

# Agenda Supplement – Culture, Welsh Language and Communications Committee

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Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 4 October 2017

Meeting time: 09.15

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## – Non–public funding of the arts: Consultation Pack

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Please note the documents below are in addition to those published in the main Agenda and Reports pack for this Meeting

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### 2.1 Non–public funding of the arts: Consultation

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Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
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## Status

I am the author of 620 reviews and commentary pieces on theatre and performance in Wales dating back to 2007. I have seen more performance than any other audience member in Wales and my writing in aggregate is larger than that of all print media combined.

I belong to no organisation other than to be a member of the panel that determines the nomination and winners for the Wales Theatre Awards. I am not familiar enough with opera and dance so these observations refer to theatre in its broadest manifestation.

## Summary

Wales has a theatre of a quality and a scale that belies its size. No community of three million in the world has a larger. It is a record in which all concerned should take pride, makers and government equally. However, its fuller flourishing is held back by conditions that are well known and been repeated ad nauseam for decades.

A comatose and fragmented media, some answerable to a senior management elsewhere, puts the lid on critical response and public debate. As in other areas entrepreneurial spirit, zeal and managerial competence are high but Wales lacks the structural mechanisms for its full enablement. In the name of solidarity to the national project nostalgia and the selective editing of history pervade the arts to its weakening. The culture is ill-at-ease with modernity. The tourist interest is a strong influence on arts decision-making.

Open markets are an apparatus that need strong law to corral deleterious effects. But the qualities of innovation and energy hold small esteem in the culture. The best historians of Wales lament on public platforms that the great capitalists of the Welsh primary industries are treated in a one-sided manner. Their engineering and technological achievements play no part in the cultural memory, being subsidiary to monochrome record of class antagonism. Art reflects the soil of culture in which it grows and culture is deep and entrenched. This nature of the culture of anti-commercialism weakens the art. Government has small influence when set beside it.

Aesthetics and aesthetic discussion constantly change. A strand of theory, with its roots in the Academy, takes pride in the smallness of audience it is able to attract. The esoteric appeal is interpreted as indicator of quality, the adjective "challenging" elevated to signify the inducement of boredom. Public bodies themselves are part of culture and not immune from fad and fashion.

The most insightful comment on the culture was written by Daniel Evans for [opendemocracy.net](http://opendemocracy.net) on 22nd December 2016. "A final corollary of this invisibility– it is not just the news media: dramatic portrayals of Welsh life remain largely invisible in film, music and literature – is that it contributes to an extremely weak sense of national identity in Wales."

### Performance in Wales

To be an audience member in Wales is a privilege. There is no national community in the world of three million that offers a similar abundance of companies and quality. Cardiff has more venues– WMC, the Other Room, Chapter, the New Theatre, the Richard Burton, the Sherman – than any city in Britain outside London.

Even in a comparable culture of public subsidy for the arts the range and quantity of performance in Cardiff is, for instance, greater than that in Sydney, New South Wales, a metropolitan area ten times its size.

However, the benefit for the consumer comes at a cost. The producers of performance have levels of income that are low and patterns of earnings that are unstable. Careers for actors have the advantage of the proximity of London and for those who are bilingual the production projects of S4C is a career-enhancer. That is not the case for directors and dramatists.

A discussion this summer by the association for directors concludes that a career as a director in Wales is untenable. This is in part because of directors from England, with the National Theatre cited as opting for a high proportion of non-Welsh directors. This is not reflected in the quality, nor the earning capacity, of productions. In 2016 and 2017 the national company's role in the Theatre Awards has been peripheral.

Theatre in Wales has squandered the talents of its most talented writers. Gary Owen alone has over the course of many years become the sole voice, with a reliable distinctiveness, who can sell out a theatre.

The spirit of entrepreneurship is evident across Wales. Cardiff's the Other Room, the winner of multiple awards, is a result of sheer entrepreneurial will. In Blaenau Ffestiniog Opra Cymru is testimony to similar entrepreneurial drive whereby audience appeal links to high quality.

It is notable that the theatre that takes Wales to the world tends to come from the entrepreneurial wing rather than the revenue-funded one. For example Dirty Protest and Scriptography have taken productions to the most prestigious and influential fringe venues in London. Flying Bridge Theatre has performed on both coasts of the USA and was at Adelaide this year, the biggest theatre festival in the world after Edinburgh.

### Role of Arts Council of Wales

The Arts Council of Wales had a period of turbulence at the beginning of the century. To the observer the board and management in the period that followed gave the impression of having performed the role admirably. The Chair up to 2016 was a public figure who spoke unafraidly for the arts.

Since the demand for subvention will always be greater than the resources to supply, the record will always be contestable. In England controversy always centres on the monies given to London versus the rest of the country. The Council in Wales has avoided for instance the like of the protest this month against its equivalent in England. (A debate, of some bitterness, has centred on a start-up company receiving £2m.)

However, the Council is a public sector grant allocation body. An open letter in 2003 signed by 60 directors and writers asked for a strategic approach to theatre (1). Most of the authors' comments are pertinent in 2017. However, the Council is not a strategy-making body nor is it a venture capital operation picking winners. It has to be added that if it were a winner-picker on a VC model then the sales revenues for theatre would soar. But sales maximisation is not its brief and nor should it be. To its credit the balance of allocation across the counties of Wales, the languages and the art forms invites none of the rancour of comment in England or Scotland.

Lastly, the Council is also an outlet for government policy as a whole. Social policy is at its heart but there is evidence of some muddle in its application. (2)

## Contrasts with England

It is pointless to make direct comparison with London since the city is a phenomenon out of kilter with the rest of the four nations. However, two factors are relevant. Firstly, its theatre has always had a public-private symbiosis in which subsidised productions enter the commercial sphere. Indeed the record from the 1980s is clear that theatre practitioners acquired considerable personal wealth without putting any of their own capital at risk. The National Theatre in its recent years has taken pride in its capacity to sell, its highest earner having taken £40m at the box office. There is no obvious evidence of a similar aspiration to sell in Wales.

The ecology of venues is of course vastly different in Wales. However, it is feasible for private-sector theatre to exist with the right product. Frapetsus is evidence, being able to fill theatres from Colwyn Bay to Cardiff. However, since it required extreme financial risk from its entrepreneur-actor-writer it has ceased.

The second factor is an inquisitive press. Thus Richard Morrison of the Times looked to the subsidy for one mismanaged company and then to its number of performances. He divided the two and published his result,

£148,000 per performance. No such exercise exists in Wales.

Theatr Clwyd has this season broken with a tradition of coyness about revenue. Its brochure contains in large print its record for the year. 158,337 tickets sold, £1.6m ticket sales. It stands out for its very rareness.

## Factors for Revenue Growth

Every industry sector considers itself to be unique which is true. All sectors have their particularities but all have their commonalities. In particular commercial success is about brand-building. In England this summer a new play by James Graham was an instant sell-out with transfer to the West End.

A play by Graham is a known entity and the audience knows what it is getting. His play "This House"- the only play in theatre to feature a young Dafydd Elis-Thomas- has longevity also being revived last year with commercial success. Revivals are rare in Wales- again Gary Owen is the only example.

Similarly this summer the National Theatre in England has combined playwright Lucy Kirkwood with the detective from "Broadchurch", the result an instant sell-



out. Brand quality, a repertoire of familiar actors, seasonal regularity are all part of the mix, achieved at Theatr Clwyd and developed with success at the Sherman.

The irregularity of the appearance of theatre companies is not good for brand-building. A company like Waking Exploits is there for three years and then gone. Opra Cymru builds a franchise with audiences of 150–200 and then is no more to be seen.

### Welsh-Language Theatre

I am not an expert in this strand having seen some, but not all, of the productions of Arad Coch, Bara Caws, Cwmni Franwen, Opra Cymru and Theatr Genedlaethol. The five artistic directors hold my respect for work that spans the spectrum from good to outstanding. Their capability for sales growth is constrained by the fact that surtitling, a regular in opera, is still unfamiliar for theatre audiences.

### National Theatre of Wales

National theatre holds a particular place in the theatre ecology. It sits at the centre. There is no choice in the issue. When the late Rhodri Morgan gave his valedictory lecture for the Wales Political archive he was asked as to the stages of government in Cardiff Bay. The first period, he said, had one purpose that over-rode all; it was the legitimisation of the Welsh Assembly Government as an institution.

So with the national theatre; its first chapter was one of unsurpassed brilliance in establishing its existence. Critical praise for the music of Wales has long been a regular. To open a broadsheet and see a five-star review for theatre of Wales, as I did in August 2010, from Britain's best theatre critic had no precedent.

The brilliance has not been sustained. The signs of pathology of corporate decline are well-known and the national company exhibits four of them. A public company cannot go bankrupt in the manner of a private company. The view from an outsider at a hundred miles distance differs from that of Cardiff. Regulatory capture is a well-known phenomenon. With sadness it is hard for an outsider not to discern the signals, from the public record at least, that this has been the case.

### CONCLUSION

The economics of performance are no different from other products. There is a fixed cost that is amortised over production runs with variable cost. In the case of theatre it is the rehearsal and preparation time amortised over the number of performances. At the height of the repertory system the two were merged; the

companies prepared the following week's production during the day before performance in the evening. In terms of cost minimisation the system adopted by Cameron Mackintosh, the world's most successful theatre entrepreneur, is the same as that of the Macdonalds Corporation.

In Wales the company with a regular best ratio of fixed cost to number of performances has been Frapetsus. It stands out as a commercial operation. At the opposite end public sector theatre in 2017 can be observed to have a ratio of five weeks rehearsal and other activities resulting in three performances.

Theatre is a medium for dramatists and actors. They are brand names. Tickets rise when a familiar name is the draw. Look only to the pantomime offered by the New Theatre each winter whose audience extends to Pembrokeshire. Innately strong products and focus and investment on a selected number of existing and up-and-coming performance names are the routes to raising the ratio of earned income to public sector grant-giving.

### Notes and References

1. Open letter– [http://www.theatre-wales.co.uk/critical/critical\\_detail.asp?criticalID=153](http://www.theatre-wales.co.uk/critical/critical_detail.asp?criticalID=153)
2. A document of advice to companies stresses attention to the most impoverished communities both materially and culturally. It suggests experimental work, the exact opposite of what such communities deserve. The bedrocks of theatre are comedy and theatre. An aesthetic of snobbery dislikes these genres, the holders usually lacking in skill to make them.

Adam Somerset  
7 August 2017

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / The Culture, Welsh Language and Communications Committee  
Cyllid Celfyddydau nad yw'n Gyhoeddus / Non-public Funding of the Arts  
CWLC(5) ART02  
Ymateb gan Mission Gallery, Abertawe / Evidence from Mission Gallery, Swansea

As part of a *Wales Arts International* funded residency with *Residency Unlimited* in New York last November (2016) Amanda Roderick, Director of Mission Gallery, Swansea and Bella Kerr, Chair of the Gallery's board, interviewed several organisations regarding organisational structures and issues such as fundraising and non-public funding.

