
The arts and culture sector and exit from the European Union

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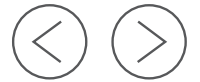


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Front cover: Garden of Light by French art collective TILT at Lumiere Durham 2015, produced by Artichoke. Photo: Matthew Andrews

Foreword

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Since the UK voted to leave the European Union, leaders across all parts of our economy and national life have been reflecting on the implications for their industries. The arts and cultural sector is no different.

Very soon after the vote I asked colleagues at the Arts Council to survey our sector so that we could understand what artists and organisations thought the most important challenges would be. This report includes the results of that survey, and assesses the sector's concerns against available evidence so we can begin to see what support arts and culture will need after our exit from the EU, and think more broadly about what the opportunities might be.

It's important that we go about this properly. Our cultural and creative industries will be a big part of the UK's future. They constitute one of the fastest growing areas of our economy, worth 9 per cent of all UK services exports. Music, visual and performing arts alone sold £326 million of services to EU countries in 2014.

Our culture is also a massive part of our brand as a nation. When people talk about the UK, it's often our great actors, musicians, artists, designers, writers, directors, curators and creative producers that come to mind. Public investment in arts and culture is investment in research and development for the creative industries, giving crucial opportunities to our native talent.

So from an economic perspective, it's essential that we give the arts and culture sector the support that it needs, and

back the ambition and creative freedom of our artists. But we need to think beyond that, because culture is more than an industry. It's an essential part of our human experience and it allows us to reflect on our individual identities, shape the communities we live in, and define ourselves as a nation.

Arts and culture will have a huge role to play in helping all of us explore and articulate our hopes, fears and ideas as we move forward and redefine ourselves as a nation outside the EU. We should embrace this role with optimism and a firm belief in the significance of our part in Britain's future.

We need to lead a national conversation and we should redouble our efforts to ensure that more people can experience the best of our nation's creativity. We know there are many places where people still don't enjoy the benefits that art and culture bring – places where communities feel marginalized culturally, or where predominant ideas about culture simply don't resonate.

In the coming years, Britain will need to use all its talents, so art and culture must reflect the interests of everyone, not just a privileged few. We will only achieve this if we are prepared to challenge some of our own preconceptions. For example, few in our sector saw the referendum result coming, let alone voted for it. If the arts are to lead a public dialogue, we will need to work in places, and with ideas, outside our comfort zones.

We are already moving towards this. The Arts Council is investing in Creative People and Places projects, helping to develop a local sense of culture in places that have previously lost out. We're prioritising our diversity agenda,

promoting the Creative Case for Diversity, and requiring organisations to report on their progress. Our diversity as a nation is a key strength as we look to be more open to a global economy: we should be providing opportunity to all our communities.

That's also why we're committed to investing 75 per cent of our National Lottery funds outside London by 2018 – an extra £12 million a year. And it's why in our 2018-22 investment round we will be shifting an extra four percentage points of our National Portfolio investment outside London.

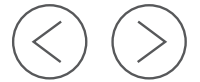
I'd like to thank everyone who completed our survey. It will be a huge help to us and to the Government to understand what the needs of the sector will be as we leave the EU. In the meantime the Arts Council will continue to focus on giving more people across the country the chance to experience and take part in the best of art and culture.

*Darren Henley OBE, Chief Executive
Arts Council England*

“We need to lead a national conversation and we should redouble our efforts to ensure that more people can experience the best of our nation's creativity.”

Executive Summary

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This report is the starting point for a conversation about how the UK's exit from the EU can deliver the best outcome for arts and culture. It encompasses a survey the Arts Council undertook with more than 1,000 artists and cultural organisations, assesses those responses against other available evidence, and attempts to highlight the most important issues.

Those issues are: funding, ease of movement, legal and regulatory frameworks and trade with the EU and other countries. The report also highlights how strong international relationships outside the EU show that the sector is well placed to take advantage of changes in the UK's trading agreements.

Funding

- **The sector accesses EU funds for a range of small to large scale projects and programmes.** Projects/programmes from the previous three years ranged from €5,000 to €2.4 million.
- 9.3 per cent of survey respondents have received funds from the most popular programme, Creative Europe, with 6.4 per cent acting as the lead partner in a European festival, network or platform.
- A number of our smaller organisations are particularly reliant on EU funding, and the loss of these funds would have an impact.

- Higher education is playing an increasingly important role in support for culture, and it will be important to ensure changes to how higher education accesses EU funds do not adversely affect this.
- Support for local economic growth has previously involved investment from European Structural Funds. As this support is reshaped, high growth sectors such as the creative industries should be involved in its development.

Ease of movement

- Barriers to ease of movement are likely to affect the ability of organisations to tour internationally. 70.8 per cent of respondents told us this would impact negatively on their future touring work within the EU.
- 75.3 per cent also told us this would affect their UK based productions by reducing their ability to bring artists and organisations into this country.
- Increased administrative burdens would affect the business models of arts and culture organisations.

Arts Council England and others should contribute to discussions as processes are redesigned.

Legal and regulatory frameworks

- The sector benefits from EU laws and regulations relating to copyright, intellectual property, artist re-sale rights, VAT exemption as well as employment legislation.
- **We recommend a review to discover how relevant intellectual property and copyright frameworks, as well as tax exemptions, can be maintained and improved upon outside the EU.**

Trade with the EU and other countries

- Culture and creativity are central to our image around the world, and an instrument of our soft power. They are also important exports for the UK.
- Across music, performing and visual arts, 56 per cent of exports went to Europe in 2014, worth £362 million.
- 65 per cent of the Arts Council's National Portfolio Organisations have undertaken international activity at some stage in the last three years, earning £34 million in 2014/15.
- While 59 per cent of this activity took place in EU countries, the biggest export destination was the USA, with Australia and Canada also in the top 10.
- Based on our survey respondents, we estimate that 6 per cent of National Portfolio Organisations receive more than three quarters of their income from international activity.
- **Arts Council England should be part of discussions to ensure the UK is well placed to build on these exports worldwide.**
- More international **showcasing opportunities for arts and culture** could help strengthen, renew and extend important international trading relationships with both the EU and the rest of the world.

