

Arts Council England's response to Ofcom's *Second Public Service Broadcasting Review – Phase 2: preparing for the digital future*¹

Arts Council England works to get great art to everyone by championing, developing and investing in artistic experiences that enrich people's lives.

As the national development agency for the arts, we support a range of artistic activities from theatre to music, literature to dance, photography to digital art, carnival to crafts.

Our response to Ofcom's *Second Public Service Broadcasting Review – Phase 2: preparing for the digital future* is in two parts:

- we respond to the key consultation question areas
- we provide further detail for question 5 in relation to competitive funding for public service content and public service partnerships

We believe at an institutional and content and/or output level, the public sector is engaged in supporting and nurturing a wide range of content across live and media platforms. As public sector organisations migrate online and use broadband opportunities to connect and engage with the public in deeper and more profound ways, it is possible to view publicly funded media 'content' such as the work Arts Council England funds as public service broadcasting/media content.

By way of a brief context, since our last submission we have been developing some of the themes, partnerships and opportunities which we outlined in June 2008 and these inform our response:

- we published the Arts Council England plan for 2008-11², announcing a new corporate priority, digital opportunity. This is a major programme of research, sector capacity building, policy and partnership development to increase reach, innovation, diversity, excellence and engagement in the arts (see <http://www.artscouncil.org.uk/plan/digital-opportunity>)
- we are in the process of evaluating our 2005-08 Memorandum of Understanding with the BBC and have agreed to extend the partnership within a new Public Value Framework to be launched in spring 2009
- we are the national Arts Strand partners for Channel 4's 4IP initiative, investing £1.2 million through our national, West Midlands and

¹ *Second Public Service Broadcasting Review – Phase 2: preparing for the digital future* (Ofcom, September 2008)

² *Great art for everyone 2008-2011* (Arts Council England, September 2008)

Yorkshire offices to support innovation in digital media. 4IP is the key element of a new strategic partnership with Channel 4 for 2008-11

- since the last submission we formed a partnership with the Voice of the Listener and Viewer (VLV) and hosted a high level broadcaster and arts sector seminar in October 2008 attended by senior representatives from the BBC, Channel 4 and Five, independent production companies and arts organisations

The VLV/Arts Council seminar stimulated debate on practical and strategic issues for partnership working between the arts and broadcasting sectors and the wide range of issues and key observations that emerged during the event are summarised as Appendix 1.

Together with other non-departmental bodies from the cultural sector, (including UK Film Council and MLA) we have also opened a dialogue with some of the leading arts and cultural organisations to consider some of the issues and opportunities raised by the public service broadcasting review.

Section 1

Models, regions and funding

Our substantive policy position on models and funding remain broadly consistent with that articulated in our detailed response to the phase one consultation document³. That response can be found at: www.ofcom.org.uk/consult/condocs/psb2_1/responses/artseng.pdf.

From the models presented in phase two, we wish to register our support for the new Model 2 ('BBC/C4 and limited competitive funding'), and note the public support for this through Ofcom's audience research 'offering the benefits of PSB provision by known and trusted providers with an element of flexibility.'⁴

Reach and impact continue to be of vital importance and we were interested in a competitive funding model raised by Ofcom's Stuart Purvis in a regional public service broadcasting stakeholder event in October 2008. He referred to the possibility of 'third party regional news providers' for ITV news, with the broadcaster allocating slots within its schedules for new entrants such as newspapers, regional screen agencies or community media.

These third party providers might bid for funds to produce independently delivered regional content on both linear television and non-linear platforms, (even if ITV or Five do not continue to be public service broadcasters). Broadcaster opportunity costs clearly need to be factored into the debate, but this proposition of funding in areas of need or deficit, such as children's or news programmes with mass broadcast distribution, could provide another mechanism for supporting reach, impact and plurality through new entrants, with particular opportunities for regional cultural and media organisations.