The residency proposal outlined our intentions as:

A collaborative investigation of the visible and invisible structures and infrastructures centred on and around cultural organisations, considering the role of partnerships, dialogue, learning, opportunity and engagement.

We used these questions to initiate discussion:

- How are location, site and architecture important when defining a gallery/other space and its artistic philosophy?
- For galleries/other, what are the connections to the city and wider community?
- How does partnership work and feed into an organisation's programming and strategy?
- How do the smaller galleries, grass roots organisations, studio groups and collectives, work alongside each other in collaboration with the larger established venues?
- Are genuine creative partnership formed to the benefit of each organisation and the artists/others involved?

Below is an edited extract from a key interview (anonymised). We are currently processing the material gathered during the residency with the possible intention of publishing, and have made several presentations about this work.

**BK & AR Interview with X, Director of Development, XX**

X has 30 years of experience as an arts administrator and non-profit fundraiser.

*Early on I had a series of not very good jobs, I mean for organisations that if they didn't exist you wouldn't have to invent them. It was always a criteria of mine; if it didn't exist, would you have invented it?*

*Basically, in America, if you're an arts administrator, you are, at some level, a fundraiser because the real problem with the American model is that so much of an institution's resources are devoted to fundraising rather than programme delivery.*

*I think it's a big drag on institutions. Here, things are very lean. Nationally, the team are well connected and well respected. They've built a model that is very efficient in its fundraising efforts. Major institutions will have tens of people in their fundraising department and, if you're looking at getting a whole bunch of different gifts from different sources, each takes a level of maintenance and servicing to keep going.*

*I think if you're confident of a big chunk of your money coming from the government or from a quango, then it allows for a much more efficient organisation, and quite often for a more risk taking organisation. I think there's an inherent conservatism in an organisation that's heavily dependent on individuals. They like what they like and that's why they're supporting it.*

*There are a number of things that have been done a little better here over the past few years. Just the training and development that people running organisations need is very important. I think the whole issue of capacity has come to the fore a little bit more in recent years here. The large institutions like the Met and MoMA and the Lincoln Centre have these big departments and they have very professional people working in each of the departments.*

*The perception of the organisation within the community, not with the general public, but within the arts community, including the funding community, is very much tied to the perception of the director. The most important thing therefore is to be very visible, to be out and about. For your organisation the thing that really drives funding for the most part – a certain amount of it is just connections – is quality. People are really interested in supporting quality programmes. It's about being out and about and creating a very strongly perceived view of someone representing an organisation that is doing good work.*

*Whatever community or organisation you're working for, I think it's very important for the director to be visible, because you're the principal ambassador for the organisation.*

*Dealing with foundations and government, it is reputation and those people are very much, usually, part of the world, of the art world. They engage in it. They want to hear about new things. Their job is to give away money. Fundamentally that's what they do, so it's straightforward to ask them.*

*They will look to the field to be guided about who is impressive and who is not. Again, that's really why having this kind of very strong reputation, why this perception of the leadership is needed – obviously in the media – and within other public venues. Also the views of artists count for a lot, the people that you actually work with directly. A sense of openness, particularly if you're dealing with young, emerging artists, can really help.*

*I think a lot of work is important for fundraising, it's also important just for organisational profile, because you want to have a sense of openness, approachableness, and competence – but not arrogance – just to succeed in the community. You need it to also to succeed with fundraising – there is an overlap.*

*Marketing has to be exactly in parallel with your mission. Having talked a lot about the quality side and the visibility, you also have to establish a sense of need. I think that's one of the things and that's a real issue because your focus is so much on quality, which includes quality presentation or suggests financial stability – and you never want to say, "We're going to close. We're dying. It's awful." You have to balance that.*

*What's fundamental to the health of an organisation, is that you have a clear, strategic vision. Everybody hears, "Innovation, innovation, innovation," and it's like, "Why, you idiots." You're doing something well, of course you're going to want to improve and strengthen that, but if you're doing something well, why do you need to innovate?*

*You just need to do what you do and do it well. If you're educating kids, you don't need to stop educating kids and start building cars. What you need to do is keep up with trends in education. You don't need to innovate, you just need to be good at what you do. That said, I think just having a sense of the direction, a clear internally generated sense of the organisation and where it's going is key, because if your leadership can't generate a strategic plan for the organisation, maybe they shouldn't be your leadership.*

*If you don't have a vision for the organisation, then maybe you shouldn't be in a leadership role. I think that kind of internal articulation of what you are and how that is going to play out over the next three to five years is very important. I think to document that is also very healthy and a useful and very stimulating thing to do. To have somebody from the outside come and make a very pompous \$90,000 strategic plan, that is then a rigid thing that you're being told off about by your stupid board, is a wholly other project.*

*My dislike of strategic planning is this notion that some expert will come in and guide you, because it's such a denial of the competence that exists within the organisation, or that should exist within the organisation. Too often people think that people on the outside are going to have more, be better, than the people you have on the inside. I think that's a wretched way of thinking.*

*The kind of strategic planning I do is more one of listening to the organisations, bringing everybody together and creating that space and forcing that discussion. I think somebody who is competent can moderate and manage and facilitate those conversations and document them and add in their own ideas and their own experience. But fundamentally it is to give you the kind of structure and opportunity to talk through the issues that you're going to have to address over the next years, and generate with you, driven and guided by you, the solutions to that problem.*

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / The Culture, Welsh Language and Communications Committee  
Cyllid Celfyddydau nad yw'n Gyhoeddus / Non-public Funding of the Arts  
CWLC(5) ART03  
Ymateb gan Achates Philanthropy Foundation / Evidence from Achates Philanthropy Foundation

On behalf of the Trustees of the Achates Philanthropy Foundation, I write to share with the Committee information regarding the Achates Philanthropy Prize for new cultural philanthropy, in the hope that it will be of assistance to the inquiry.

The Achates Philanthropy Prize was created in 2016 to achieve three key aims:

- To raise awareness of the arts as charitable organisations that need philanthropic support
- To promote the idea that anyone can be an arts philanthropist
- And to celebrate the pleasure that being an arts philanthropist can bring

The Prize was established as a result of my work as a fundraising consultant and in particular, two key experiences: firstly, acting as lead advisor on the National Theatre's NT Future Campaign and the realisation this and parallel projects brought that the models employed by a limited number of major cultural institutions simply are not replicable by the majority of small to medium organisations. And acting as lead philanthropy advisor to the evaluation of Arts Council England's Catalyst and now Catalyst Evolve programmes, alongside BOP Consulting, over the last four years.

The evidence from the extensive research carried out and published in annual reports highlights the need for greater public understanding of the arts as charities that need philanthropic support and the need to challenge the idea that arts philanthropy is the preserve of the few. Whilst carrying out this research, it became clear that DCMS views these challenges as the responsibility of the individual organisations to address. Given that this is an extremely challenging case for the individual organisations to make and particularly at a time of austerity, this led me to develop the Prize as a form of campaign to support change by sharing and celebrating the stories of individuals from all contexts who are supporting the arts for the first time.

The shortlist for the 2016 Achates Philanthropy Prize included: the RSC, the Fruitmarket Gallery in Edinburgh, Northern Ballet, Turner Contemporary, Theatre Royal Stratford East, and The Yard Theatre.

The Prize was ultimately awarded to Theatre Royal Stratford East and their nominated philanthropist, Nigel Farnell. The story of Nigel's journey to becoming an arts philanthropist after many years of not engaging in culture, which he shared on Radio 4's Front Row amongst other media, has inspired many arts organisations to think of ways they can engage new philanthropists and we are now very much looking forward to the 2017 awards.

In 2017, we have been fortunate enough not only to retain our major sponsor, Achates Philanthropy Ltd, but also to have secured the support of two first-time arts sponsors; the cultural consultancy firm BOP Consulting, and the ticketing agency, Spektrix. This has enabled us to offer two Prizes in our second year. The existing Prize for individual philanthropy and a new Prize for first time corporate supporters of the arts. This is particularly important as corporate support for the arts declined by a third between 2012 and 2016. Both Prizes include a £5,000 donation to the winning organisation and custody of the Prize sculpture for a year for the winning individual, or business. The Old Vic Theatre are joining us as in-kind sponsors by hosting a drinks reception at which the 2017 Achates Philanthropy Prize will be awarded by eminent arts philanthropist, Omar Al-Qattan of the A. M. Qattan Foundation, on Monday 27th November.

In addition, we have secured a number of esteemed judges for the 2017 Prize including broadcasters John Wilson and Razia Iqbal, and we are delighted that our 2016 Individual Philanthropy Prize winner, Nigel Farnell, will also join the panel.

The call for entries closes on 10 September 2017 and we hope that there will be many entries from Welsh organisations.

The Prize undoubtedly represents a tiny proportion of the energy and investment that is needed to change attitudes to cultural philanthropy, which currently accounts for less than 1% of all UK philanthropy with more than 60% of that going to the 50 largest institutions. However, the Trustees have established a clear framework for measurable change by the end of our current commitment to the Prize, in 2019. This includes strongly establishing the Prize within the sector in 2017, starting to specifically target key audiences in 2018 and embedding the Prize nationally in 2019 through a lobbying and advocacy campaign and key activities such as a touring exhibition telling the stories of emerging arts philanthropists.



It is of course clear that the current rate of growth in cultural philanthropy, as detailed in the Private Investment in Culture survey (once adjusted to allow for the influence of a single institution) is not growing at a rate that will enable it to entirely meet the gap left by reductions in state subsidy and that most cultural organisations will need diverse income streams to meet their financial needs, but the Trustees of the Achatas Philanthropy Foundation believe that voluntary income can play a vital role as part of this mix with appropriate awareness raising and investment.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / The Culture, Welsh Language and Communications Committee  
Cyllid Celfyddydau nad yw'n Gyhoeddus / Non-public Funding of the Arts  
CWLC(5) ART04  
Ymateb gan Canolfan y Celfyddydau Llantarnam Grange / Evidence from Llantarnam Grange Arts Centre

Llantarnam Grange Arts Centre (LGAC) is a small incorporated charity, company limited by guarantee and registered charity, based in Cwmbran, Torfaen.

Llantarnam Grange Arts Centre (LGAC) opened in 1966. Over the last five decades the community it serves has grown considerably, now typically over 50,000 people visit the centre in Cwmbran each year. Audiences see our exhibitions at other venues across the UK, take part in outreach participatory projects and engage with us digitally. The diversity and quality of our exhibitions and learning programme make us a much valued and used resource for town, county, region and increasingly nationally and internationally.

LGAC is a member of the Arts Portfolio Wales, a key member of the Arts Council of Wales revenue funded organisations.

LGAC is governed by a Board of Trustees, while the day-to-day management, running and programming is delegated to the Centre Director and team of dedicated staff.

### Our Mission

Advance the understanding and education of the visual arts to benefit the lives of our communities.

### Our Vision

To present the best work being made in Wales and bring to Wales, some of the most important and interesting work being produced nationally and internationally. To deliver a programme of education / participation / engagement activities that is relevant to the lives of our communities.