1. Findings from the Arts Council's survey of the arts and culture sector

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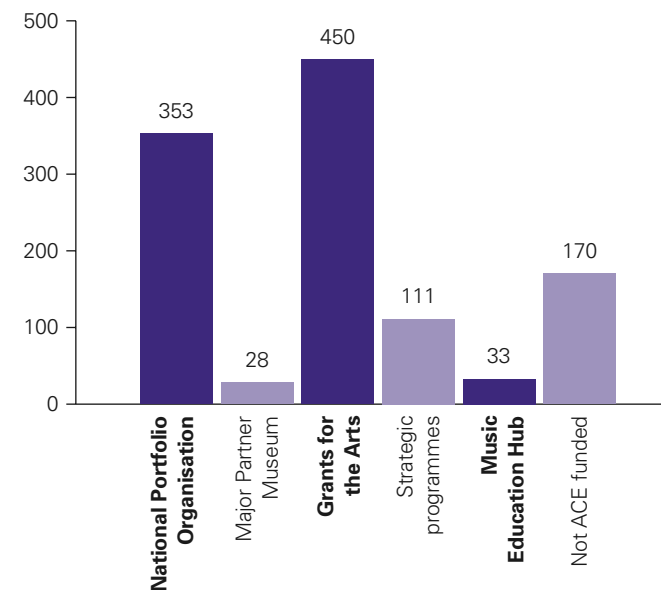


Between Friday 1 July and Monday 1 August 2016 the Arts Council conducted an online survey of the arts and culture sector about the impact leaving the EU could have on their organisation or work. There were 1,013 respondents to the survey. This was an open access survey and completed by arts and cultural organisations, museums, local authorities, individual artists, sector bodies and Music Education Hubs.

Figure 1 shows the number of respondents in receipt of different sources of Arts Council funding at the time of the survey:

- 450 respondents (44.8 per cent) are in receipt of Grants for the Arts funding
- 353 (35.1 per cent) receive National Portfolio funding
- 170 (16.9 per cent) are not in receipt of funding from the Arts Council
- 111 (11.0 per cent) receive strategic funds from the Arts Council
- 33 (3.3 per cent) are Music Education Hubs
- 28 (2.8 per cent) are Major Partner Museums

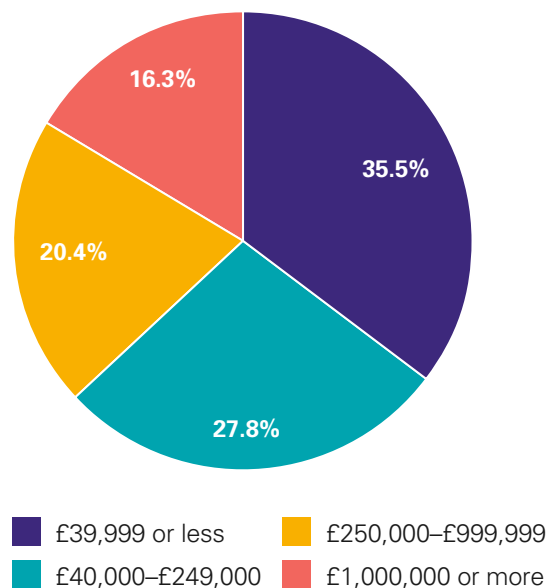
Figure 1: Which Arts Council England programme(s) do you currently receive funding from?



Base: 1,005 respondents answered the question, 5 skipped the question

Figure 2 shows the size of each respondent's annual income from all funding sources. The highest proportion of respondents (35.5 per cent, 353 respondents) have an annual income of £39,999 or less. 16.3 per cent of respondents (n=162) had annual income of £1 million or more.

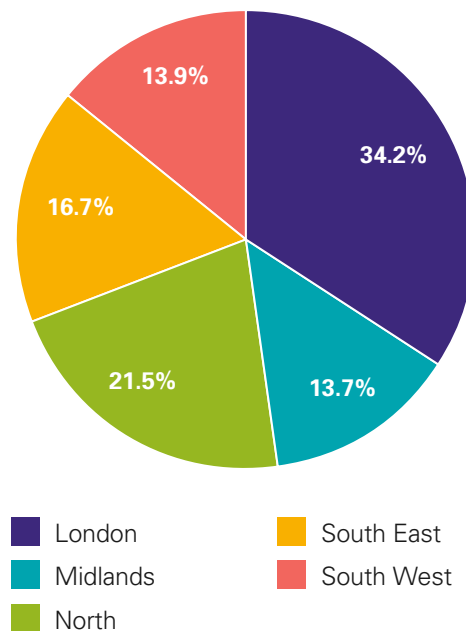
Figure 2: What is the size of your overall annual income from all funding sources?



Base: 995 respondents answered the question, 18 skipped the question

Figure 3 shows that around one third (34.2 per cent, n= 342) of survey respondents are based in London and just over one fifth (21.5 per cent, n=215) are based in the North.

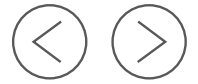
Figure 3: Which Arts Council England area are you predominantly based in? Select one of the following options.



Base: 1,000 respondents answered the question, 13 skipped the question

1.1 EU funding and involvement in EU-funded activity

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The survey shows that the sector access EU funds for a range of small to large scale projects and programmes. Projects/programmes from the previous three years ranged from €5,000 to €2.4 million.

Respondents were asked to identify whether they had received funding over the last three years from various sources of European funding and whether they were a partner in any ongoing EU-funded networks, festivals or platforms:

- 9.3 per cent (n=94) have received funding from the EU Creative Europe programme
- 5.4 per cent (n=55) have received funding from the European Regional Development Fund (ERDF)
- 3.0 per cent (n=30) have received funding from the European Social Fund (ESF)
- 0.6 per cent (n=6) have received funding from the European Agricultural Fund for Rural Development (EAFRD)
- 2.7 per cent (n=27) have received funding from the Interreg Europe programme
- 6.4 per cent (n=65) are the lead or partner in an ongoing EU-funded network, festival or platform

Respondents were then asked a set of follow-up questions about the amount they had received from each source of European funding over the past three years and whether they were a lead or supporting partner in the projects.

The number of survey respondents is too small a sample to extrapolate the financial data for the sector as a whole or for the National Portfolio.

However, the survey shows that EU funding is accessed for a range of small to large scale projects and programmes by the sector:

- among respondents that had received funding from the EU Creative Europe programme, amounts ranged from €5,000 to just under €1 million
- those who had received funding from the European Regional Development Fund received from €2,000 to €2.4 million
- amounts received from the European Social Fund ranged from €2,000 to 1 million
- from the European Agricultural Fund for Rural Development, amounts received ranged from €2,000 to €146,000
- from the Interreg Europe programme amounts received ranged from €5,000 to €440,000

A number cited fears of their own organisation, projects or work being impacted by the potential loss of access to EU cultural funding and would be “[The] end of free or heavily subsidised membership of a range of EU funded networks and conferences.” Some respondents felt that smaller organisations could be most affected.