Clear areas of public service broadcasting and content deficit and opportunity have been emphasised in phase two of the consultation. These relate to children's content and news content (and regional news in particular). We continue to argue that arts and cultural reflection and content continue to be equally pressing and deserving of attention.

We recommend for practical and policy purposes that Ofcom creates a new category, 'cultural content'. Cultural content would cover a range of current

³ *Ofcom's Second Public Service Broadcasting Review Phase One: The Digital Opportunity* (Ofcom Office of Communications, July 2008) http://www.ofcom.org.uk/consult/condocs/psb2_1/consultation.pdf

⁴ *Second Public Service Broadcasting Review – Phase 2: preparing for the digital future* (Ofcom, September 2008, 4.20)

public service broadcasting genre areas such as arts programming, music, drama, film, education, documentaries, specialist factual (history and science) and regional programming.

We believe that these three major areas of content – news, children’s and culture – combine to be able to deliver Ofcom’s public service broadcasting purposes.

They would also address the continuing gap in Ofcom’s public service broadcasting consultation documents relating to clause 264 of the Communications Act, namely, ‘that cultural activity in the United Kingdom and its diversity are reflected, supported and stimulated by the representation in those services (taken together) of drama, comedy, and music and by the inclusion of feature films in those services and by the treatment of other visual and performing arts’⁵, to which we have referred in both our terms of reference and phase one submissions.

These three areas should provide the basis for a competitive funding model. We do not have any additional comments to make in relation to funding sources beyond our submission to phase one in which we stressed our support for a strong and well funded BBC and Channel 4 together with our support for a vibrant independent production sector. A new era of partnerships and creative and targeted funding will be essential.

Following our phase one submission, we continue to believe that it is imperative that regional distinctiveness in both supply and representation is encouraged in any new public service broadcasting or content settlement and that a strategic approach is taken to ensure regional plurality. This in our view is best served by a combination of competitive funding targeted at those three areas of content above, and in the continuing commitment by the BBC and Channel 4 to the independent production sector. This could be achieved through regional investment in initiatives such as the BBC’s Window of Creative Competition and talent development such as Channel 4’s partnership work with Maverick in Birmingham which has produced outstanding results.

News content has significant, currently untapped potential to address and reflect many other content areas whilst also becoming more ‘open’ and networked. Charlie Beckett’s excellent *SuperMedia*⁶ provides a vision for networked journalism and open news media that a new public service

⁵ Communications Act 2003 (2003, Clause 264)

⁶ *SuperMedia: saving journalism so it can save the world* (Charlie Beckett, Blackwell Publishing, 2008)

broadcasting/content compact could support and nurture, with great opportunities for community media and cultural entrants.

We share the analysis of our sister agency Arts Council Northern Ireland in identifying real potential for a renaissance of a broader cultural agenda within news provision to form a new part of public service broadcasting/content. This agenda and perspective is almost totally absent from current BBC or ITV national or regional news provision. Competitive funding could support the creation of arts content in news and children's content together with other content areas as described in our first submission.

In summary, news and children's programming are key to establishing wider awareness and engagement in the arts. Ensuring a depth and range of cultural content is also vital to society and we explore opportunities for the arts within a designated cultural content competitive fund in more detail below.

Examining broadcasters' current and future commitments, we would wish to stress the very real deficit that now exists for key areas of arts and cultural content which is not provided for by the market. Phase two analysis continues to make this point in relation to key content and genre areas. This is particularly true in relation to arts documentaries, and films and performances of a challenging and innovative nature.

Five and ITV's rapidly reducing commitments to arts programming and Channel 4's reducing arts budgets are of great significance, particularly in light of the Broadcasters' Audience Research Board's analysis in phase two which reveals that the arts as a genre has the highest proportion of viewers (50%) who choose to watch sources other than the BBC⁷.

Sky Arts is a welcome addition to the digital ecology in providing choice and quality, but it is not enough on its own; the level of investment required together with the need for impact and reach means that public intervention in this area is now critical both for the survival of the independent production sector specialising in the arts and for the wider health of arts content and engagement.