Our Trustees and our staff are united in the belief that participation, engagement and education lie at the heart of the Arts Centre. This ethos is expressed through all our work. We provide opportunities for people of all ages to become engaged in their contemporary cultural heritage. This is illustrated by the presentation of an exhibitions programme that provides our audience with an opportunity to access creative work of the highest quality. Additionally, through providing a rich and lively learning resource that is inclusive and that offers different ways of learning to give everyone an opportunity to become actively engaged.

It is this ethos that provides the artistic vision that drives the organisation forward.

## Delivery of Our Mission and Vision

We will continue to build on our successes, and through strengthening our relationship and working in partnership with makers, artists and organisations we will continue to demonstrate our significance as a regional cultural asset.

## The Future

We aim to achieve our Mission and Vision through continuing to develop our audience delivering the following seven goals:

1. Deliver an exhibition programme of quality and excellence giving our current and future audiences the opportunity to engage with work produced in Wales and to bring to Wales some of the most important work being produced nationally and internationally.
2. Reach out to our communities & deliver a learning programme that will:
  - Deliver the national strategic project Criw Celf in the SE Region
  - Provide opportunities for people of all ages to engage in cultural activities
  - Provide a rich and lively learning resource that strives to have an inclusive approach giving our communities the opportunity to become actively engaged with their visual and cultural heritage
3. Further the debates of contemporary practice raise the visibility of makers and artists by touring exhibitions and engaging in collaborative projects with other galleries and venues
4. Provide a platform for our audiences to develop an understanding and appreciation of the debates relating to contemporary practice
5. Provide opportunities for artists and makers living and working in Wales to develop a career through their creative practice
6. Provide opportunities for artist/makers groups, community/voluntary organisations and other bodies to use the resources of the centre to act as a hub and focus for wider cultural and heritage activity
7. Reinforce our position as a valued and needed resource within the communities of Town, County, Region and Nationally

These future plans will be underpinned by ensuring that we have sound governance and operate within a sustainable financial model.

## Context and Markets

Culture does not exist in isolation, LGAC operates within a network of cultural and heritage venues, museums and visitor attractions within Torfaen County Borough, Wales and beyond.

## Budgets and Forecasts

The past five years have been challenging with local authority budget squeezes, Arts Council of Wales budget reductions and increasing costs. Llantarnam Grange Arts Centre has navigated its way through this period. However, we do not underestimate the challenges ahead both in the short term and further ahead. Continued pressure to local government funding and pressures on the Arts Council of Wales together with the unknown implications of Brexit make for a very challenging future.

Llantarnam Grange Arts Centre is part of the Arts Portfolio Wales. A body of organisations that receive core Art Council of Wales funding. We also hold a Service Level Agreement with Torfaen County Borough Council. These two organisations are our biggest funders of unrestricted core grants.

In 2016/17 our total income was £219,409; we received £82,380 from the Arts Council of Wales and £26,125 from local government a total of £108,508 in unrestricted core funding, plus a further £10,056 in restricted grant income for specific projects a total of £118,564.

The balance of £99,234 is sourced through generating earned income and donations.

Exhibition Sales	£8,333
Education Fees	£17,743
Craftshop Sales	£23,870
Café Sales	£43,809
Room Hire / Rental	£5,479
Total	£99,234
Government funding	54%
Self Generated	46%

We feel that this balance is about right with approx 50% of our expenditure generated by the organisation. There is not an over dependence on support.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / The Culture, Welsh Language and Communications Committee  
Cyllid Celfyddydau nad yw'n Gyhoeddus / Non-public Funding of the Arts  
CWLC(5) ART05  
Ymateb gan Opera Canolbarth Cymru / Evidence from Mid Wales Opera

Firstly, we would like to thank you for your interest in this vital issue and in the balance between the role of revenue funding from Arts Council of Wales and the need to diversify funding sources for the arts in Wales through earned income, philanthropy and investment.

As a sector, we are well aware of the challenges faced by the National Assembly and the Welsh Government in terms of funding, and equally of your Committee's on-going commitment to supporting and valuing the Arts and Cultural Industries.

In response to your consultation, we would like to use Mid Wales Opera's work as an example of the efforts, and challenges, involved in trying to diversify the funding base of revenue funded organisations. As a company, MWO is a revenue funded client of ACW – however, the funding we receive (£104,000 per year) is sufficient only to support our core staffing and to meet the costs of producing one show per year and presenting it at our home theatre in Hafren, Newtown. As it only makes financial, logistical and artistic sense to create a new production if we also tour it, we inevitably have to generate additional revenue from a range of sources to make our overall operation viable.

Our annual budget for the coming year is £292,000 – with our work including:-

1. A sixteen venue community scale tour of William Walton's The Bear in Autumn 2017
2. An eight theatre tour of our core production of Tchaikovsky's Eugene Onegin in Spring 2018 with Ensemble Cymru.
3. A week's residency in Montgomery Church in Wales School – creating an opera from scratch with the entire junior school.

Our work over the next year is supported by:-

- The Foyle Foundation and Ashley Family Foundation – each contributing £20,000 towards the costs of The Bear
- Nidec/Control Techniques – sponsorship for singer on The Bear tour £1500

- Arts Council of Wales Lottery – Eugene Onegin tour (£75,000 grant National Touring)
- D’oyly Carte Charitable Trust (£3,000), Fenton Arts Trust (£3,000), John Lewis Charitable Trust (£2,000) towards the costs of supporting Young Artists on our Eugene Onegin tour – we have applications in with the Garrick Charitable Trust, Oakdale Trust.
- ACW Creative Collaborations – schools residency.
- £8,000 of other income , predominantly individual giving from our Friends and Patrons

Non-public funding thus is expected to provide around a fifth of our total income with a further fifteen percent coming from earned income and ticket sales

We already have some funding in place towards our 18/19 programme which is based on a community tour of Ravel’s L’heure Espagnole and a main stage tour of Puccini’s Tosca– £7,500 from the Garfield Weston Foundation and £5000 from the Gwendoline and Margaret Davies trust – our lottery application has been submitted this month.

For an organisation with just four part-time staff, juggling this range of funders and the constant need to plan ahead is a challenge. For the first time in our history, we are working to a five year artistic plan which allows us to build on our successes – such as our Spring 2017 tour of Handel’s Semele with the Royal Welsh College of Music and Drama and Academy of Ancient Music – and plan our partnerships years in advance.

**The foundation for all of this work is our revenue funding.** It is the bedrock on which MWO is built and allows us to employ staff, including our Artistic Directors Jonathan Lyness and Richard Studer on contracts (albeit part time ones) working on a year round basis rather than sessionally during production periods. That means we can work together as a team, sharing our ideas and plans around each production and creating marketing and fundraising programmes which are fully integrated into our artistic vision.

Having managed organisations reliant on annual lottery applications for their core costs, I am well aware that the luxury of revenue funding is one which we cannot take for granted. We work in partnership with our lead officer at the Arts Council of

Wales, and while she is taking voluntary redundancy in the current round we are already establishing a relationship with our new officer.

We are part of a far wider eco-system across the arts in Wales (and to some extent into England). By working with Ensemble Cymru as our orchestra for the next two main stage productions we are able to partner with an organisation which shares our vision of bringing exceptional quality, chamber scale music and productions to audiences outside Cardiff – making more work for their players and taking their music to new places.

We're also in close and regular contact with all our theatres – we understand the financial pressures they face, that opera is a tough sell (particularly outside metropolitan centres) and our fees reflect that – as does the level of marketing support we give our theatres for our touring work.

Opera is of course, the most expensive of art forms, and if we are to make it accessible, we cannot hope to recoup more than a modest proportion of what it costs to mount a show. As a company, we are focussed on taking opera to places where it is never or rarely performed – for example our mainstage tour will visit Llanelli, Milford Haven and Newport. Our tickets cost around £15–£20, with some theatres offering special deals such as Pontardawe Arts Centre's £1 tickets for children to see *The Magic Flute*.

In the past, venues who were funded by the Arts Council and local authorities were prepared to pay a fee which exceeded the income they were likely to generate from ticket sales, as part of their mission to present the widest variety of performing arts, but with funding cuts to their budgets, this is no longer the case: our fees have stagnated over the last ten years, meaning that, earned income now meets only around 15–20% of the costs of each performance. This clearly represents a huge challenge.

The four star reviews, and high critical praise for our 2017 Spring tours have confirmed MWO's work is exceptional quality by any standards. The price of our tickets, our decision to cast 50% of our performers from those under 30 and/or less than four years out of college and our touring venues reflect a commitment to supporting young artists and our desire to share our passion for this extraordinary artform. We choose to sing in English and we have chosen to take our SmallStages tour to Aberdaron, Cilgerran and Cwmbran on ACW Night Out programme because we genuinely believe opera is for everyone.

As a company we're working hard to diversify our funding base but we do face some considerable challenges, over and above the inherently challenging proposition of mounting a show which requires some 25 professional performers plus stage and technical crew in small and medium sized venues around Wales – some specific to our commitment to working from a base in Mid Wales.

- Sponsorship works well for some companies, and we have had some small success ourselves, but in rural Wales there is a limited range of private companies which we can approach – realistically this is not a solution for many arts organisations.
- We're working hard to increase individual giving through Friends and Patrons – as a small company we need to find new ways to connect with those willing to personally support our work and we're working with our Board to do that. But as a touring company, it can be challenging to develop embedded relationships and many of the areas to which we tour are characterised by low incomes.
- London based critics are often reluctant to travel beyond Cardiff to see work – and London based funders likewise. We contribute to the Wales Critics Fund which can support those based in Wales to review our work but we need to find a way to get national press reviewers to see our shows, and opening in Newtown presents us with a challenge on that level!

We'd be happy to attend the Committee in person if that would be useful – or to be used as an example of the efforts being made by revenue clients to diversify their funding, alongside the challenges that presents.



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# 1. Introduction

## Scope

Non-public funding of the arts isn't a stand-alone source revenue, separate from public funding. It's part of an inter-connected ecology of funding and investment that sustains a wide range of subsidised and commercial activities.

We therefore look at four issues:

1. The funding profile of Wales' main publicly funded organisations – the Arts Portfolio Wales (APW). This is the nation-wide network of revenue-funded arts organisations who in total receive some £27m of Arts Council grant-in-aid and local authority support of around £4.6m.
2. Strategic initiatives designed to help alleviate pressures on the publicly funded arts
3. Initiatives and projects currently underway in Wales to encourage greater non-public investment into the arts.
4. An examination of some of the tools adopted, nationally and internationally, to encourage and incentivise non-public investment in arts and culture.

For the purposes of this paper, public support is assumed to also include the funds raised from the National Lottery.<sup>1</sup>

## The public funding context

Economic austerity, and the consequent pressure on public funding, is focusing attention on alternative methods of supporting arts and cultural activity. The scale of the challenge is increasing as year-on-year funding cuts bite.