Many felt the loss of funding could be felt more indirectly. For example, the loss of funding to festivals and arts centres would have a knock-on effect to organisations and artists who perform at those venues or produce work with them, but are not necessarily the recipients of EU funding themselves.

Others suggested the loss of EU funding would have an impact on the increasingly important partnerships with sectors such as higher education which make use of EU funding for research: “If these research projects are curtailed then our potential partnership projects will be in jeopardy.”

There was also some concern that in areas of the country where there is significant European funding for regional development or where local authority funding is already under pressure, local economic conditions could worsen. As one respondent put it, “[it] may result in slower and reduced growth in our immediate local economy and this will have a direct and detrimental effect on us as an arts centre.”



Future bids for funding

Respondents were asked whether they are considering or in the process of making an application to any EU funds in 2016. Overall, 6.7 per cent (n=68) of respondents are considering or in the process of making a bid. For each EU fund:

- 5.8 per cent (n=59) are considering a bid for Creative Europe funding
- 1.3 per cent (n=13) are considering a bid for European Regional Development Fund funding
- 0.4 per cent (n=4) are considering a bid for European Social Fund funding
- 0.5 per cent (n=5) are considering a bid for European Agricultural Fund for Rural Development funding
- 0.5 per cent (n=5) are considering a bid to the Interreg Europe fund

A number reported they were now uncertain about their future involvement in projects. As one put it, “why would partnerships risk inviting a UK partner to join multi-annual projects running to 2020?”

1.2 Ease of movement



Respondents were asked to rate their perceptions of how potential reductions in the free movement of people, goods and services within Europe would impact on their activity such as touring to Europe, bringing artists and organisations into the UK, sales of products and merchandise, and employment of EU nationals within their workforce.

Most felt that reduced free movement of people, goods and services would impact negatively on the various aspects of their work.

- 70.8 per cent of respondents feel that reduced freedom of movement of goods, services and people would impact negatively on their future touring work within the EU
- 75.3 per cent of respondents feel that reduced freedom of movement of goods, services and people would impact negatively on bringing artists and organisations into the UK
- 47.2 per cent of respondents feel that reduced freedom of movement of goods, services and people would impact negatively on sales of products and merchandise
- 64.7 per cent of respondents feel that reduced freedom of movement of goods, services and people would impact negatively on employment of staff from EU countries in their workforce

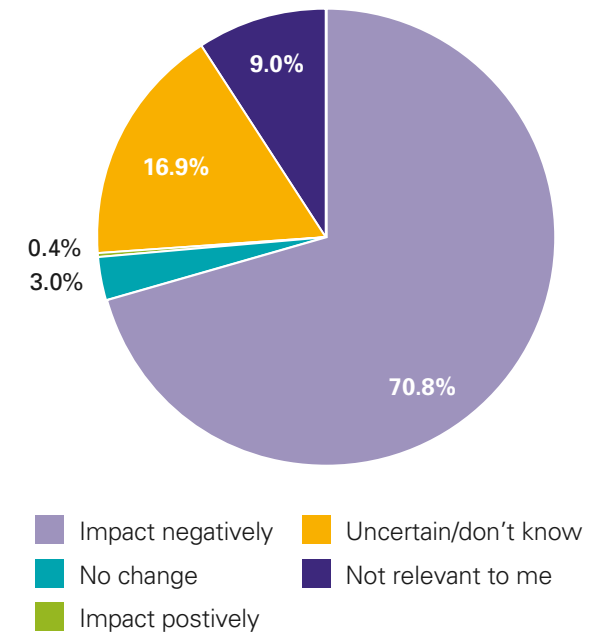
Touring

Figure 4 shows that 70.8 per cent of respondents feel that reduced freedom of movement would impact negatively on their future touring work within the EU. Just one respondent (0.4 per cent) felt their future touring within Europe would be impacted positively by reduced ease of movement.

Many respondents said they were worried about increased costs and the potential for more administrative burdens such as visa applications, reciprocal health agreements, and customs duties.

Organisations often also receive tax exemptions from other EU countries into which they tour, particularly around payroll costs and VAT. One told us these “are crucial to us being able to afford to tour – if we have to start paying NI equivalent this is going to be unworkable.” Another noted that the EU directive on cultural exemption from VAT was worth £3 million to them each year.

Figure 4: If there was reduced freedom of movement of people, goods and services in the EU in the future, how would this impact on future touring work within the EU?



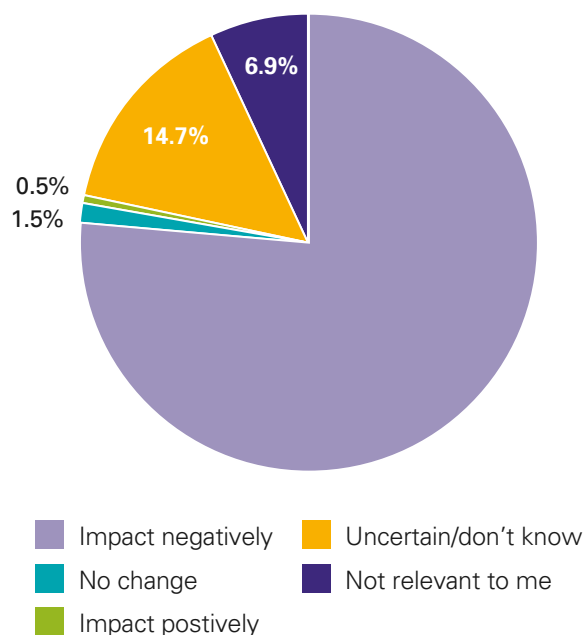
Base: 267 respondents answered this question



Impact on UK performances and activity

Figure 5 shows that 76.5 per cent of respondents feel that reduced freedom of movement would impact negatively on bringing artists and organisations into the UK.

Figure 5: If there was reduced freedom of movement of people, goods and services in the EU in the future, how would this impact on bringing artists and organisations into the UK?



One told us, “we work with artists and agents and producers from a variety of EU countries. Additional resources and costs from additional visa/work permit requirements will add to our costs, time and add a level of uncertainty over approvals being granted.”