The presence of arts programming at the heart of the broadcasters' schedules is of importance both to the cultural sector and to the citizens of the UK. We continue to believe that there is a deficit in the provision of arts programming within the schedules of all broadcasters and believe that a firm commitment to

⁷ *Second Public Service Broadcasting Review – Phase 2: preparing for the digital future* (Ofcom Office of Communications, September 2008, p38, 3.58, Figure 8: Proportion of viewers of each genre who do not watch BBC programmes in that genre, April 2008)

arts programming on the part of the BBC and Channel 4 will be key for three reasons.

Firstly, we believe the BBC and Channel 4 are likely to carry the responsibility for public service broadcasting content in the future. Secondly, viewers continue to enjoy 'planned' arts viewing across a range of genres including music, drama, film as well as the serendipity inherent in broadcasters' schedules which means that viewers can continue to discover new arts content they hadn't necessarily expected to see. Thirdly, and equally as important as we look towards a new public service content economy catalysed by broadband development, is the ability of those broadcasters, working in partnership with arts organisations, to collaborate with a range of public service content partners with the aim of leveraging maximum public value from publicly funded cultural assets. We will explore this in more detail in the next section.

We believe that Channel 4 is deserving of specific attention and are supportive of its own and Ofcom's analysis that it cannot, given its current pressures, sustain the current investment in a range of its public service broadcasting genres. In our submission to phase one we did not feel that the consultation had fully addressed potential funding source opportunities and phase two, in our view, is also lacking in the detail we would have welcomed, particularly in relation to BBC Worldwide and new rights models.

We understand Channel 4's concerns relating to less commercially viable content areas such as the arts which are clearly under threat and not necessarily guaranteed without additional funding. The arts on Channel 4 television has been a huge success story over the past 25 years and although 4IP is a welcome and substantial initiative, we would want to see the provision of both television and online arts content in order to offer plurality with the mass impact and reach that is lacking beyond the BBC. We broadly support Channel 4's case for additional funding, particularly to promote innovation and creativity, but would expect to see a commitment to the arts industries and investment in content and talent articulated both within its core and 'Next on 4' proposals. We regret that 4 Radio faltered since phase one. We believe that there is real opportunity and need in relation to high quality original audio and radio content beyond BBC output and investment.

As partners in Channel 4's 4IP pilot project, we recognise that there is a need for catalytic investment in a range of interactive digital media content and contexts for the arts which linear television cannot provide. Our involvement in this project and our commitment to research in this field through funding our digital opportunity programme in 2008-11 will build knowledge relating to

public engagement with digital content and help us to identify new creative approaches to the creation and distribution of arts media content.

Turning to the BBC, the Arts Council welcomes the far stronger statements by the BBC and Mark Thompson to Ofcom and in their submission to phase one, indicating a new era of partnerships. This is urgent and overdue. We look forward to more detail and more hard and measurable commitments from the BBC.

The BBC's sixth public purpose 'building digital Britain'⁸ potentially offers a substantial opportunity for opening up partnership opportunities between the BBC and wider cultural and creative industries. A real step change in partnership strategy to open up the realm of BBC technology, innovation, skills, intellectual property and archive resources could support and stimulate the arts and cultural sector to a far greater degree and provide a mechanism by which the BBC could support increased arts and cultural plurality in public service content.

Support for the production and distribution of autonomous third party media content and archives through the creation of a global cultural offer led by the BBC is one of a range of potential opportunities. As *Creative Britain*⁹ and the announcement of the digital Britain action plan¹⁰ make clear, the UK's cultural organisations are the lifeblood of our creative economy, offering exciting and important opportunities for digital growth for the good of citizens and consumers across the UK, 'capturing the opportunities on offer for UK PLC and the public, and advancing our standing as a world leader in these industries.'¹¹ The BBC could play a significant role in building culture into 'UK PLC'.