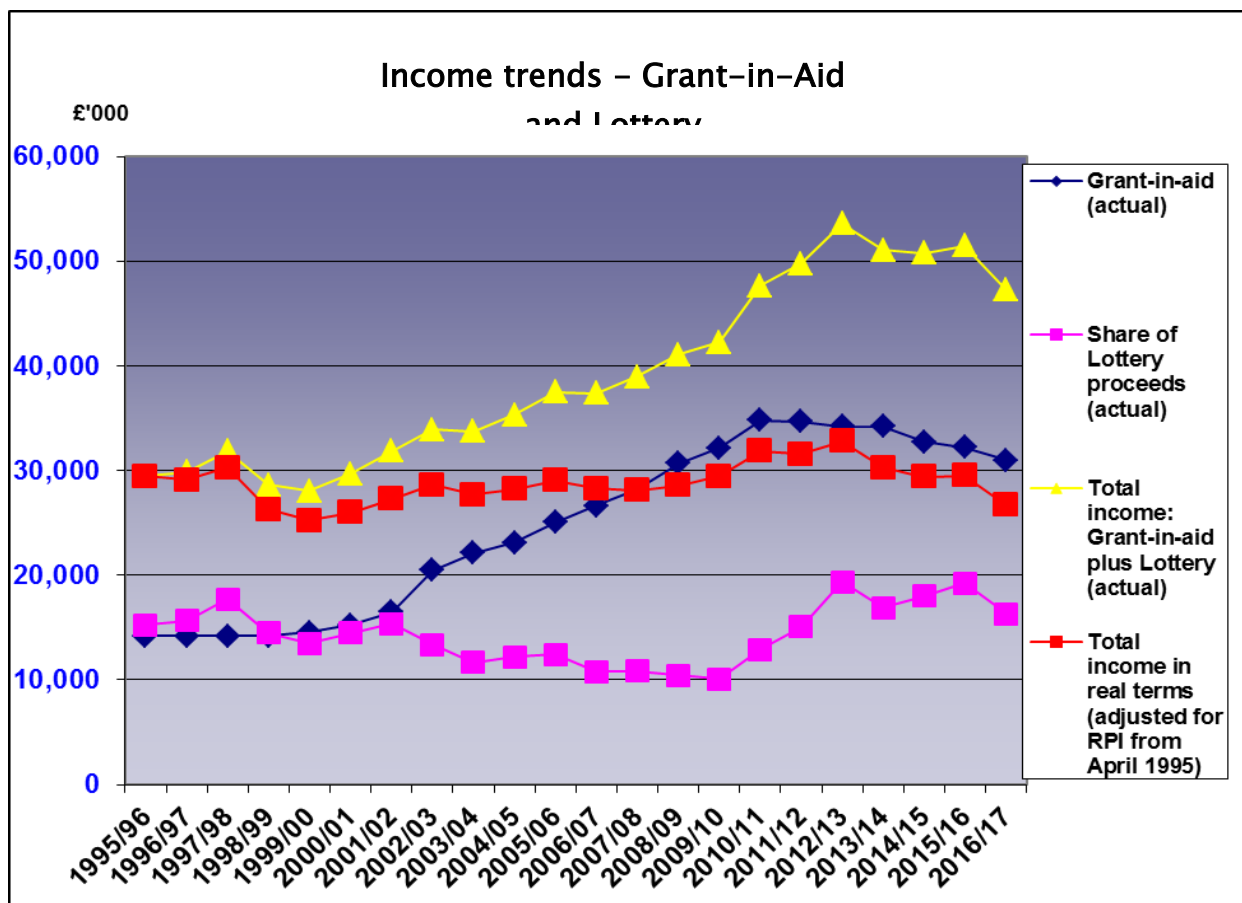
The Arts Council of Wales manages and distributes Government grant-in-aid and funds received from the National Lottery. The 'real terms' value of this funding has reduced significantly in recent years (although there has been a welcome increase of 3.5% this year in Government support for the arts).

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<sup>1</sup> A proportion of the cost of each Lottery ticket is allocated to four "Good Causes", of which the Arts is one. Funds are allocated on a formula basis across the four UK nations. The Arts Council of Wales is the distributor of Lottery funding to the arts in Wales. We receive 1% of the total funds allocated to the Good Causes.

More than a decade of sustained public and Lottery investment in our cultural life in the 1990s through to 2010 enabled more people to enjoy and take part in the arts. However, five years of funding cuts in the early part of the present decade have meant that previous growth in Welsh Government funding has now been eroded.

Actual levels of funding from 1995 to 2017 are set out in the chart below. However, combined grant-in-aid and Lottery funding – once adjusted for inflation – is actually less than it was 21 years ago. From 1995/96 to 2016/17 total RPI adjusted funding (the red line in the chart below) fell from the original cash figure of £29.5m to an RPI adjusted value of £26.7m. This is a real-terms decrease of nearly 10%.



One response to diminishing levels of funding has been to encourage funded organisations to reduce the extent of their dependency on public support, either by increasing earned income or developing new sources of income. This mixed funding model, if it can be achieved, is felt to offer the prospect of greater financial sustainability and resilience in the longer term.

This aligns with the Welsh Government Government’s Well-being of Future Generations legislation. The well-being principles encourage us to arrange our

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activities on a more sustainable basis – socially, environmentally and financially. We see this as being consistent with our work in helping the arts to be less dependent on public subsidy.

### The international context

The arts in Wales operate internationally. For example, between 2007 and 2016, over 150 projects in Wales are estimated to have received around £23m in European Union (EU) funding.<sup>2</sup> Although EU grants are another type of public funding, the match-funding requirements attached to them have often helped to lever other sources of non-public funding.

Developing a mixed economy of public/non-public support has been a long-standing objective of EU policy. In particular, EU policy encourages partnerships between arts and business. For example, a European Parliament Resolution on cultural industries in Europe (2007/2153(INI) para 24) calls on:

“the Council, the Commission and the Member States to take the action required, recommending mixed methods of funding and financial security, and promoting a regulatory and fiscal framework that favours cultural industries as well as creative communities, and more particularly by applying tax credits and reduced rates of VAT to all cultural products, including online works.”<sup>3</sup>

Business and arts cooperation is also referred to in the European Green Paper on *Unlocking the potential of cultural and creative industries*, COM(2010) 183.<sup>4</sup>

At the Arts Council of Wales we're able to draw on international connections through our membership of the International Federation of Arts Councils and Cultural Agencies. Our international peers confirm that ongoing financial pressures mean that many countries are examining different models of public/private support. The financial context is reported as being “challenging” and the results of this experimentation “mixed”.

Two sources of funding – sponsorship and trusts/foundations – are reported as being under particular stress. In the 1980s and 1990s levels of support in European countries were generally on the rise. Now, however, this funding is

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<sup>2</sup> Euclid research – “Assessing the European Union’s contribution to the arts in Wales since 2007”

<sup>3</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A6-2008-0063+0+DOC+XML+V0//EN>

<sup>4</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0183:FIN:EN:PDF>

diminishing. Private foundations in Europe have also tended to limit grant-giving, at least for the time being, as they nurse their capital during an era of low interest rates. This has tended to focus attention on the incentives (usually around taxation) that governments can put in place to stimulate individual and corporate investment as part of the mixed economy approach. This is explored in more detail later.

## Brexit

This paper is not the place to consider in exhaustive detail the practical issues that might arise from the United Kingdom's disengagement from the European Union. However, there are issues that could potentially add to organisations' costs and adversely affect their financial stability.

For two decades the Arts Council of Wales and its international arm, Wales Arts International, have developed and nurtured a wide range of international and European cultural partnerships. Some of these have been funded by specific projects and focused programmes of exchange. Others have been longer-term, building connections that have fostered enduring relationships with countries around the world.

Whatever Brexit brings, there are issues that will need to be addressed if Wales is to continue to benefit economically, culturally and socially from its international relationships. There are three key areas of particular risk in which the interests of the arts and creative industries might be adversely affected.

They are:

- *Talent and skills* – including freedom of movement for specialist workers, skills shortages, visas and touring. At present, “frictionless” movement across national borders saves time and money
- *EU funding* – including access to Horizon 2020, Interreg, Erasmus+, Creative Europe, cultural exchange and export opportunities. EU-funded partnerships often include non-public funding and support
- *Regulatory frameworks* – including Digital Single Market, intellectual Property rights, copyright protection. Current arrangements help protect assets and enable the generation of income through commercial exploitation.

## The Arts Council's Remit Letter 2017/18

Our 2017/18 Remit Letter from the Welsh Government encourages us to help the arts to become less dependent on public funding. It says:

“You should continue to work on your business development services, to support your clients to maximise their non-public funding. This includes work to secure more funds from charitable trusts and foundations, and from individual and corporate giving. Some arts organisations are becoming more skilled at exploiting the commercial potential of their output, through better marketing and more effective use of technology. Others are less confident about this. So I would ask you to work with your portfolio organisations to develop a tailored plan for developing their business and marketing skills, to include clear annual targets for increasing self-generated income.”<sup>5</sup>

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<sup>5</sup> <http://www.arts.wales/about-us/governance/corporate-policies/remit-letter>

## 2. Defining terms

### Non-public support

For the purposes of this note, “non–public funding” refers to the investing in, giving to or spending on arts and culture undertaken by individuals, businesses or non–public organisations.

It’s difficult to impose a rigid separation between different types of funding and investment. In practice, the arts in Wales depend on diverse sources of funding and investment, many of which straddle public and private. For example, the UK Government has given important support to cultural organisations through a package of new tax relief measures, including for theatre and orchestral touring. These are now an important part of a mixed economy of income streams that support subsidised activity but which also helps to generate commercial income.

Investing, giving and spending are driven by different motives. *Investing* is driven by the principle of gain measured in terms of profit or return on investment. *Giving* is prompted by different motives, usually driven by the principles of individual philanthropy or corporate social responsibility.

### Public support

This includes direct and indirect support. For example:

- *Direct support* is the support to arts and culture made by government and/or other public bodies, such as the Arts Council, a local authority or the European Union. This support includes grants, subsidies, awards, contracted services etc.
- *Indirect support* consists of measures, adopted by governmental and/or public institutions for the benefit of the arts that involve legal instruments or public sector interventions. Indirect measures usually revolve around the flexible application of taxation policy – the income that local and national governments forego because of tax reductions and/or exemptions granted to arts and cultural organisations.

### Forms of private support

Private support can include business support, individual giving and support from foundations and trusts:

- *Business support* usually refers to direct financial investment designed to deliver specific outcomes. These can vary from involvement in public–private



partnerships, sponsorship, donations or the commissioning/purchasing of works of art. Private support can also involve in kind assistance or *pro bono* services that an organisation might otherwise have to purchase

- *Individual giving* includes transactions made by individuals with the intention of donating money and goods. This is usually described as individual philanthropy
- *Foundations and trusts* are predominantly intermediary bodies, charitably constituted and usually founded by law. They are nearly always supported by private endowment and serve specific purposes defined in the body's founding objectives.

There is also the individual as private citizen, purchasing ticket sales for attendance and ancillary products (such as refreshments and merchandise), and cultural objects (such as books, recordings, films, works of art).