Organisations told us that typical salary levels and the length of contracts organisations offer to the international artists they employ often differ from those in much of the economy, creating challenges for the design of new visa regimes. For example, artists and technicians can often come to the UK to work on short term projects or productions for a number of months. Organisations can sometimes need to replace artists, including those of international renown, with notice of only a few days.

Artistic quality and risk

A large number of respondents were concerned that barriers to bringing artists to the UK could have an impact on artistic quality. They thought this would lead to less sharing of skills, ideas and practice, and a less convivial environment for artistic risk. Many connect these concerns with threats to future artist mobility, cross-border artistic collaborations and touring.

“London and the UK thrive on a constant flow of EU colleagues – artists, producers, scholars”

– respondent

Several expressed concern about the **status of international students and their future rights to study, work and stay in the UK after graduation**, and the implications for keeping artistic talent in the UK.

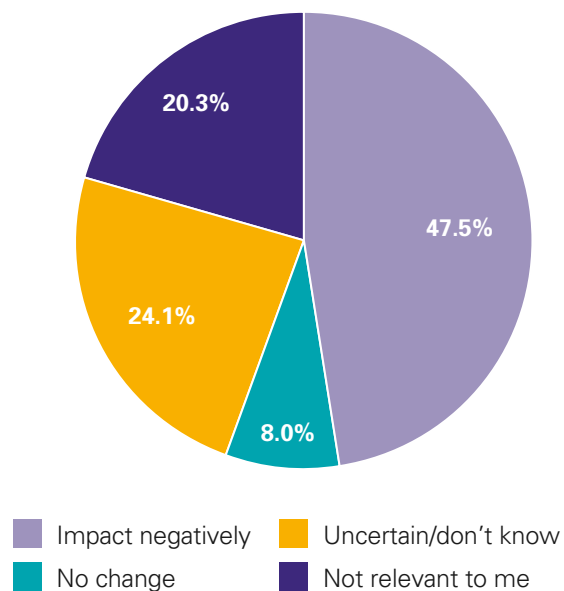
Base: 267 respondents



Earned income

Figure 6 shows that 47.5 per cent of respondents feel that reduced movement would impact negatively on sales of products and merchandise. No respondents feel that reduced movement would impact positively on sales of products and merchandise.

Figure 6: If there was reduced freedom of movement of people, goods and services in the EU in the future, how would this impact on sales of products and merchandise?

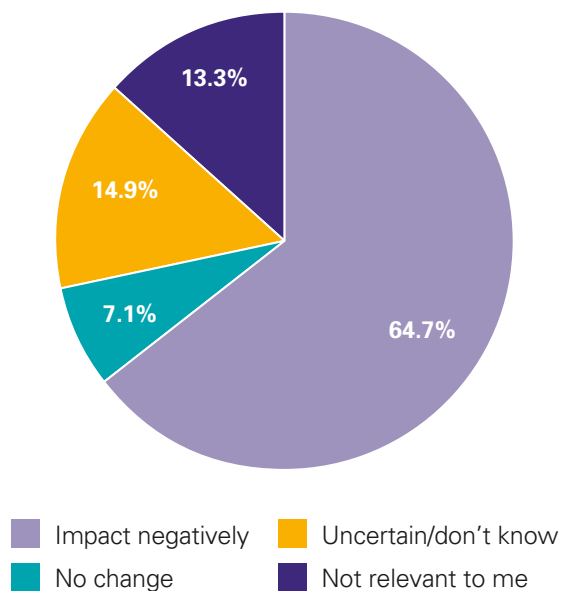


Base: 261 respondents

Workforce

Figure 7 shows that 64.7 per cent of respondents feel that reduced movement would impact negatively on employment of staff from EU countries in their workforce. No respondents feel that reduced movement would impact positively on employment of staff from EU countries in their workforce. Some were concerned about the impact on the emotional wellbeing of their staff.

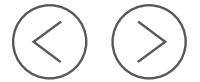
Figure 7: If there was reduced freedom of movement of people, goods and services in the EU in the future, how would this impact on employment of staff from EU countries in your workforce?



Base: 255 respondents

1.3 Trade and economic environment

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The most frequently cited immediate impact of the Referendum vote is currency volatility and the weakened pound, impacting on budgeting for performer fees and setting up events and performances over 2016. A number told us that the falling pound made touring costs much higher, with one adding it made “already difficult tours unworkable”. However a small number did see upsides, with one noting that the potential income from touring in Europe would be higher with a weakened pound, and another the potential for increased in-bound tourism.

A number expressed concerns that perceptions that the UK was becoming isolationist could damage earnings from international showcases and impact on demand from European markets.

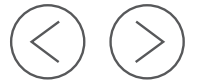
The anticipated economic shock over coming months was also a concern for the sector in terms of potential impacts on box office sales, venue bookings, increased costs of goods and services and general impact of the funding environment for the arts.

Some respondents are concerned about a potential loss of income in the future from corporate sponsorship, philanthropy and from trusts and foundations should the economic outlook worsen, or major businesses move out of the UK.

A small number cited additional concerns about the transfer and loan of collections, citing the competitiveness of the European market for touring exhibitions and the potential for reduced appetite to receive UK collections.

1.4 Legislation and legal protections

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The survey responses showed that many artists and organisations rely on European legislation that has a bearing on the work of artists and organisations.

This legislative framework includes topics such as intellectual property, copyright, artist re-sale rights, VAT and broader employment legislation. The sector expressed uncertainty about the future of such legal frameworks and whether there would be changes in the future.

Besides IP and copyright, comments raised the potential impact of changes to employment law. One noted the positive impact the European Accessibility Act has for deaf and disabled artists, along with recourse to European courts in cases where Access to Work payments are withdrawn.

Much of this concern appears to stem from uncertainty, which one described as a “potential legislative vacuum”. Recent proposals to adopt existing EU legislation may go much of the way to alleviating this.

2. Comparisons to existing evidence

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This chapter places the arts and cultural sector's survey responses alongside other evidence and data about the sector's relationship with Europe. Case studies are also included to illustrate how the sector currently works with Europe.

2.1 The EU is a valuable source of project and programme funding for the arts and cultural sector

contents



The sector survey showed that arts and cultural organisations access European funds from everything from small scale cooperation projects involving a grant of under €10,000 through to large scale programmes of work involving millions of Euros.

We know from information provided by other public bodies that the arts and cultural sector in England accesses a range of European funds for projects and programmes.

Creative Europe (2014-16)

One important strand for organisations is Creative Europe. The programme launched in 2014 to support the cultural, creative and audiovisual sectors across Europe until 2020. The figures presented in this report focus on Creative Europe's [Culture sub-programme](#), which supports collaborative cultural activities and literary translation.