The BBC's response to Ofcom's phase one consultation demonstrates a commitment to partnerships and capacity building with other broadcasters. We wish to stress that a new public service content economy will involve broadcasters as part of a broader provision and we would expect to see new partnership opportunities extended by the BBC to the major arts and cultural bodies whose purposes are aligned with the BBC's creative and cultural purpose.

Section 2

⁸ from *Building public value: Renewing the BBC for a digital world* (BBC, 2005)

⁹ *Creative Britain: New Talents for the New Economy* (DCMS/BERR, February 2008)

¹⁰ *Digital Britain: the future of communications* (October 2008)

¹¹ DCMS/BERR press release (October 2008)

Competitive funding models and partnerships to deliver public service cultural content

We intend to focus this section on addressing the consultation's question 5:

'What role should competition for funding play in future? In which areas of content? What comments do you have on our description of how this might work in practice?'

We believe that competitive funding offers a range of benefits and opportunities for public service broadcasting/content not least in ensuring plurality of provision, central to a successful public service broadcasting/content ecology. We believe that indirect and direct competition for funding has a strong role to play in stimulating excellence and innovation, in deterring institutional complacency and in promoting new entrants - all key themes for the review.

A funding model that allows for both direct and indirect forms of competition, within a framework that encourages partnership and synergies, should provide the basis for a thriving creative economy and allow Britain to exploit its full potential as a creative world leader.

We would also reiterate our belief that the key content areas for support and immediate attention are news, children's and cultural content.

We will focus in this section on arts content, which is a key element of cultural content but also reflected within news and children's content.

We welcomed Ofcom's phase two analysis and exploration of potentially transferable models from other public service sectors including the arts and cultural sector in Appendix 14 by Tom Fleming Associates.

Mechanisms for distributing funding on both a direct and indirect competitive basis are, as Tom Fleming identifies, something that are well honed within the cultural sector, and we believe that with appropriate adaptation could be transferable to a model for competitive funding for all kinds of public service content.

'The current model of funding within the cultural sector is moving toward one which will see funders and fitter-for-purpose institutions (of all sizes) developing a common understanding of the way that culture delivers public value. This is to be welcomed as with it should come greater support for

innovation and risk within an ecology that rewards excellence in delivery of public service benefits.¹²

A key structural principle and outcome is public value and any competitive funding model would have to ensure to support and extract maximum value from investment, within a wider public service broadcasting/content framework.

Anthony Lilley identifies possible locations of public value of public service broadcasting architecture residing both in institutions and in output. In his essay, 'The Fertile Fallacy' he looks at the Arts Council's predominantly institutional arts funding model, finding an 'intellectual validity in the model when applied to PSB'.

'in effect Arts Council England, contracts out the delivery of its strategy for public value at this institutional tier...the precise duration of these sub contracts, the deliverable components and much else besides are the subject of detailed agreements'¹³

In our response to phase one, we agreed strongly with Ofcom's approach in the review of extending public service broadcasting into public service content and supporting 'those who suggest re-evaluating it in the light of other publicly funded media content and public service delivery, including the publicly funded arts and cultural sectors'.

We think that the phase two consultation could have gone further into this territory, in making stronger connections between the public sector and broadcasters, particularly in terms of examining future competitive funding models for public value.

We believe that the concept of a public service content economy is of central importance in developing further ideas relating to competitive funding for broadcasting and media. Alan Davey, chief executive of the Arts Council, used this term in his recent RSA speech, 'The courage of funders'¹⁴, in which he set out a vision for the future of the Arts Council and referred to the large body of arts 'content' paid for through public investment. He argued for

¹² Approaches to public service investment and competition in the cultural sector (by Tom Fleming Associates, Appendix 14, from *Second Public Service Broadcasting Review – Phase 2: preparing for the digital future*, Ofcom, September 2008)

¹³ *The Price of Plurality: Choice, Diversity and Broadcasting Institutions in the Digital Age* (Gardham, T and Levy, A L, (eds), Reuters, 2008)

¹⁴ The courage of funders:

http://www.artscouncil.org.uk/aboutus/project_detail.php?browse=recent&id=1062

greater collaboration between broadcasters and the arts to increase the public value inherent in this primary 'live' content.