### The personal investment of individual artists and creative professionals

One of the most significant sources of non-public funding in the arts is the unpaid time committed by professional artists and creative professionals to delivering projects that they're involved with. When public funding is tight, arts workers will often absorb the costs themselves by reducing the fees that they take for their work. This isn't public funding. Nevertheless, it represents a significant hidden 'subsidy' to the arts.

Research commissioned by the Arts Council of Wales on "Support for Creative Professionals" (Fieldworks 2016)<sup>6</sup> noted that:

"Quantitative and qualitative research highlights that the level of pay is generally very low. Individuals that manage to sustain livelihoods do so through passion, conviction, a sense of social responsibility, inherent creativity and, often, private support. Research highlights the current culture of not paying or inadequately paying artists."

### The purposes of public funding

If we're to be clear about the scope and potential for non-public funding, we need to be equally clear about the purposes of public funding and where the lines of demarcation rest between the subsidised and non-subsidised.

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<sup>6</sup> <http://www.arts.wales/research/latest-research/research-creative-professionals>

Public funding (or subsidy) for the arts has traditionally been built on the five pillars of:

1. Increasing choice and availability
2. Encouraging and promoting creative activity through the medium of Welsh
3. Reducing costs to offer greater affordability
4. Enabling innovation, experimentation and risk-taking
5. Mitigating 'market failure' (i.e.: the inability, or unwillingness, of 'the market' to pay the real cost of certain types of cultural activity).

In other words, public funding helps to ensure that affordable and diverse programmes of quality activity are more widely available to more people.

It shouldn't be assumed that publicly subsidised activity is of lesser value or is in some way elitist. Educational and community-based arts activity can have great cultural and social importance, but have little prospect of sustaining itself on a commercial basis.

So market failure isn't just about the failure of arts within the market, but about the failures of the market itself – the ways in which economic forces can undermine and cut against, innovation, choice and affordability.

There will be many instances where 'the market' will see no merit, or financial gain, in supporting certain types of activity. We obviously shouldn't be spending public money where it's not needed – where the market can sustain an activity without compromising its creative integrity. However, if we're to offer real variety of product – and help to retain talent and keep intellectual capital in Wales – we need a nuanced investment and funding strategy that recognises that a vibrant cultural economy depends on the right mix of public and non-public funding.

### 3. The Arts Portfolio Wales

#### The Arts Portfolio Wales (APW)

The APW is the nation-wide network of 67 organisations who receive grant-in-aid revenue funding from the Arts Council of Wales. The APW forms the foundation of the arts in Wales, providing year-round opportunities across the country for people to enjoy and take part in the arts.

The Portfolio includes the full range and type of organisation, from large-scale internationally significant companies (such as National Theatre Wales, Wales Millennium Centre and Welsh National Opera), to more community focused organisations (such as Valleys Kids, Cwmni'r Frân Wen and Theatr Felinfach). ARW organisations are located across Wales.

#### Arts Council of Wales revenue funding

2015/16 is the most recent year for which we have a full set of audited accounts for the APW. The analysis set out below is therefore drawn from confirmed financial figures.

Excluding Wales Millennium Centre (WMC) from the analysis (because of the distorting impact of WMC's very significant commercial model), the extent of funded organisations' reliance on Arts Council revenue funding remained roughly the same in 2015/16 compared to 2014/15 (at 31% of the total income).

Comparisons with portfolio organisations funded by other UK Arts Councils are set out below.

#### Portfolio Organisations 2015/16: revenue funding as a % of total income

Arts Council of Wales	Arts Council of Northern Ireland	Creative Scotland	Arts Council England
31%	31% <sup>7</sup>	31% <sup>8</sup>	25% <sup>9</sup>

<sup>7</sup> <http://artscouncil-ni.org/news/arts-council-annual-funding-survey-results-2016-published>

<sup>8</sup> [http://www.creativescotland.com/\\_data/assets/pdf\\_file/0009/37296/Creative-Scotland-Annual-Review-2015-16-FINAL.pdf](http://www.creativescotland.com/_data/assets/pdf_file/0009/37296/Creative-Scotland-Annual-Review-2015-16-FINAL.pdf)

<sup>9</sup> <http://www.artscouncil.org.uk/publication/arts-council-england-grant-aid-and-lottery-distribution-annual-report-and-accounts>

The figure for Arts Council England’s Portfolio organisations is the most marked. This reflects, in part, the large number of significantly-sized organisations based in London and other metropolitan centres with bigger catchment areas and greater access to business sponsors.

In summary, the funding profile of the APW in 2015/16 shows that:

- total income to the APW saw a -1.5% drop £1.2m to £78m, although earned income actually increased by roughly 6% (£1.4m)
- 3% (£0.7m) of this increase was due to the opening of a new arts facility, Pontio in Bangor
- £0.5m of theatre tax relief was also received by qualifying APW organisations
- there was a reduction in other grant and donation income of -3% (£0.5m)
- Portfolio organisations saw reduced local authority funding of around £1.9m in 2015/16, (£0.8m of the reduction in local authority funding related to the RCT Theatres and the closing of The Muni in Pontypridd.)

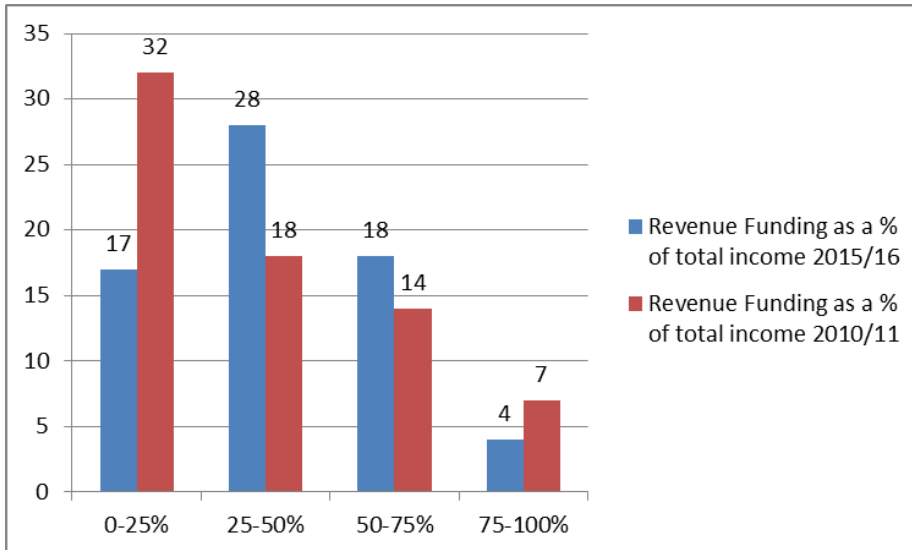
Local authority funding reductions to the APW represent a stark trend in recent years.

2015/16	2014/15	2013/14	2012/13	2011/12
4,495,864	6,367,641	10,430,296	10,824,913	10,995,455

This is a reduction over the five-year period of around -59%. It’s to the Portfolio’s credit that this substantial loss of funding has not fatally de-stabilised the sector.

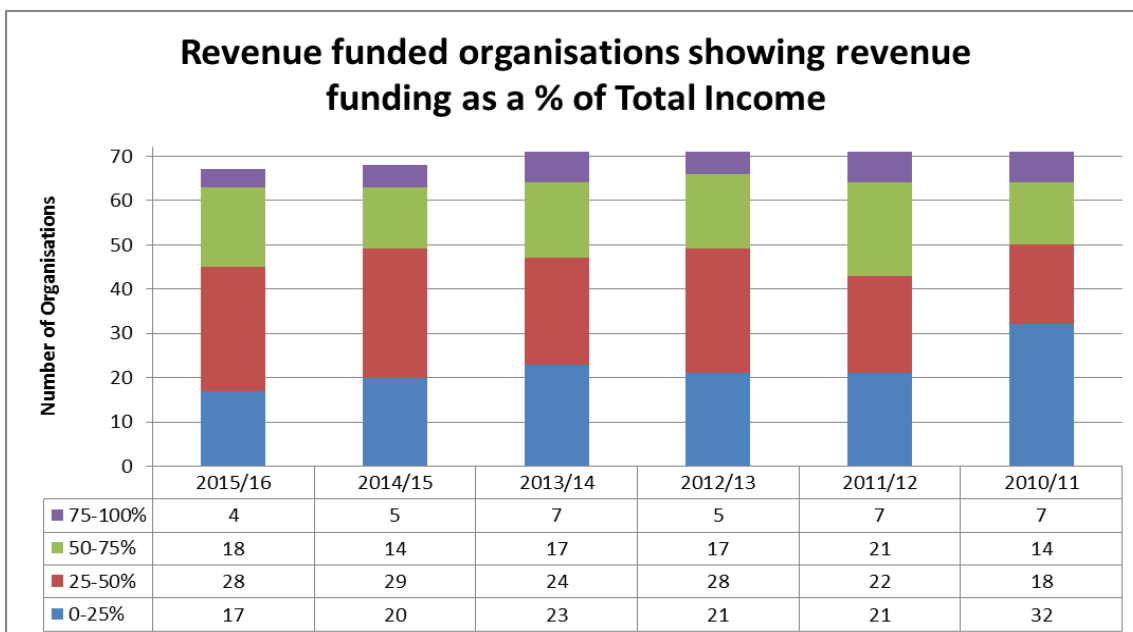
### The funding profile of the APW

The scale of Arts Council funding across the Arts Portfolio Wales can be summarised by allocating the total number of organisations to one of four levels of funding - 0-25%, 25-50%, 50-75%, and 75% to 100%.



Between 2010 and 2015, the number of organisations with the lowest level of Arts Council funding (0–25%) reduced significantly. This is not what we were hoping to see. However, it’s in part a consequence of the reductions in local authority funding. If the two lowest categories (0–25% and 25–50%) are combined, the shift is more marginal.

In other words, Arts Council funding for most funded organisations is less than 50% of total income, with fewer organisations in the highest category of funding now than in 2010.



### APW Sponsorship and fundraising

There’s no wholly accurate analysis of sponsorship/fundraising in Wales or the wider UK. Arts & Business UK used to publish an annual survey, but this ceased in 2010. In Wales, Arts & Business Cymru reports that it generates around £1m from

business per annum, of which about half is cash support (the remainder being an estimate of the value of in-kind services and *pro bono* support).<sup>10</sup>

Some of this benefits the APW. However, sponsorship as a whole represents a relatively small proportion of overall APW income, a trend mirrored across most of the UK (other than in the metropolitan centres). Nevertheless, there are some impressive Welsh fundraising stories, such as Welsh National Opera's unprecedented gift from the Getty family of £1.2m in 2012.<sup>11</sup>

The low number of FTSE 100 companies or high net worth individuals based in Wales is also likely to be a factor, as are the costs of fundraising (which can make it difficult for all but the larger APW organisations to mount significant fundraising campaigns).

There are a number of Trusts and Foundations who regularly support arts activity in Wales. These include the Wales-based Colwinston Trust<sup>12</sup> as well as others such as Paul Hamlyn Foundation,<sup>13</sup> Esmée Fairbairn Foundation<sup>14</sup> and Wolfson Foundation.<sup>15</sup> All have supported the APW at one time or another. None of them provides support to organisations' core costs.