In 2014 and 2015, 95 cultural, creative and heritage organisations in the UK have benefited from grants of €11.3 million:

- €9.9 million on cooperation projects
- €1.3 million on European platforms
- €165,000 on literary translation

Sources: Creative Europe Desk UK Partnership Board; information requests to the British Council

European Structural and Investment Funds

Perhaps the most valuable funding strand for culture organisations has been European Structural and Investment Funds (ESIFs). ESIFs are the European Union's main funding programmes for supporting growth and jobs across EU member states.

In England, for 2014 to 2020, the programmes comprise the European Regional Development Fund (ERDF), European Social Fund (ESF) and part of the European Agricultural Fund for Rural Development (EAFRD). These have been brought together into a single growth programme with individual operational programmes aligned to maximise support for jobs and growth.

There is no available data about the amount and proportion of the UK's ESIFs that have benefited the arts and cultural sector. However, as shown in the sector survey responses and the case studies below, ESIFs have been an important source of funding for a number of cultural projects. For the UK as a whole:

- ERDF funding is €3.6 billion between 2014 to 2020 – approximately £2.6 billion based on December 2015 exchange rate calculations
- ESF funding is €3.5 billion between 2014 to 2020 – approximately £2.53 billion based on December 2015 exchange rate calculations

A variety of organisations may apply to deliver ERDF or ESF projects in response to project calls. These include not for profit organisations, local authorities, registered charities, higher/ further education institutions, voluntary/ community organisations, statutory and non-statutory public funded bodies, and the public or private sector.

Sources: A Guide to European Regional Development Fund (ERDF), and European Social Fund (ESF), DCLG. Guidance 2014 to 2020 European Structural and Investment Funds



Case study - Creative Kernow

Creative Kernow is the creative and cultural development agency for Cornwall. It uses European funds to support artists, communities and creative businesses across the region.



The ERDF-supported Percy Williams Building at Krowji © Krowji, Kirstin Prisk Photography

£1.7 million from the European Regional Development Fund (ERDF) helped Creative Kernow redevelop the old grammar school in Redruth. Known as Krowji, it is now Cornwall's largest creative cluster, providing studio and workshop space for 200 creative businesses and artists. Two further development phases were planned to create a nationally significant creative industries cluster and attract further business. The development is now on hold. Chief Executive of Creative Kernow, Ross Williams, described this as:

“ a real lost opportunity to provide high-quality workspace for Cornwall’s creative practitioners ”

Creative Kernow's work on professional development and business support has received significant support from the European Social Fund (ESF) since the late 1990s. Cultivator, their ambitious new project to deliver business growth and skills for the sector, is dependent on promised EU funding.

The reliance of cultural organisations on EU funds

It is clear from the survey that EU funds are valuable to arts and culture organisations for particular projects and programmes. 9 per cent of respondents to the survey accessed the most popular programme, Creative Europe, while some organisations had received more than €2 million from ESIF.

The Arts Council's annual survey of National Portfolio Organisations show 4.2 per cent of the average National Portfolio budget identified as public sources other than the Arts Council or a local authority, such as the European Union.

However survey respondents told us that for some organisations, particularly smaller ones, reliance on EU funds is likely to be much higher.

The indirect impacts of the loss of EU funding must also be considered. Partnerships with universities could be affected should higher education institutions lose their own research grants from the EU. There is also likely to be an impact on the local economies in which cultural organisations operate from the loss of EU funds used to promote economic growth.

2.2 Trading activity by cultural organisations is significant

contents



Many creative and cultural organisations trade internationally. In June 2016 DCMS published estimates of the value of services exported by the UK creative industries for the years 2009 to 2014¹. These estimates confirmed that they are worth a great deal to the UK economy, and that Europe is the primary market for cultural service exports.

- Overall the value of services exported by the UK creative industries in 2014 was £19.8 billion – an increase of 10.9 per cent from 2013.
- Exports of services from the creative industries accounted for 9 per cent of the total exports of services from the UK in 2014.
- Europe was the continent in receipt of the majority of exports of services from the UK creative industries in 2014, with £11.4 billion or 57.3 per cent of the total exports of services by the UK creative industries.

Music, performing and visual arts

DCMS Creative Industries Economic Estimates include figures for specific sectors of the creative industries. The sector defined as “music, performing and visual arts” covers the majority of organisations in which the Arts Council invests. Between 2009 and 2014, the UK’s “music, performing and visual arts” sector saw an increase in the value of exports from £286 million to £644 million. Of the £644 million exported in 2014:

- £362 million was exported to Europe – 56 per cent of all exports by the “music, performing and visual arts” sector
- £173 million was exported to America
- £81 million was exported to Asia
- £19 million was exported to Australia
- £5 million was exported to Africa

International trade in cultural goods:² intra and extra EU

Figures from the [EUROSTAT Cultural Statistics: 2016 edition](#) show that up to 2014, at an EU level, exports of cultural goods was mainly intra-EU (53 per cent) while 47 per cent were extra-EU exports. However in the UK around three quarters of cultural goods exports were extra-EU and around a quarter intra-EU.

At an EU level, regarding imports of cultural goods, overall intra-EU trade (55 per cent) exceeded extra-EU trade (45 per cent). Extra-EU imports predominate in only two EU member states: the Netherlands (84 per cent) and the United Kingdom (79 per cent).

Cultural goods exports from the UK in 2014 were worth €8,121 million in total, while imports to the UK in 2014 were worth €5,365 million. Works of art are the most significant cultural good exported by the UK, greatly outstripping the value of those that we import.

The below table shows the breakdown of imports and exports by product (rounded to nearest million):

	UK exports (millions)	UK imports (millions)
Cinematograph films, video games and consoles	€382	€1,121
Works of art	€3,589	€1,502
Books	€2,136	€1,212
Antiques	€983	€687
Musical instruments	€73	€241
Knitted or crocheted fabrics, embroidery and tapestries	€65	€97
CDs, DVDs and gramophone records	€414	€354
Newspapers, journals and periodicals	€382	€123
Photographic plates and films	€32	€5
Maps	€65	€11
Architectural plans and drawings	€8	€5
Total cultural goods	€8,121	€5,365

Source: Arts Council England analysis of EUROSTAT figures

¹ Exports of services are measured using ONS International Trade in Services (ITIS) data. These are based on a survey of just under 15,000 UK businesses, and record the value of the services which businesses export, as well as the continent to which they are exported.

