in the UK.

Total budget £millions	2003-04	2004-05	2005-06	2006-07	2007-08
The Royal Parks	£ 30.4	£ 33.6	£ 27.1	£ 27.7	£ 27.7
Architecture and the historic environment	£ 361.6	£ 176.3	£ 177.8	£ 189.9	£ 194.9

Table 7: DCMS expenditure on the royal parks and architecture

Source: DCMS Annual Report, 2005

ADDITIONAL CULTURAL SPEND

Creative and Cultural Skills

Creative and Cultural Skills is the Sector Skills Councils for advertising, crafts, cultural heritage, design, music, performing, literary and visual arts industries. The Council is an industry-led organisation which aims to “work to ensure that those employed in those industries have the skills to keep it a flourishing and vibrant sector”.

Recent work highlighted by Creative and Cultural Skills includes helping develop a new Diploma in Creative and Media for 14-16 year olds; supporting 300 pupils in the Young Apprenticeship programme in creative industries; developing “Creative Apprenticeships”; and improving management and leadership skills through a Cultural Leadership Programme.

The Government Art Collection

DCMS is responsible for the management of the Government Art Collection (GAC). The GAC is a collection of approximately 12,500 works of art built up since 1898. It is managed by the Advisory Committee for the GAC who select and place works of art from the collection in British government buildings around the world. The collection contains primarily British artists and the intention is to promote British art, culture and history. The annual budget is approximately £551,000, of which £200,000 is allocated to acquisitions and commissioning work.

The European Regional Development Fund

The European Regional Development Fund (ERDF) was set up in 1975 to stimulate economic development in less prosperous regions of the European Union (EU). DCMS has been allocated approximately £216 million from the ERDF over the 7 years to 2008, which corresponds to an annual spend of £31 million. Examples of ERDF spend allocated by DCMS include:

- the National Marine Aquarium in Plymouth;
- the National Railway museum in Shildon;
- the Yorkshire sculpture park;
- business support for the creative industries; and
- advancing tourism in the Black Country.

Not all of the spend is directly related to culture, but it is difficult to extract what is cultural spend and what is not.

Regional Cultural Consortiums

The Regional Cultural Consortiums (RCCs) were established to develop coherent regional strategies for culture in each of the English regions. They bring together representatives from regional agencies working in the arts, heritage, museums, tourism, libraries, sport and archives, and from local government, as well as others including individuals from the creative industries. They also work closely with Regional Development Agencies.

The Greater London Authority and the devolved administrations in Scotland, Wales and Northern Ireland have responsibility for regional culture in their areas. DCMS works closely with the devolved administrations, sharing information on those matters which have been transferred to them and consulting on UK-wide matters for which DCMS has responsibility.

These bodies have a budget of £1.6 million per year between 2004-05 and 2007-08.

Additional Policies

DCMS has a substantial budget dedicated to administration and research: £54.3 million in 2005-06. This includes the running costs of the department itself and research projects conducted either within the department or externally.

Budget:

Total budget £millions	2003-04	2004-05	2005-06	2006-07	2007-08
Administration and Research	£ 42.7	£ 57.4	£ 54.3	£ 53.3	£ 52.3
Regional Cultural Consortium	£ -	£ 1.6	£ 1.6	£ 1.6	£ 1.6
European Regional Development Fund (ERDF)	£ 43.5	£ 39.5	£ 31.0	£ 36.0	£ 36.0

Table 8: DCMS expenditure on administration and research

Source: DCMS Annual Report, 2005

Annexe 2: The cluster benefits of BBC Scotland

There is significant evidence that clusters can benefit an economy. It is less clear however whether there is a role for Government and what this should be. The literature evidence on clusters and the role of Government is thin. Practical lessons are also hard to obtain because, although many public bodies are now involved in cluster projects, many are in their infancy, hence it may be too early to say whether they are working and why⁸³.

To gain a more practical understanding of the impact of public investment on cultural clusters we have examined the contribution of the BBC's presence in Scotland to Glasgow's creative cluster. This enables us to draw key lessons on how the DCMS could engage more widely in recognising and maximising the benefits of the UK's existing and potential creative clusters.