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<sup>10</sup> <http://senedd.assembly.wales/documents/s59032/Paper%202.pdf>

<sup>11</sup> <http://www.bbc.co.uk/news/uk-wales-19931371>

<sup>12</sup> <http://www.colwinston.org.uk/>

<sup>13</sup> <http://www.phf.org.uk/>

<sup>14</sup> <https://www.esmeefairbairn.org.uk/>

<sup>15</sup> <http://www.wolfson.org.uk/>

## 4. Developing capacity, resilience and innovation

### Wales' history of self-help

It shouldn't be forgotten that there's a proud tradition within Wales of developing self-help solutions that don't depend on public funding.

For example, the Co-operative movement saw societies established in communities across Wales with intention of providing good quality products and services at affordable prices. However, co-operation was about more than trading; it was a way of life for many and provided a range of social, cultural and economic activities.

These early principles of innovative social provision continue today with initiatives such as Social Impact Bonds and Community Shares schemes. (These are discussed in section 5 below.) In a period of economic austerity there might be a persuasive case for giving more attention to the development of low-cost models of mutual self-help.

### Developing skills and capability

There are compelling arguments for maintaining levels of public funding as part of a mixed economy funding strategy. However, in straitened times this shouldn't be at the expense of exploring new ways of making public investment work harder, or helping arts organisations to explore new approaches to generating income.

We're committed to supporting high quality business development services. Our goal is to achieve a thriving arts sector in Wales where strong leadership and entrepreneurial ambition delivers a resilient and successful arts sector.

In doing so we've been careful not to replicate or duplicate services currently available through the Creative Industries team at the Welsh Government. Government's business advice is tightly focused. So instead, we've sought to identify organisations and/or individuals who understand how to develop projects and partnerships that are appropriate to the potential business needs of the arts and cultural sector.

Last year we launched our "Resilience" programme for the Arts Portfolio Wales (see below). This is delivered through joint-working between the Arts Council and change management/ business development specialists People Make it Work.<sup>16</sup>

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<sup>16</sup> <http://www.peoplemakeitwork.com/>

We're also developing further programmes and initiatives that extend business development services beyond the APW.

We're working to develop capability in three areas:

- *Governance and Leadership* - nurturing effective and skilled leadership enabling organisations to perform to their optimum capability.
- *Strong and durable organisations* - building successful organisations that are audience focused and agile in their business practice. We're helping to develop the skills to maximise income and to lever additional investment through the entrepreneurial use of public funding.
- *Innovation* - strengthening the prospects of survival in an uncertain world, responding imaginatively to change.

### Clare Leadership Programme

Supported by the Clare Duffield Foundation, the Programme is the UK's first leadership initiative across the cultural and creative sector. It has particular expertise in Governance and Leadership. The Arts Council has partnered with Clare to bring events, seminars and professional training to Wales.

The Arts Council also supports Clare's Fellowship Programme offering high quality opportunities for Wales-based individuals to develop their leadership skills. There are now over a dozen Arts Council-funded Clare Fellows working in the arts in Wales.

### Collectorplan - generating sales for the individual artist

Collectorplan is the Arts Council of Wales' interest free loan purchase scheme that encourages members of the public to buy contemporary works of art. Over 50 galleries across Wales participate in the scheme. In 2016/17, we agreed around 1,200 Collectorplan loans generating sales to individual artists in excess of £1m.

### Arts & Business Cymru

Arts & Business Cymru (A&BC) is a broker of relationships between arts and business organisations. A&BC has operated as an independent charity in Wales since 2011. Arts Council funding has enabled Arts & Business Cymru to develop a range of services and projects, many of which are now supported with non-public funding.



These include:

- *CultureStep*: a match-funding programme that invests around £60,000 per annum into business/arts partnerships
- *Professional Development Programmes* bringing free of charge business skills to the arts through board placements, mentoring and skills transfer
- *Creative Internships Programme* : over a three-year period this programme has resulted in 13 recent graduates becoming full-time professional arts fundraisers

We're currently working with Arts & Business Cymru to support the delivery of their own financial resilience, encouraging the organisation itself to become a business exemplar by developing a range of professional services that can be offered on a financially self-sustaining basis.

### Building resilience and sustainability

We're working with our Portfolio organisations to help them to develop practical solutions to continuing economic austerity.

Many organisations – especially the national companies – are already adept at using their public funding to lever other financial investment:

- Welsh National Opera's co-production hire income from 2013/14 to 2016/17 amounts to just over £2.25 million. WNO also received £700,000 of theatre tax relief for the 2014/15 season, and fundraised around £1.6 million in the same year
- in just five years, National Theatre Wales secured over £4m of funds. Earned income increased by 49% between 2014/15 and 2015/16 alone. Since its creation, NTW has moved from being 100% reliant on its APW funding when it was established in 2009 to this funding representing just 60% of its income by 2015

We want to nurture a sense of entrepreneurial spirit across the Portfolio as a whole. So a key aspect of our work during 2016/17 has been the development and launch of our "Resilience" programme.

53 members of our Arts Portfolio Wales are participating in the programme. They understand that the Resilience Programme isn't simply 'another grant scheme', but a new approach to developing sustainable business models.

The initial first stage of "Resilience" – analytical diagnostic workshops – took place in September 2016. Most APW organisations are seeking help to explore new

business models that look in earnest at how income can be maximised and new income streams created. It's particularly heartening to note a number of innovative and unique commercial propositions which are ripe for further development. For others, development of digital capacity is key, as is rebranding and improved marketing know-how. The exploitation of Intellectual Property – companies' 'back catalogue' of successful projects – is another strong theme.

Capital investment to enhance existing facilities is a recurring feature of the plans. Projects under development include improvements to IT systems/digital technology, better energy management, improving the commercial offer and reconfiguring current spaces to encourage greater use by artists and audiences alike. These capital proposals are firmly embedded within well considered plans to improve financial sustainability. These proposals will take more concrete form over the autumn.

Alongside bespoke programmes for individual organisations, we're also developing a series of masterclasses and leadership workshops. These are being organised in response to needs identified by the Portfolio and will cover a wide range of issues such as change management, fundraising, Intellectual Property, tax efficiency and partnership building.

## Innovation

Innovation is the life-blood of creative expression. It's a natural way of working for many arts organisations. However, innovation need not be limited to creative outcomes, but can be applied to other areas of an organisation's work – operational and financial.

In partnership with Nesta, and working with others including the Arts & Humanities Research Council, The Space and the BBC, the Arts Council of Wales has been exploring the partnership between arts and technology. Through our Digital R&D Fund<sup>17</sup>, and subsequent Digital Investment Fund for the Arts in Wales, we've been looking at ways of creating new business models and/or reaching new audiences.

The initial projects that we supported brought together arts and technology companies:

- UCAN/Calvium. UCAN GO – 'app' that verbally maps venues but doesn't rely on hardware at the venue itself. Developed for/by people with visual impairments, the downloadable technology means that they can confidently and

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<sup>17</sup> <http://www.nesta.org.uk/project/digital-innovation-fund-arts-wales>

independently access venues. UCAN and Calvium are now offering this service to third parties. <https://calvium.com/products/ucan-go/>

- Theatr Genedlaethol/Galactig – a further development of traditional translation software, Sibwrdd is an ‘app’ that ‘whispers’ real-time information about the performance to widen access to non-Welsh speakers using their own mobile phone. Sibwrdd has been used for other languages and a business plan has been developed for next stage investment which is currently under discussion with Nesta. <http://sibwrdd.galactig.com/?lang=en>
- *Community Music Wales/Zequs. Tocyn* – a ticket site that allows buyers to use their booking fee to crowdfund projects
- *Hijinx/Salesforce/Proper design* – improving reporting of the company’s deployment of actors with learning disabilities allows Hijinx to develop the ‘market facing’ side to their work – a newly launched professional agency for actors with a learning disability. <https://hijinxactors.co.uk>
- *G39/Golant Media* – iBeholder is an ‘app’ that captures responses (and data) from attendees at non-ticketed events, particularly developed with visual arts and galleries in mind. Discussions are progressing with partners including Nesta on the next stage of its development and how it might benefit visual arts organisations in Wales.

In addition to directly supported projects, we’ve also taken advantage of initiatives such as BBC Connected Studio and The Space to work with many artists and arts organisations to develop their digital capacity. (We have formal partnerships with both BBC Cymru Wales and S4C.)

We’re now working with Nesta to develop the third iteration of our partnership to offer further support for arts organisations wishing to access skills, training and hands-on experience of new technologies.

### Collaboration and resource sharing

We’ve been encouraging members of our Arts Portfolio Wales to explore opportunities for collaboration and resource sharing. There are already a number of long-standing examples of collaboration. Larger building-based organisations such as Wales Millennium Centre, Chapter and Galeri are providing a range of space and professional services to smaller organisations, reducing costs and/or returning rental income to the host organisation.

We're starting to see more examples of artistic collaboration. Some are natural and straightforward (such as the partnership between Sherman Theatre and Clwyd Theatr Cymru) and Welsh National Opera co-produces on a regular basis with international partners across the world. However, we've been encouraged to see the development of other less obvious collaborations, such as that between Theatr Genedlaethol and Music Theatre Wales to jointly commission a new Welsh language opera from composer Guto Puw.<sup>18</sup>

### National Endowment for Music

An Endowment for Music, targeted at young people, was one of the ideas that came out of the work in 2015 of a Welsh Government Task and Finish Group on Music Services.<sup>19</sup> The Arts Council was a participant in the Group.

Once formally established, the Fund will be operated by an appropriately constituted not-for-profit charitable independent company. Its focus will be the creation of new opportunities for young people's musical talents to be identified and nurtured.

The Fund will support musical activity in all its forms and at its heart will be a commitment to ensuring that opportunities are available to all young people, regardless of the ability to pay.

It's expected to start offering support from 2020, will depend on attracting a range of partner investment and support. It will need the participation of corporate and industry sponsors, one-off dedicated deals, high net worth individual philanthropy, the voluntary sector, and legacy giving. This is a mid to long-term initiative.

We welcome the Welsh Government's adoption of the Endowment idea and we're now advising the Government on its development and establishment.

### Growing new international markets

It's difficult for many companies to build financially sustainable programmes of work in Wales alone. Through our longstanding partnership with the British Council, our international networks and more recent work with other UK agencies, we have contacts that can leverage export and employment opportunities for our sector around the world.

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<sup>18</sup> <http://musictheatre.wales/productions/y-twr>

<sup>19</sup> <http://gov.wales/topics/educationandskills/publications/wagreviews/music-services-task-and-finish-group-report/?lang=en>

Our staff have helped to run the Welsh Government's Creative Europe desk. We've also contributed cultural expertise to the preparation and delivery of international trade missions, by the UK and Welsh Governments. We coordinate the Welsh Government's Memorandum of Understanding with the Government of China's Culture Ministry and provide regular intelligence on Welsh cultural links internationally ahead of Ambassadorial meetings by the First Minister.