² “Cultural goods” are the products of artistic creativity that convey artistic, symbolic and aesthetic values; examples are antiques, works of art, books, newspapers, photos, films and music. The category includes CDs, DVDs and video games and consoles, as media enabling access to cultural content. It also includes musical instruments, which are not cultural goods in themselves, but represent means of artistic expression. “Cultural goods” exclude products of large scale manufacturing even if they facilitate access to cultural content (eg TV sets or CD players).



International trade by National Portfolio Organisations

Survey respondents were keen to cite how proximity to Europe provided opportunities for touring work outside of the UK, bringing work into the UK and having the best artists and performers from Europe basing themselves in the UK. Previous research commissioned by the Arts Council backs up these trends.

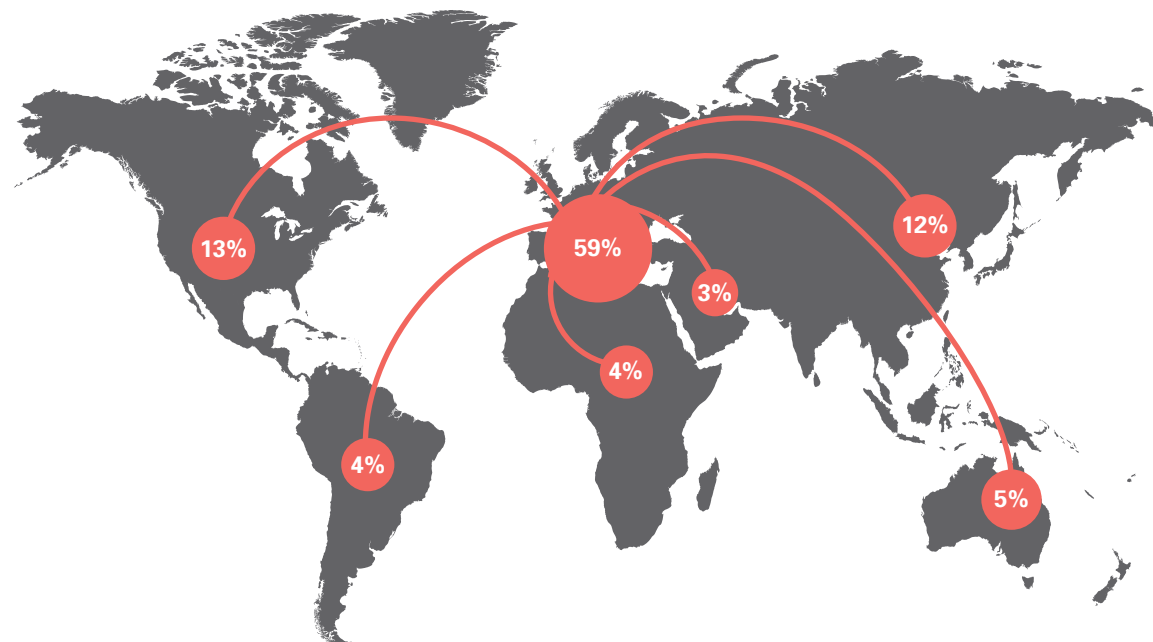
The Arts Council's 2015 study examining the international activities of the Arts Council's National Portfolio Organisations showed:

- 65 per cent of the National Portfolio Organisations interviewed (276 out of 426) had undertaken international activity at some stage in the last three years
- these National Portfolio Organisations secured total income (including earned income and subsidies) of £34 million for international work in 2014/15, an average of £139,500 per organisation
- the traditional markets of Europe and North America remain the most prevalent, both in terms of the number of National Portfolio Organisations working there and the number of projects (see the map adjacent)
- the USA is the most popular country for National Portfolio Organisations' international activities, although seven of the top 10 countries for international work were in the EU. While the advantage of cultural and geographical proximity to Europe is important, the sector has been successful in building strong relationships in non-EU countries

The graphic below shows which continents have hosted the highest proportion of projects and work from National Portfolio Organisations. European countries as a whole

make up the majority, however 41 per cent have taken place outside the EU, with countries including the USA, Russia, and Australia among the most significant.

Breakdown of all international projects among Arts Council National Portfolio Organisations in 2014/15 by continent



Source: TBR international research. Based on 276 responses.

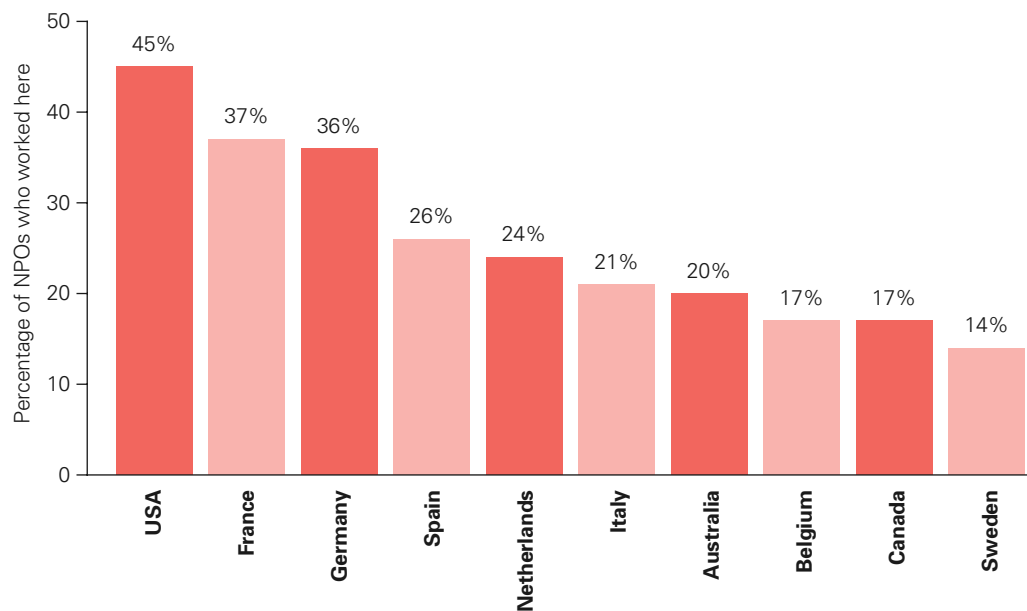


The adjacent breakdown of the proportion of National Portfolio Organisations exporting to a particular country shows that significant numbers are working outside the EU, with 45 per cent working in the USA.