It is our belief that a new public service content economy has the ability, catalysed by increasing broadband access, to far better reflect, nurture and support the diversity of UK arts and culture, a commitment enshrined within clause 264 of the Communications Act 2003.

A new public service content economy should draw out the rich potential in these publicly funded cultural assets. This would support the increasing empowerment of the arts and cultural sector in producing and distributing its own media content for public engagement, meeting Ofcom purposes and what we would hope would be a continuing cultural commitment in a future communications act, vital to both citizenship and the wider creative economy.

This has implications for a new public service content 'compact.' The current compact describes the institutional basis for public service broadcasting and its deliverers - BBC, ITV, Channel 4, Five and S4C - the 'totality' of which, reflected in the 2003 Communications Act, requires Ofcom to regulate and monitor public service broadcasting commitments across the compact. Any new system of public service broadcasting or content would have to understand the 'totality' across a far wider broadband landscape and balance mass impact and reach in terms of 'long tail' potential of broadband content.

Once one explores areas of content across not only broadcasting and converged media sectors but also across the public sector's live and media content then some very interesting ideas and opportunities begin to emerge.

At an institutional and content and/or output level, the public sector is engaged in supporting and nurturing a wide range of content across live and media platforms. As public sector organisations migrate online and use broadband opportunities to connect and engage with the public in deeper and more profound ways, it is possible to view publicly funded media 'content' such as the work Arts Council England funds as public service broadcasting and media content. This encompasses new types of narrowcast, interactive, information and rich audio-visual material for public engagement.

A new public service content 'compact' would need to include not only broadcasters but other institutions and media content providers. In public policy terms, this is challenging in that digital technologies and opportunities are creating policy convergence to some degree. Certainly we are beginning to see this in the arts in relation to broadcasting and media policy as public sector institutions in varying degrees are re-purposing themselves as media

organisations or at least organisations occupying part of a new media ecology. The Arts Council is committed to developing our policies and identifying interdependencies within this wider context.

However, we believe that broadcasters are vital to any new public service content and partnership working will be critical within a public service content economic framework. A new framework would also challenge and improve some of the historical relationships between broadcasters and the arts sector.

Equitable partnerships with broadcasters have historically been difficult to achieve as the relationship has revolved around output with broadcasters essentially treating other sectors such as the arts as subjects for content. In a new public service content economy, a more networked, partnership model between public sector content providers and broadcasters facilitated by broadband technologies would become possible. This is ultimately of far greater value to the public who invest and are stakeholders in these areas of public intervention such as broadcasting, the arts and other public services. Arts organisations have the potential, as the pioneering work of Tate attests, to be commissioners, funders, co-producers and distributors, a potential yet to be realised as we indicated in our first submission.

Such changing dynamics were the subject of a VLV/Arts Council supported seminar and key points are attached in Appendix 1. This demonstrates clear potential and early thinking on some practical steps to achieve greater outcomes for the public, catalysed by Ofcom's work.

There is another important principle related to joined-up government and strategies that deliver maximum impact for best value to the public, and this should also inform any competitive funding mechanism. In our view, avoidance of significant duplication and opportunities of economies of scale become possible through a far broader concept of public service content across the media and other sectors.

In summary, we believe that greater public value can be leveraged through a competitive funding model that also draws from the competitive funding within other sectors, better exploiting publicly funded assets and resources.

How might it work in practice?

We believe that one of the reasons why the Arts Council's influence in 'very much determining the landscape for cultural funding'¹⁵ in England despite not being the largest funder in terms of scale of investment lies in our mixed funding model and our partnership ethos of great art for everyone. We are only part of a very large and diverse cultural infrastructure in England which includes the commercial, local government and voluntary sector.