Although there's much good work, there are a number of ways that more co-ordinated support could be given to companies and micro companies (often creative professionals) to grow new international markets:

- running Export Preparation workshops and advice in identifying new markets (country focus events – e.g. China and India)
- researching market opportunities for the sector as a whole
- participating in Strategic Export visits to/from key markets – including with UK wide bodies
- networking – bringing arts and creatives together around key opportunities e.g. Chinese New Year, St David's Day
- organising international business mentoring to mainstream international market opportunities into companies' business plans
- promoting international exploitation of artistic content and rights produced in Wales (Theatre and TV / film formats / literature for films/ dramas etc.)
- supporting representation and participation in key market showcase, trade and cultural events (such as Frankfurt Book Fair, South x South West, Venice Biennale)
- hosting buyers from key markets in Wales (e.g. hosting WOMEX, British Dance Edition, World Harp Congress)
- piloting new models of collaborations to increase revenue from international markets (e.g. Google Garage and Tramshed; NoFit State)

### Building the resilience of the Arts Council of Wales

The public expects the institutions they fund to be efficient and cost effective. The Arts Council of Wales distributes public funding. So while we must first of all demonstrate the public benefit that our work delivers, and the difference we're making to the quality of the arts in Wales, we must also show that we deliver value for money for the Welsh taxpayer.

In response to the financial pressures in 2016/17, we undertook an Organisational Review. The Arts Council has consistently taken the view that when funds reduce,

we should mitigate the impact on the sector by shouldering some of the burden of these cuts ourselves.

Comparative running costs for the UK Arts Councils are set out below.

Running costs as a % of total income - 2015/16				
	Arts Council of Wales	Arts Council of Northern Ireland	Creative Scotland	Arts Council England
Grant-in-aid (£m)	36.2	10.9	50.7	463
Lottery (£m)	19.2	10.8	34.4	269
Running costs (%)	7.3% <sup>20</sup>	18% <sup>21 22</sup>	8.4% <sup>23</sup>	7.2% <sup>24</sup>

(Arts Council of Wales is unique among its peers in integrating into its operational budgets the costs of providing a fully bilingual public service in two languages.)

Our most recent Organisational Review reduces still further an already stretched staff resource. Over the past five years we'll have reduced staff numbers by 25%.

There are limited opportunities for us to generate additional income, although we have secured significant funds from Europe in previous years. We have, however, received two individual bequests which enable us to offer bursaries to young artists in the name of the donors.

We don't compete with arts organisations to raise sponsorship. Instead we focus on 'niche' activities, such as Collectorplan.

We also build relationships with Trusts and Foundations, advising on applications submitted from Wales. We also partner with Foundations on strategically important

<sup>20</sup> [http://www.arts.wales/c\\_annual-reports/report-and-financial-statements-2015-16](http://www.arts.wales/c_annual-reports/report-and-financial-statements-2015-16)

<sup>21</sup> [http://www.artscouncil-ni.org/images/uploads/publications-documents/Exchequer\\_-\\_2015-16\\_-\\_Laid\\_Accounts.pdf](http://www.artscouncil-ni.org/images/uploads/publications-documents/Exchequer_-_2015-16_-_Laid_Accounts.pdf)

<sup>22</sup> [http://www.artscouncil-ni.org/images/uploads/publications-documents/ACNI\\_Lottery\\_Distribution\\_Account\\_2015-16.pdf](http://www.artscouncil-ni.org/images/uploads/publications-documents/ACNI_Lottery_Distribution_Account_2015-16.pdf)

<sup>23</sup> [http://www.creativescotland.com/\\_data/assets/pdf\\_file/0009/37296/Creative-Scotland-Annual-Review-2015-16-FINAL.pdf](http://www.creativescotland.com/_data/assets/pdf_file/0009/37296/Creative-Scotland-Annual-Review-2015-16-FINAL.pdf)

<sup>24</sup> <http://www.artscouncil.org.uk/publication/arts-council-england-grant-aid-and-lottery-distribution-annual-report-and-accounts>

projects, such as the Baring Foundation's investment in the Arts Council/Age Cymru "Arts and Older People's" initiative.<sup>25</sup>

We work hard to reduce costs by achieving greater efficiencies. We've done this by:

- reducing the number of our staff
- reviewing our terms and conditions of employment
- moving to cheaper office accommodation
- automating services (eg: online grant applications, HR processes and payments)
- tendering for services
- using IT more effectively (eg: greater use of video-conferencing)
- using shared and pooled services (eg: the Public Sector Broadband Aggregation, shared pension scheme, National Procurement Service)
- reducing consumption (we have highest level of Green Dragon scheme environmental accreditation)

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<sup>25</sup> <http://baringfoundation.org.uk/blog/welsh-magic-whats-behind-the-magnificent-work-taking-place-in-arts-with-older-people-in-wales/>

## 5. Models that encourage income generation

There are many examples in Wales and around the world of organisations or schemes that operate outside of the traditional grant-aiding models. Some are supported through a mix of public and private funding, others operate wholly on a non-public basis.

The most common types of model are described below. Most are straightforward. Some, however, operate at the more innovative end of social investment and non-public funding. Although some examples do already exist in Wales, their complexity means that they're not yet widely adopted.

1. **Sponsorship.** Sponsorship is a feature of cultural investment in most culturally developed countries around the world. However, statistics aren't consistently collected and it's difficult to provide an accurate analysis of scale and type by country. The general consensus, however, is that levels of sponsorship are currently static at best and reducing in some countries.

Sponsorship tends to be more prevalent in the metropolitan centres and in support of larger, higher profile arts organisations. A small community-based organisation in a rural area would generally struggle to achieve significant corporate sponsorship.

There are a number of organisations around the world that encourage non-public support by building relationships between business and the arts. Such organisations offer a range of services similar to those of Arts and Business Cymru in Wales. The founding philosophy of such organisations has historically been to act as an intermediary, connecting arts organisations seeking support with businesses who wish to sponsor (sometimes by offering financial incentives).

Example: Some countries have experimented with offering incentive schemes to encourage business to sponsors. Cash incentives and match-funding schemes – especially those designed to encourage new business sponsors – used to be popular. However, these have largely been phased out over time as public funding pressures have increased and models have moved into new ways of working. Such a scheme used to operate across the UK – the Government-funded Business Sponsorship Incentive Scheme. However, this was discontinued when funding was withdrawn from the managing agency Arts & Business UK.



In recent years the model has evolved as the nature of corporate giving has changed. Now a business is less likely to offer traditional sponsorship, and will often be more interested in developing community-based programmes attached to a company's social corporate responsibility objectives. This approach has offered opportunities for smaller locally-based organisations, albeit with more modest levels of support.

Business sponsors have always been reluctant to support core costs, seeing this as the responsibility of the state (or its appointed agent). However, as the market has changed, new organisations have entered the market-place offering business development products and services that adopt a more commercially innovative approach to the relationship between the creative and business sectors.

Example: London-based Creative United<sup>26</sup> has received Arts Council England funding to develop a range of financial products and services designed to enable the growth and development of the UK's cultural and creative industries. Creative United is an independent Community Interest Company that provides finance-based products and services designed to deliver economic growth to the arts, creative and cultural sectors. Its mission is to build a sustainable and resilient creative economy, making the arts accessible for all.

Creative United's publicly funded programmes have included:

- *Own Art* - interest free loans for the purchase of contemporary art and craft to support artists and art galleries
- *Take it away* - interest free loans for the purchase of musical instruments
- *Creative Industry Finance* - business support and access to finance for creative enterprises
- *ArtsCard* - the UK's first employee benefits scheme to focus exclusively on arts, culture and creativity
- *Prosper* - a programme designed to improve confidence and capabilities within businesses to build resilience and investment in the sector as a whole
- *Consultancy services* - working with public and private sector clients interested in developing new financial models to support the growth and sustainability

2. **Individual giving and philanthropy.** These are one-sided business transactions from which the donor expects no direct benefit. Donations can be made in cash

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<sup>26</sup> <http://www.creativeunited.org.uk/>

or in kind. A number of EU Member States have implemented measures to encourage individual donations. Several countries offer deductions for individual donors, following examples from the United States and from countries such as Italy, Greece and Germany who have special incentives around inheritance tax.

Individual Philanthropy is well-established in most developed economies. The 2016 BNP Individual Philanthropy Index<sup>27</sup> measures and reflects the commitment of philanthropists in four regions – Europe, Asia, the Middle East and the United States.

The Index is derived from a survey of 457 high net worth individuals in the four regions. The United States leads the way in individual philanthropy with ‘Health’ attracting the largest volume and value of donations.

According to Coutts’ Million Dollar Donor Report (2016),<sup>28</sup> there were over 355 individual donations in the UK of £1m+ totalling £1.83bn. As in previous years, London retained its status as the centre of UK philanthropy with 71% of the total value originating in the capital. Wales accounted for 1.5% of the total value.

A number of organisations and online platforms now encourage individual giving to the arts.

Example: Grant Hero <sup>29</sup> is a new not for profit foundation in the United States that has created an online platform to encourage individual giving. Individuals create a grants campaign and invite applications. The individual donor selects the projects they want to support and Grant Hero manages the payment of the donor’s grant.

Example: Creative Partnerships Australia<sup>30</sup> provides artists and arts organisations with resources to develop their fundraising capacity. It also manages the Australian Cultural Fund, a fundraising platform for Australian artists. It was established by the Australian Government in 2003 to encourage donations to the arts. In its first year online, the Australian Cultural Fund supported 118 individual artists and 149 arts organisations. Together, they

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<sup>27</sup> <https://group.bnpparibas/en/press-release/2016-bnp-paribas-individual-philanthropy-index>

<sup>28</sup> <http://philanthropy.coutts.com/en/reports/2016/united-kingdom/findings.html>

<sup>29</sup> <http://granthero.ngo/>

<sup>30</sup> <https://www.creativepartnershipsaustralia.org.au/about-us/>

generated 4,253 donations from 3,958 arts lovers, for a total of A\$1.9 million investment into arts and cultural projects.

3. **Crowdfunding and online fundraising.** In some ways, Crowdfunding is a very old form of finance, sharing many of the characteristics of the subscription-based giving that saw the founding of museums, monuments and churches in previous centuries. However, the new innovation is the move to use digital technology to encourage private investment in culture.

Crowdfunding can take a number of forms. For instance, there are differences between pledging to develop a product that you want (and can access anywhere) and a live event that you need to be able to attend. Many Welsh artists have successfully used platforms such as Pledgemusic<sup>31</sup> to fund recordings and find new backers on the platform.

For productions, it's often an organisation's usual audience pledging what they would spend on a ticket. Interestingly, by offering more expensive packages as part of a menu of fundraising opportunities, organisations are able to identify who among that audience are potential givers of more substantial support.

The costs (in time and money) of resourcing such campaigns shouldn't, however, be underestimated. Constant communication is vital. When working on "Karen", their app-based production with National Theatre Wales, Blast Theory recorded their experiences in great practical detail and made the guide<sup>32</sup> freely available to the sector. This sets out a useful and practical explanation of the Crowdfunding pros and cons.