The survey also showed that National Portfolio Organisations are now working with more countries than ever before. In 2014/15, 169 National Portfolio Organisations worked in specific countries for the first time, including emerging markets.

Leading emerging markets for National Portfolio Organisations' international projects and trade included India (34 worked there in 2014/15), China (28 in 2014/15, with 12 working there for the first time), South Korea (19), South Africa, Iran, Hong Kong, Colombia and Indonesia. 2014/15 was the first year that a National Portfolio Organisation worked in Qatar.

Top 10 countries for National Portfolio Organisation international activity in 2014/15



Source: TBR international research. Based on 276 responses.



Importance of international income to National Portfolio Organisation business models

In assessing the likely impact on business models from changes to UK trading relationships we can use the Arts Council's research into the international activity of National Portfolio Organisations.

This research asked "how much of your earned income was generated by your international activity?", and 229 organisations responded. On average 14.2 per cent of their earned income was generated by international activities. Literature (16.9 per cent), theatre (17 per cent) and dance (15.6 per cent) organisations reported the highest proportions.

Organisations based in London reported that 18.9 per cent of their earned income was generated by international activities, suggesting additional tariff and non-tariff barriers to trade could have an increased impact there.

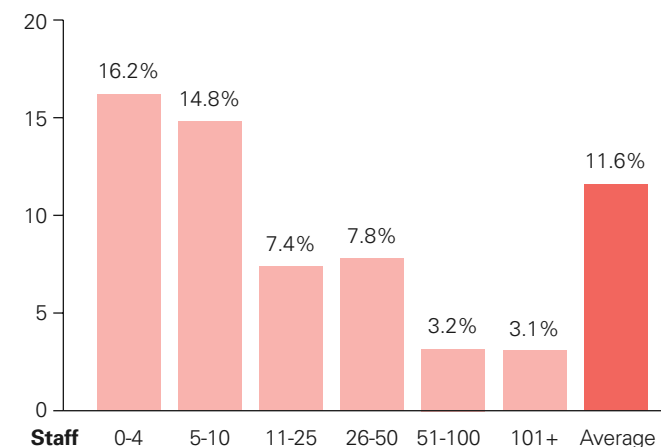
While large organisations undertake a great deal of valuable international trade, smaller organisations appear to be more dependent on earned income from international activity. The chart adjacent shows a clear linear pattern in organisation size (measured by the number of staff) and the proportion of income generated by international activities.

14 organisations (6 per cent of the sample) reported that 75 per cent or more of their total earned income was generated by international activities – most of these organisations were based in London and employed 10 staff or fewer.

Six organisations (2.6 per cent) reported that 100 per cent of their total earned income was generated by international activities – these organisations were based in London and the southern regions and employed 10 staff or fewer (where staff number was known).

This suggests that while much of the culture sector may be resilient enough to withstand change, care must be taken of the impact on smaller arts and culture organisations as we leave the EU.

Proportion of earned income generated by international activity in 2014/15 by organisation size



Source: TBR International research. Based on 229 responses. 10 organisations where the number of staff were unknown are not shown in the chart but were included in the average.

“Particularly interesting was that while large organisations undertake a great deal of valuable international trade, smaller organisations appear to be more dependent on earned income from international activity.”

Case study - 1927



Golem, created by 1927. Photo © Bernhard Mueller

1927 is an award-winning performance company from the UK. Its productions have been performed in 36 countries across five continents. In 2014 the Arts Council supported 1927 to work with partners from the UK, Austria and France to develop Golem, which played to rave reviews across the UK before touring in Europe.

The company's financial model, artistic development and creative expertise rely on working with and exporting to Europe. This year, 83 per cent of its turnover will come from tours, co-productions and commissions with EU partners.

1927 was commissioned to co-create The Magic Flute with Komische Opera Berlin. It generated further revenue by licensing and mounting the production for opera houses in Finland, Germany, Poland and Spain. Other European work includes tours of The Animals and Children Took to the Streets.

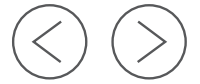
The UK's departure from the EU could have implications for 1927's business model and artistic development. Increased

costs and bureaucracy, such as import and export duties, work permits and visas requirements and taxes could put tours, co-productions and commissions at risk. Producer Jo Crowley told us,

“nimble and infrastructurally-light companies don't have the resources to meet additional burdens on working abroad”

2.3 Minimising barriers to artist mobility

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The sector survey expressed how vital artist mobility and free movement of artists and performers is to the arts and cultural sector. Opportunities for artistic collaboration, touring, and employing the best European talent to work in the UK sector were seen as vital to both the development of artistic excellence and to ensuring that the UK public has access to the highest quality artistic and cultural work from Europe.

In their recent report [The Geography of Creativity in the UK: Creative clusters, creative people and creative networks](#), Nesta and Creative England used data from online events platform Meetup.com to analyse the networking activity in the UK's creative industries.

This data also highlighted the international connectivity of the UK's creative clusters. Around one in 10 of the members of creative meetups in the UK are actually based outside the UK and **41 per cent of these overseas members are based in EU countries.**

The report suggests that ensuring these international connections are maintained in the face of the EU referendum outcome will be a high priority going forward.



Case study - Askonas Holt



Sir Simon Rattle conducting the London Symphony Orchestra.
Photo © Tristram Kenton

Askonas Holt is a management company specialising in classical music and dance. They manage the careers of leading conductors, vocalists and instrumentalists and arrange tours globally for many of the world's greatest orchestras and dance companies.

The transportation of musicians, dancers, instruments and cargo is at the heart of their work. In September alone, Askonas Holt arranged tours in the UK for the Berliner Philharmoniker, the Simón Bolívar Symphony Orchestra of Venezuela, the Staatskapelle Dresden and Alvin Ailey American Dance Theater. Every week, the company facilitates European travel for leading British artists, such as conductors Sir Simon Rattle, Daniel Harding and Edward Gardner. Askonas Holt's Chief Executive, Donagh Collins, said

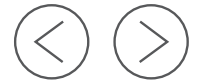
“every artist and performing group benefits from the free movement of people and labour throughout the EU to make their performances as seamless as possible.”

The company would be affected by increased barriers for British artists performing internationally, as well as for artists and tours travelling into and out of the UK. Additional bureaucracy in the form of work permits, visas, carnets and tax would add cost and complications. Collins said it was crucial

“to send a message to the world that the UK is open for business – that it will not become more challenging for British talent to flourish on the great stages of Europe, nor more difficult for European talent to appear in British concert halls and opera houses.”