Our evidence base has been gathered through conversations with several key players in Glasgow's creative industry. This includes public service broadcasters, independent production firms, research and trade organisations and craft suppliers to the industry.

These conversations have enabled us to establish:

- what Glasgow's creative cluster looks like and how it has evolved;
- how fundamental the BBC was to developing the cluster; and
- what the BBC's role should be for future cluster growth.

We discuss these issues below.

What does the Glasgow creative cluster look like?

Glasgow's creative cluster can be described as a regional (i.e. Scottish) television programming cluster. It is a significant part of a wider Scottish Creative cluster⁸⁴ which collectively contributes revenues of around £5.3bn (4% of Scottish GDP) and supports around 70,000 full time equivalent jobs⁸⁵.

The television programming cluster itself comprises two large public service broadcasters - BBC Scotland and the broadcasting arm of the Scottish Media Group (SMG), several small independent productions firms and a large number of free-lance craft suppliers to the industry (for example set designers and camera

⁸³ For example, the East Of England Development Agency's collaboration between Anglia television and the University of East Anglia began in November 2004 (http://www.eeda.org.uk/application.asp?app=press_release_full.asp&process=full_record&id=100070&nid=1001856)

⁸⁴ For example, the tv, film, photography, radio and video industries, many of which are based in the city, generate around £2 billion, or nearly 40% of total creative industry revenues. Source: Scottish Executive, Scottish Economic Report, Winter 2004-05, table 3.7.

⁸⁵ Source: 'The Cluster Initiative Greenbook', Solvell, O., Lindqvist, G. and Ketels, C. August 2003.

men). In addition, a secondary network programming cluster has started to evolve. This draws on the same supply base for the crafts and in a few cases, independent production firms (e.g. Tern TV), but has started to attract large non-Scottish independent production firms (e.g. Endemol), whose focus is purely on producing for network television. There is no network broadcaster (or full-time commissioner) in Glasgow.

These clusters are illustrated below in Figure 7.

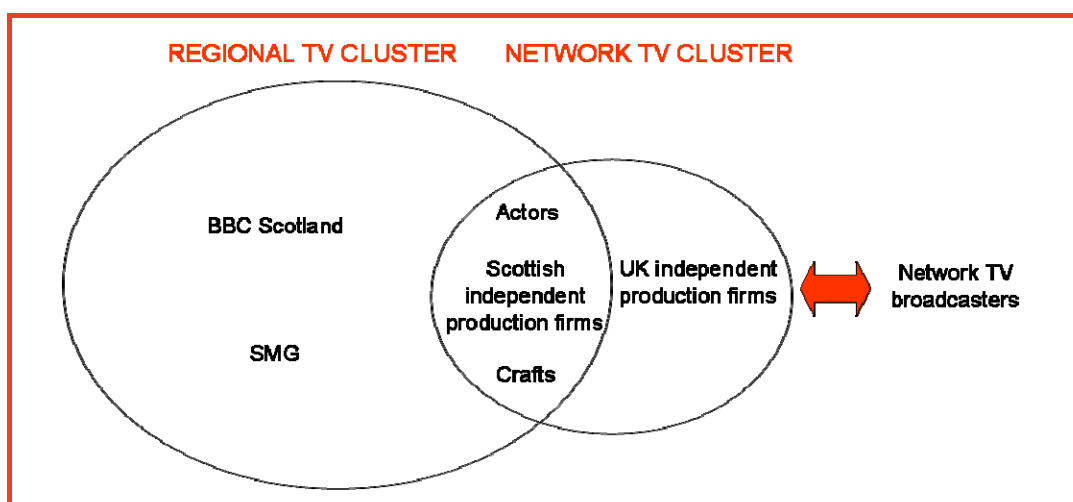


Figure 7: Glasgow's television programming clusters

Source: Frontier

Both of these clusters are supported by a wide range of public bodies including:

- Scottish Enterprise (Scotland's Regional Development Agency, credited with recognising the existence and importance of the cluster and developing a cluster strategy);
- local drama and further education colleges; and
- research institutions such as the Research Centre for Television and Interactivity.