Our mixed funding model of support to regularly funded organisations, lottery funds through Grants for the arts and strategic managed funds from grant-in-aid is situated within a wider strategic framework in which we assess our own place, role, public benefit and appropriate intervention models.

'The most relevant learning for public service broadcasting is located in the strategic debate and shifting policy landscape across the cultural sector. As will be shown, institutions such as Arts Council England are repurposing their investment strategies to prompt greater attention to and delivery of public service content and services from its funded beneficiaries...The investment framework for Arts Council England and others is correspondingly re-drawn by beneficiaries competing with one another for investment on the basis of their public service delivery credentials.'¹⁶

Arts Council England is already working in the territory of measuring the delivery of public value. Others in the cultural sector, including UK Film Council, MLA, Arts Councils Scotland, Wales, Northern Ireland, are working to similar strategies.

At the institutional level of competitive funding, we fund in three year cycles what is now 880 organisations. This, in terms of scale of investment, is our largest investment and for these regularly funded organisations regularly funded organisation 'Arts Council support', as Anthony Lilley describes, 'is a central but not exclusive plank.' The Arts Council is not a regulator like Ofcom but can, through light touch review, assessment and negotiation work with organisations to agree key outcomes and outputs relating to each organisation's Arts Council investment.

For information, we are currently in the process of reviewing our funding agreements with regularly funded organisations. In the past, regularly funded

¹⁵ Approaches to public service investment and competition in the cultural sector (by Tom Fleming Associates, Appendix 14, from *Second Public Service Broadcasting Review – Phase 2: preparing for the digital future*, Ofcom, September 2008)

¹⁶ Approaches to public service investment and competition in the cultural sector (by Tom Fleming Associates, Appendix 14, from *Second Public Service Broadcasting Review – Phase 2: preparing for the digital future*, Ofcom, September 2008)

organisations have provided a mission statement and a programme of activity. From March 2009, we will negotiate and agree a set of SMART 'deliverables' which relate to the Arts Council plan and our five national outcomes - excellence, reach, engagement, diversity and innovation. There is also space for regularly funded organisations to make a statement about how they meet our development priorities, one of which is digital opportunity for the period 2008-11.

Not every regularly funded organisation will deliver on each of the priorities but in totality, a little like the public service broadcasting compact, the Arts Council is committed to delivering national outcomes and can review and alter the regularly funded organisation portfolio in order to ensure delivery of these outcomes to government. It is also important to say that the Arts Council as a non-departmental public body is not a government body and therefore we operate between government and the arts sector. We do not 'control' the regularly funded organisation portfolio but our funding mechanisms and priorities do have a significant impact on both current recipients and the wider sector.

Grants for the arts is our lottery funding stream which is open application and responsive to proposals. Again, funding criteria are determined and set. This is a highly competitive mechanism in that the stream is very oversubscribed with grants from the Arts Council requiring partnership funding to be considered.

Our grant-in-aid funding also supports what we term managed strategic funds. These have the capacity to deliver far more targeted interventions or programmes of work to address areas of deficit or need, particularly in relation to major areas such as public engagement, diversity, skills development or areas of art form practice and sectoral need. This is the funding mechanism that has created our national broadcast and digital media fund, which allows us to work in large-scale partnerships with broadcasters on a range of public engagement, digital innovation and action research projects.

At approximately £1 million per year, the fund is not large in terms of total Arts Council investment but it attracts match funding from broadcasters such as the BBC, Channel 4 and Five, and it is the mechanism by which we are funding with Channel 4 and 4IP Arts, with mutually beneficial objectives for both the arts and independent media sector.

In addition, the Arts Council does fund a range of broadcast and digital media work, although not on a large scale. Examples of some of our investment from our London office are attached in Appendix 2. There are many more from

across the organisation and country but this gives a flavour of the kinds of work we support.