2.4 European legal protections and regulation provide a framework for the sector on key issues

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The following areas of European legal and regularity protections were cited in the sector survey as providing an important framework for the sector's work and activity:

- **copyright**
- **VAT**
- **intellectual property**
- **artist re-sale rights**
- **employment legislation**

Many of the above areas are covered by EU initiatives included in the developing Digital Single Market, the relevance of which will depend on the terms of the UK's exit from the EU and future trade agreements. The government has not made an assessment on the cost of businesses being unable to access the Digital Single Market.

There remains some concern for the arts and cultural sector on what changes may be made to legislative frameworks, many of which are relied upon in the day-to-day work of individuals and organisations.

Copyright, for example, is very much integrated in EU laws and regulations. There are 11 European directives that contain measures concerning copyright that member states are required to incorporate into their domestic laws.

These include: Copyright in the Information Society; Orphan Works; Rental and Lending Rights; Term of Protection; Satellite and Cable; and Protection of Computer Programs. Between them they cover much of substantive copyright law. Many other multi-lateral and bi-lateral treaties also refer to copyright.

The influence of European developments on British copyright law has been gaining momentum over recent years as increasing numbers of cases are heard by the Court of Justice of the EU (CoJ) and the influence of the directives becomes more apparent. The developments in the law that this entails can cause uncertainty in the culture sector and requires constant monitoring and updating of copyright advice. This uncertainty is likely to increase after the UK exits the EU and the role of the CoJ becomes unclear.

The Artist's Resale Right (ARR) is derived from an EU directive and was implemented in UK law in 2006. The ARR entitles creators of particular works to royalties where their work is resold through arts markets or auction houses. Respondents to our survey have highlighted the importance of this right in ensuring an artist's income and developing a legacy. As with copyright and intellectual property more generally, it remains unclear how this right will be affected by the UK's exit from the EU.

The UK Intellectual Property Office has released a statement

confirming nothing will change until negotiations are finalised on the areas of trademarks, designs, patents, copyright and enforcement. They also note that the UK is party to several international treaties and agreements that will continue to be enforced beyond the exit.

The potential ramifications of exiting the EU to taxes are numerous and it is too soon to predict what might be affected. Technically, the UK's VAT system will no longer be constrained by EU VAT directives and the UK will have more control over how it sets VAT rates and exemptions. Conversely, the process for trading in goods across the EU is likely to change due to the loss of intra-community trading status, meaning a potential increase in import and export costs. This is among the concerns expressed by respondents to the survey, along with a more general concern that complicated tax systems will increase the administrative burden of EU touring and discourage programmers looking to the UK for acts.



Case study - DACS

DACS is a not-for-profit visual artists' rights management organisation and acts as a trusted broker for 90,000 artists worldwide. It collects and distributes royalties to visual artists and their estates through Artist's Resale Right (ARR), Copyright Licensing, Artimage, and Payback.

Following an EU directive, ARR was introduced in the UK in 2006 and provides a royalty for artists and artists' estates whenever their work is resold on the secondary market for £1,000 or more. Since its introduction, ARR has raised £47 million for more than 4,000 artists and estates, giving them a share in the increasing value of their work, and helping them to reinvest in their practice or manage an artist's legacy. Artist Stuart Semple describes ARR as giving

“financial recognition to the artist for their contribution to a wider market, so we must not take it for granted”

In response to our survey, DACS reported that some UK art market professionals want ARR disbanded or claim it is inapplicable following the referendum. However, DACS' Chief Executive Gilane Tawadros has said,

“UK laws derived from EU law continue to remain unchanged. DACS is confident that the UK's decision to leave the EU will have no impact on ARR in the long term”

3. Conclusion

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The UK's exit from the European Union has significant implications for the arts and culture sector, and wider creative industries. Our culture sector, which is the research and development arm for our fast growing creative sector, relies on European markets and the ease of movement between the UK and the rest of the EU, as well as funding from EU sources.

As the Government seeks to redefine our relationships with the European Union and other countries, these issues will be crucial for the arts and culture industry. We look forward to working with the Government as they develop proposals to ensure our sector can seize new opportunities and address any challenges.

If these issues are addressed, cultural organisations can continue to provide enjoyment and inspiration for millions across the country, help us to build stronger communities, and continue to support our world leading creative industries.

Funding

- **The sector accesses EU funds for a range of small to large scale projects and programmes.** Projects/programmes from the previous three years ranged from €5,000 to €2.4 million.
- A number of our smaller organisations are particularly reliant on EU funding, and the loss of these funds would have an impact. **Consideration will need to be given to the impact on those cultural organisations particularly reliant on EU funds.**
- Higher education and local authorities play an important role in support for culture. It will be important that changes to how universities and local authorities access EU funds do not lead to indirect impacts on local cultural organisations they partner with or invest in.
- Support for local economic growth has involved investment from the European Structural and Investment Funds. **The creative industries should be involved in the development of new arrangements and be among the beneficiaries as support for local growth is reshaped,** in common with other high growth and highly productive sectors.

Ease of movement

- **Increased administration burdens for those touring outside the UK, and for incoming work into UK, are likely to damage business models of arts and culture organisations.**
- Organisations told us that typical salary levels and length of organisations offer to the international artists they employ often differ from those in much of the economy. Some often need to replace artists, including those of international renown, at extremely short notice.
- Creative and cultural industries make a significant economic and cultural contribution to the UK, and international movement is crucial to their success. **Arts Council England and relevant representative bodies should contribute to discussions as processes are redesigned.**



Legislation and legal protections

- The UK intellectual property system is closely entwined with the EU and the impact of Brexit on these systems will depend largely on the status of the UK after exiting the EU.
- We recommend **a review of EU legislation affecting the creative sector, carefully considering how we can improve them.**

Trade with the EU and other countries

EU countries make up 59 per cent of the market for our arts and culture industry. It is important to address how those relationships will be maintained.

- Cultural exports are a great British success story, with good existing export links in the USA, Canada, Australia, and significant strides being made in India, South Korea and other emerging markets.
- **Arts Council England will continue to work with the Government and other partners to ensure Britain is well placed to build on exports outside Europe.**

- As well as ensuring tariff and non-tariff barriers are minimized, **regular international showcasing opportunities for the arts and culture** could help build, renew and extend important trading relationships.
- As the UK seeks to develop its new role in the world outside the EU, it will be **important to celebrate the success of UK culture** as an instrument of our influence overseas.



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