Today, players in both clusters interact frequently on a formal and an informal basis. A large number of forums have been established to address different issues identified as being important to the cluster. For example the Scottish sector skills panel for the audio visual industry – Skillset Scotland – brings together representatives from all the public service broadcasters, independent production and craft firms, development agencies and education establishments to address any skills needs of the industry. In addition to these forums, other organisations have been formed to act as coordinators (for example, Scottish Enterprise's creative industries cluster team). Their key focus is providing training initiatives and networking opportunities for individuals and organisations within the cluster.

Glasgow's television programming clusters have evolved over time and until quite recently did not extend to network television programming. Our conversations with organisations within the cluster suggest strongly that the BBC has played a fundamental role in establishing the regional cluster and that going forward, the BBC still has a major role to play in establishing the network programming cluster. These issues form the focus of our study.

How fundamental was the BBC to developing the cluster?

Many case study participants agreed without doubt that the BBC had been fundamental to developing Glasgow's regional television programming cluster. In particular the following appear to have driven this:

- *Local tastes:* BBC Scotland identified a market for Scottish programming and focused on providing programming which was well aligned to Scottish tastes. It located itself within the region and employed local staff to deliver the services. Today, despite many independent production firms being owned by non-Scottish firms, these firms still employ Scottish individuals to deliver the programmes.
- *Training:* BBC Scotland is widely recognised as the largest and most dedicated provider of training to the Scottish industry. One independent producer commented that “nobody else comes close in terms of this provision”. Training initially focused on individuals employed permanently by the BBC, but as the organisation has moved towards a more market based approach for its resources, training has continued to be provided for individuals who may devote only part of their time working for the BBC. This has led to a wider spread of expertise throughout the industry.
- *Large scale commissioning:* BBC Scotland remains the major purchaser of programming and other resources within the regional cluster. This has provided the necessary financial certainty for other firms to establish themselves and for some individuals to sustain a freelance career. The BBC is largely responsible for the formation of the first Scottish independent production firms through, for example, its commitment to purchasing a set percentage of programming from these firms and having been the major provider of training to its individuals. One of the organisations we spoke to said that it would be ‘a catastrophe’ for most independent production firms if the BBC were to leave Scotland.

In addition, BBC Scotland has arguably been responsible for the location decision of Scottish Media Group (Scotland's other Public Service Broadcaster). This was established in Glasgow in 1957 and is located close to the BBC and other suppliers to the industry, such as the Royal Scottish Academy of Music and Drama. SMG also provides training to the industry and is a major (though now declining) purchaser of local programming resources.

Glasgow's regional programming cluster is widely considered to have evolved into a self-sustaining cluster, although it continues to rely on the BBC for commissions. Several spin-off firms for example the Comedy Unit, Tern TV and freelance set designers and camera men have also become firmly established.

Annexe 2: The cluster benefits of BBC Scotland

The majority of these were established by ex-BBC staff and continue to benefit from training programmes organised by the BBC.

Synergies exist between some (but not all) parts of the cluster and other local industries. Glasgow's programming cluster plays a valuable role in sustaining these connected local industries whose incomes are too low or uncertain to retain a highly skilled labour force on their own. The programming cluster provides sufficient guaranteed income to enable skilled workers to sustain a living working between the two industries. For example, 'Taggart's' set maker divides his time between this and set-making for the Royal Lyceum Theatre in nearby Edinburgh⁸⁶. In the absence of guaranteed income from television set-making it is likely this individual would be forced to leave Glasgow for London, thus reducing the quality of local theatre. These connected industries also benefit from the training their employees receive whilst working within the programming sector.

What should the BBC's role be for future cluster growth?

As the regional programming cluster has become fully developed, the cluster's focus has now shifted to developing itself into a network programme-making cluster. We have therefore also examined the role of the BBC in the network cluster.

There is evidence that development of the network cluster was started informally by the BBC. As before, its contribution stems in part from its scale (both in training and commissioning). It also stems from its public service broadcasting (PSB) responsibilities, which require it to commission more programming from:

- independent production firms; and
- the nations and regions of the UK.

Both of these requirements provide potential for the BBC to increase the level of network programme-making from Glasgow and so further grow the programme making cluster. BBC Scotland also makes a further valuable contribution to the network programming sector through the training it delivers to its employees. Also, as for regional programming, a number of independent network production firms have been set up by or employ ex-BBC staff.