The publicly funded arts sector is a largely 'live' infrastructure. This is an absolutely central proposition for audiences and participants and for many of our partners such as local government whose targets and objectives currently relate only to live participation and engagement.

However, there are real opportunities for developing new forms of linear and interactive arts media content that both complement, deepen and lead people to the live arts offer. Again, it is important for the Arts Council and public engagement in the arts that the live experience continues to thrive and develop but that opportunities for greater reach and engagement through digital media are embraced.

We believe that far greater value can be extracted from within the current arts sector in order to support new public service arts media content. MTM London's research in phase one provided extensive evidence of the lack of online content meeting public service broadcasting/content purposes from either the commercial or publicly funded arts or cultural sector.

We have a commitment to exploring this area through research and in identifying the best and most appropriate interventions for support. It is also worth noting that the economics of digital media in terms of digitising long form plays or opera for example, or archiving collections, pose significant funding and IP challenges for arts organizations, many of whose Arts Council support contributes to a building based model of performance or exhibition.

An option for public service cultural content funding

In our first submission in June, we identified untapped potential within the arts and cultural sector in supporting public service content:

'appropriate governance structures for assessment and support would need to be in place. Economies of scale could be achieved through involving existing cultural agencies and organisations across the UK.'

If competitive funding were made available to support priority areas of content, as we argued in the first section, then an arts funding stream could be identified to support areas of deficit and opportunity.

If we imagine additional public service funding being made available as a result of the public service broadcasting review, and building on the existing

public investment in arts content, the Arts Council and other funding bodies related to other content areas, could play a role in any administration or strategic overview of funding.

There are a number of public bodies that have responsibility for funding, supporting or overseeing areas of content that are part of the public service broadcasting review such as the Arts Councils the UK Film Council and the MLA. There are also bodies representing commercial players and areas that would be important to include and involve in discussion as the debate progresses.

It may be useful for Ofcom and government to bring together a range of bodies such as the non-departmental public bodies to discuss potential within their structures for providing some practical, more cost-effective mechanisms for any potential public service broadcasting and content competitive funding. This may be preferable to creating more bureaucracy and a separate funding body across the total breadth of public service content.

However, the Arts Council would not wish to inhabit or promote the 'Arts Council of the Airwaves' model and invoked by James Purnell in his Oxford media convention speech in January 2008¹⁷ in which he described an essentially supply driven fund/ethos allocated on a content basis:

'I don't think, for example, that the idea of just funding individual programmes would be a viable model. Such an Arts Council of the Air would itself become the commissioner of programmes but would not have the necessary relationships with the audience. The chances of the programmes and the audiences meeting, sometimes by chance, would be impaired. Not everything watched on television was demanded in advance. I think the risk that posh programmes disappear into a space all of their own, rarely to be visited by those without a prior grounding in the subject matter, is very real. I think that, albeit with noble intentions, this proposal does threaten something important and worth preserving about British broadcasting.'

We strongly support a combined institutional and competitive basis for public service content as this provides the stable conditions for excellence and innovation and can also support new ideas and entrants, the combination of which can support far greater public engagement. Long-term contracts and awards for key services and areas of content could have a very useful place in this vision.

Existing funding infrastructures could be applied to the delivery of new public service content funding, meaning a greater proportion of funding could go to

¹⁷ James Purnell in his speech for the Oxford Media Conference, 17 January 2008

producers from the current independent production and/or arts or cultural sectors but which could be rooted in a wider institutional framework, involving new commissioners, co-producers and distributors.

In many ways, the allocation of additional funding to arts media content could mirror the basis on which the Arts Council operates at the moment. As outlined above, the Arts Council uses a range of funding mechanisms to achieve complementary objectives and outcomes. This approach, applied in the context of public service content could see a flexible use of a number of mechanisms and function as a specific media 'challenge' fund which could fund both institutions and ideas.