Looking forward, the notion of Glasgow's programme making cluster was formally recognised by Scottish Enterprise and a cluster strategy published in 2000. As a result of this, several joint venture initiatives were brought into action. The BBC remains heavily involved in a number of formal and informal projects. These bring together several key players within the cluster and so potentially give rise to significant knowledge spill-overs.

⁸⁶ We understand this is common practice for many individuals working in the craft side of the programming sector.

- *Pacific Quay:* This new development will provide the location for BBC Scotland's new headquarters from 2007. As a result of the BBC committing to this move we understand that several other key players – including SMG – have also committed to locating here. The aim of the development is to bring together a wide range of organisations involved in programme making to maximise knowledge and resource sharing as well as providing a focus for the future development of the programme making cluster and the wider digital media sector.
- *The Series Producer Development Programme (Scotland):* This is a one-year talent development initiative for network programme-makers in Scotland⁸⁷, run as a joint-venture between the BBC and the Research Centre for Television and Interactivity⁸⁸. It is open to freelance and independent producers as well as BBC staff. The objective of this programme is to grow the series producer base. This was proposed by the BBC in response to its increased commitment to produce and commission more programming from outside of the M25.
- *Facility sharing with SMG:* The BBC and SMG are to share some of their key facilities once they are located at Pacific Quay. The BBC is investing in two state-of-the-art television studios at Pacific Quay. It has agreed to share these with SMG in return for a share of the Outside Broadcasting equipment SMG is currently investing in.
- *Involvement in public sector development bodies:* The BBC sits on a number of industry panels and collaborates with many sector development groups. These often bring together representatives from other public service broadcasters, independent producers, technical workers and government bodies. These aim to share knowledge and work together to ensure opportunities to grow the programme making cluster are maximised. Examples of these panels include Skillset, Scottish Enterprise, The Research Centre for Television and Interactivity, the Broadcasting Centre for Scotland and Scottish Screen.

SUMMARY

In summary, clusters – including creative clusters – can bring a wide range of benefits to an economy. Where the knowledge spill-overs which derive from these clusters are not recognised or maximised by private individuals, there is a role for public investment.

⁸⁷ The scheme is also being run for series producers in N. Ireland, Wales and the English regions.

⁸⁸ The Research Centre for television and interactivity works with broadcasters, producers and others in the creative industries to develop business and talent in the sector. It describes itself as 'a knowledge bank, training centre, ideas factory, business consultancy and much, much more'. It is an independent company with charitable status and works in partnership with Channel 4 and the BBC. The majority of its funding comes from Scottish Enterprise and the European Structural Fund.

One role for the DCMS could be to invest in creating new clusters. Our case study evidence provides a good example of how the BBC's investment in Scotland was fundamental to developing Glasgow's regional programming cluster. Alternatively, the DCMS could invest in enhancing existing clusters. Again our case study suggests that BBC Scotland continues to play a major role in developing Glasgow's regional programming cluster into a network cluster.

In making any cluster investment decisions the DCMS must consider two key features of clusters.

- *Scale:* Clusters need a critical mass in order to become self-sustaining. This implies that the DCMS should choose a few large investment projects rather than several smaller investments.
- *Uniqueness:* The decision of where to invest is also key. Investment should only occur in areas which possess a unique and significant demand or supply side advantage.

Our case study suggests that the DCMS's investment could take a wide variety of forms and must be established on a case by case basis. We would expect however any investment to possess one or more of the following characteristics:

- close location to other cluster firms;
- provision of key skills to the industry;
- enhancing the variety of organisations within the cluster;
- investing in innovation;
- identifying niche markets;
- providing network opportunities; and
- encouraging resource sharing.

Finally, although it is clear that BBC Scotland has been intrinsic to developing Glasgow's creative cluster, it also gives rise to a host of other benefits which we have not touched on in this study. It follows that if the DCMS were to seek to maximise cluster benefits alone, investment on a much smaller scale would be required. Similarly, as this case study illustrates, large scale investment can give rise to significant cluster benefits. It is therefore critical that where cluster development is not necessarily the key objective of the investment, its benefits are not over-looked when seeking to measure the overall benefit of public investment.

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