It could fund major arts institutions and independent producers with track record, strong content and engagement ideas and sustainability potential. A more flexible light touch open application model such as the 4IP model could have a place in any mixed funding model for arts media. Certain concepts and criteria such as partnership funding, reach or demonstrations of public need and benefit could be built in, as in existing models that work well.

The arts industries and content have interestingly proved rich examples for those who wish to support competitive funding such as Peter Bazalgette in his use of the arts in his 'Boggle' concept in his RTS lecture and in John Woodward's use of the arts in his recent speech to the Manchester Media Festival, and noting that this could be broadened to other content areas.

Cultural bodies such as Tate, Watershed and FACT have existing frameworks that are already delivering and fully focused on delivering public value and the potential for delivery of new arts content is significant. They have transparent and accountable structures for distributing and spending public funding and are in many cases already working within the broadcast sector to enable the distribution of excellent cultural content. They have very strong brands and audiences, important in terms of continuing to reach and impact, and there is also significant potential for art form, regional and organisational collaboration and cross-promotion to extend impact across the country.

Arts organisations are in a period of transition as the opportunities presented by digital technologies become more apparent. A challenge fund could incentivise additional commitment to this area, support the growth and capacity of partnerships, particularly equitable partnerships between small and medium sized organisations with larger broadcasters or digital players.

The principle of looking across both the live and arts media landscape should be an important one, building on, where possible and appropriate, arts

organisations' existing live content. This could see significant economic and artistic benefits. In such a climate, arts organisations could be the new commissioners and co-producers of the future, requiring the skills of the independent and digital media sector to help realise content potential, and building in media capacity within their operation such as Tate's evolution into Tate Media demonstrates.

Strategic funding could be devoted to building capacity, testing new concepts or working in partnership with other major broadcasters. This could represent a far larger version of our current national broadcasting and digital fund which has been used as a flexible, responsive co-commissioning and innovation fund, backing ideas such as Channel 4's award-winning *Big Art Mob*, and television series such as *Operatunity* and Five's *The Singing Estate*. This fund has invested substantially in independent producers such as Carbon, Diverse, Proudfoot, Illuminations, whose work often involves the creation of real world arts projects and has done much to bring the highest quality arts content to a wider public.

The funding is allocated in a variety of ways, as venture capital, co-production, co-commissioning, action research and grants. It is flexible, organic and responsive to great ideas that can demonstrate audience impact. It is driven from a strategic understanding of gaps and opportunities. There are real opportunities for action research related to search, discoverability or aggregation, the contexts and architecture of new public service content.

A funding and monitoring panel comprising representatives across other media sectors with the Arts Council could include Ofcom. This would build on existing funding and development infrastructures minimising cost. It would also be able to look across both the live and arts media landscape, responding to imaginative ideas and strong public service content aligned organisations to create maximum impact, legacy and reach.

This would not be restricted to an regularly funded organisation portfolio but could accommodate the independent production sector, digital media agencies or games organisations wishing to deliver content that meets key public service broadcasting and content criteria.

The key starting point for us all is the public, and to deliver the kind of public engagement, impact, reach, excellence, innovation and diversity programmes that the country deserves.

In summary, we restate our key message from phase one, stressing the potential and value within the publicly funded arts and cultural infrastructure

that could help to deliver elements of new public service content, driven by incentives and regulatory levers and stimulating new partnerships between the cultural, audio-visual and interactive media industries.

We believe that working together will ensure economies of scale and establish new networks and ideas to better serve the public and sustain and nurture the creative economy. The Work Foundation's *Staying Ahead* report¹⁸ stressed the often hidden links and interdependencies between the arts as the 'creative core', and the wider cultural and creative industries. It also referenced the links between 'direct' public funding for the arts and the more indirect but vital wider 'institutional heritage' and infrastructure of broadcasting and the media to the arts. These interdependencies and the impact of change within broadcasting and media on the broader cultural ecology and economy should not be underestimated.

¹⁸ *Staying Ahead: the economic performance of the UK's creative industries* (The Work Foundation, 2007)