Example: Nantgarw in South Wales was once the creative base in the early 19<sup>th</sup> century for the production of arguably the finest porcelain ever made. However, due to its fragility, up to 90% of the porcelain was destroyed in the kilns. Despite the exceptional quality, the factory closed after only four years of operation. Today, individual pieces of Nantgarw porcelain are rare, highly collectible and can swap hands for many thousands of pounds. Coded documents discovered in the Nantgarw Chinaworks Museum offered clues as to how the porcelain might be re-created. The Museum launched a £15,000 crowdfunding campaign earlier this year and recently announced that it had exceeded its target.<sup>33</sup>

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<sup>31</sup> <http://www.pledgemusic.com/projects/zervaspepper>

<sup>32</sup> <http://www.blasttheory.co.uk/crowdfunding-a-guide-by-blast-theory/>

<sup>33</sup> <https://www.artfund.org/get-involved/art-happens/nantgarw-porcelain>

Example: One of the most well-known of crowdfunding platforms is Kickstarter.<sup>34</sup> Kickstarter helps artists, musicians, filmmakers, designers, and other creators find the resources and support they need to make their ideas a reality. To date, tens of thousands of creative projects — big and small — have come to life with the support of the Kickstarter community who pledge individual amounts against a larger target total. Kickstarter is established in the US as a Benefit Corporation. Benefit Corporations are for-profit companies that are obligated to consider the impact of their decisions on society, not only shareholders. Since Kickstarter's launch in 2009, 13 million people have backed a project, US\$3.2 billion has been pledged, and 129,745 projects have been successfully funded.

4. **In-kind support.** Not all support need be cash. Arts organisations can benefit from in-kind exchanges of space, resources and services. One step removed from traditional philanthropy, this type of support is usually based on the creation of mutually beneficial partnerships.

Example: As part of an innovative sponsorship relationship, Holyhead Boatyard provides a full range of financial and accounting services to arts centre Ucheldre, saving administrative costs and time for this small arts organisation.

The foundations of these types of relationship can sometimes be hard to pin down. Artists often benefit landlords through reducing their business rates by occupying empty space. Alternatively, exchanges can be based on anything from reviving a local area and bringing in footfall, to running workshops or childcare facilities.

Example: The Tobacco Factory Theatre in Bristol,<sup>35</sup> which has been housed in the former Tobacco Factory since 1998, secured a 25-year rent-free lease on part of its space in 2009. This reflected a long-running relationship with the building and its landlord (and saviour from demolition), former Bristol mayor George Ferguson. Established now as a popular Bristol landmark, the Tobacco Factory building has become a local hub for residential and leisure services and is credited with leading the regeneration of the Bedminster area of south Bristol.

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<sup>34</sup> <https://www.kickstarter.com/about?ref=nav>

<sup>35</sup> <http://tobaccofactory.com/>

## 5. Endowments.

Endowments can be defined as cash or another asset which has been donated to a charity where the conditions of the donation require that the asset be held (or invested) to generate income to support ongoing activities.

In the UK, charity law permits the establishment of two types of endowment:

- *permanent* - an asset or funds are given to a charity to produce income, with the requirement that they must be held in trust in perpetuity
- *expendable* - funds must be invested as with a permanent endowment, but trustees can convert all or part of the endowment into income

The 'perpetual' nature of an endowment is designed to provide a degree of financial security that safeguards day-to-day activities for the foreseeable future. However, with interest rates at historic lows, the large sums of capital tied up in endowments aren't always able to deliver a significant level of return. For example, assuming a 4% return, income of £1 m per annum would require an endowment of around £25m.

The Endowment model is most highly developed in the United States where boards of management comprise high net worth individuals who see it as their civic duty to donate and fundraise.

Example: US cultural endowments are a well-established mechanism for supporting cultural institutions. Statistics for all endowment-funded activity is not systematically collated. However, museums sector holds around \$14 billion in endowments. The Metropolitan Museum of Art In New York alone has an endowment of \$3 billion, whilst that of the Boston Symphony Orchestra is in excess of \$3.5 billion.

Example: The Cultural Endowment Act of Estonia<sup>36</sup> receives 3% of the excise duties on alcohol and tobacco and 30% of taxes on gambling. The Endowment is directed by a 9 member Council chaired by the Minister of Culture. In 2013, over 1,000 awards were made of nearly €200,000.

6. **Trading subsidiaries.** A number of charitably constituted arts organisations have a wholly-owned trading subsidiary through which non-charitable trading activities are managed. Profits from these activities are then covenanted back to the parent charity.

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<sup>36</sup> <https://www.riigiteataja.ee/en/eli/521122013003/consolide>

Example: Cardiff's Chapter Arts Centre has over 30 studio spaces situated in its main building and in the adjacent Market House site. The tenants include dance and theatre companies, individual artists, animation studios and filmmakers, audience development agencies, graphic designers, motion and interactive design houses, all providing a rental income to Chapter.

Example: As well as providing an important cultural programme in Caernarfon, Galeri has transformed a number of unused properties in the town which are now occupied by several companies and as residential property. In addition, the Galeri venue houses 23 business units available to rent. This delivers income that supports Galeri's cultural programme.

Example: Cardiff Theatrical Services (CTS) is a wholly-owned trading subsidiary of Welsh National Opera. One of the most in-demand scenery building operations in the UK, CTS last year provided services for many different organisations including: BBC Worldwide, English National Opera, Headlong Impossible Touring Ltd, Importance of Being Ernest Ltd, Lyric Theatre Hammersmith, Lyric Opera Chicago, National Theatre Wales, Old Vic Productions, Opera North, The Royal Opera House, Royal Court Theatre, The Royal Shakespeare Company, Sonia Freidman Productions, National Theatre, Vaudeville Productions, Chichester Festival Theatre, West Yorkshire Playhouse, Young Vic and Wales Millennium Centre.

Some arts organisations are adopting even more radical approaches to developing income and assets for the company.

Example: When developing its new theatre building in Newcastle, Live Theatre<sup>37</sup> decided to increase future income through capital and digital projects. It was intended that these would develop a social, cultural and commercial return and build resilience for Live Theatre for the future. Its £10.5m capital scheme enabled Live Theatre to purchase and develop the Quayside frontage, land and buildings adjacent to the theatre. It has created new commercial office space, a new public park, Live Tales (a children and young people's writing centre) and a gastro pub. Pump-primed by the public sector (a prudential loan of £6 million from Newcastle City Council and a £1.73 million grant from the North East European Regional Development Fund ERDF Programme), these new assets are now delivering a commercial return.

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<sup>37</sup> <http://www.live.org.uk/creative-enterprises>

7. **Corporate donations.** These are usually Gifts in cash or in kind, made by companies and other constituted bodies to cultural organisations or individual artists. Unlike sponsorship, a donation does not require specific benefits in return. There are a number of examples of organisations working to connect the arts to corporate donors, including Arts & Business Cymru in Wales.

Many businesses link their support for arts to their corporate their social responsibility (CSR) goals. The nature of the relationship can sometimes be quite complex, focusing on longer term outcomes rather than specific outputs, and skills exchange rather than one-off experiences.

Organisations such as Business in the Community<sup>38</sup> specialise in developing CSR programmes and brokering partnerships.

Example: Americans for the Arts<sup>39</sup> works to strengthen partnerships between the arts, businesses and foundations. There's no significant tradition of public funding for the arts in America compared to Europe. However, corporate sponsorship and individual philanthropy are well-established as companies and individuals invest in civic 'good works'. Programs promoted by Americans for the Arts try to build stronger private sector support for the arts and provide businesses and arts organisations with the services and resources that develop and advance partnerships with the arts.

8. **Commercial investment.** Realising larger-scale projects can be especially challenging. Sometimes these depend on assembling co-production partnerships with a range of international investors.

Example: In its 10 years, Ffilm Cymru Wales has supported the production of more than 50 feature films. £6.8 million in production funding has leveraged international investment in their feature films with budgets totalling £54,444,720. 15 European co-production deals have helped to sustain this activity.<sup>40</sup>

Investors or 'Angels' are a feature of commercial theatre investment. Whilst this type of investment is highly speculative, it forms the foundation of commercial producing: a show is broken down into units and sold to investors who hope for a return post-recoupment when the show has earned its costs back. Investment

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<sup>38</sup> <https://www.bitc.org.uk/wales>

<sup>39</sup> <http://www.americansforthearts.org/>

<sup>40</sup> <http://www.ffilmcymruwales.com/index.php/en/>

documentation must follow the regulations of the Financial Services Act. This means the process can be complex and expensive.

Example: Angels are individual investors in speculative and start-up companies both for fun and for profit, and so called because they may well be in heaven before they see a return on their investment. In 2007 the Guardian reported on one of the original investor in Andrew Lloyd Webber's "Cats" who, having invested his life savings of £10,000, has received a £20,000 per annum return ever since.<sup>41</sup>

9. **Trusts and Foundations.** These are usually non-profit organisations that either donate funds and support to other organisations, or fund their own charitable purposes. Most foundations in Europe support social, health and environmental issues, while culture is the focus of activity of a smaller and more limited number of foundations.

Example: Malta has a vibrant trusts and foundations sector supporting artists and the arts. As a small country, Malta has promoted the value to its citizens of philanthropic support. Examples include Malta Arts Fund, Malta Film Fund, Extended Public Service Obligations, Francis Ebejer Prize, Investment Funds, Kreattiv, Malta Arts Scholarships, Malta Enterprise supporting arts and creative industries, and the National Book Prize).

Example: The largest single gift publicly known in Wales during 2015 was £1.5m given to Velindre Cancer Care by Henry and Diane Engelhardt through their Moondance Foundation.

10. **Arts services to business.** As the arts/business relationship has grown, businesses have become increasingly aware of the benefits to them of creative techniques and ways of working. One such example is arts-based training, with specially devised courses run by artist-trainers. Such training can help build effective teams, enhance leadership, boost confidence, improve communications, manage change and develop strategy.

Example: Sing & Inspire<sup>42</sup> approached Arts & Business Cymru when the company was first set up in 2008. A partnership to deliver a pilot staff choir was developed for Admiral. Its aim was to provide an energising, motivating experience, particularly for individuals who spend most of their time on the

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<sup>41</sup> <https://www.theguardian.com/money/2007/may/08/alternativeinvestment>

<sup>42</sup> <http://www.aandbcymru.org.uk/case-studies/sing-andamp-inspire-andamp-admiral/>



phone. It was a huge success and the benefits exceeded expectations. With A&B Cymru's help, Admiral committed to a programme of vocal health sessions for all new and existing call centre staff. Admiral is now Sing & Inspire's biggest customer.

11. **Public-private partnerships.** These are usually an agreement between a government and the private sector to provide public services or physical infrastructure. Under these arrangements the public sector is relieved of the burden of managing large capital expenditures and transfers the risk of cost overruns to the private sector. There are few examples of this in the arts, although opportunities do exist through the controversial Public Finance Initiative (PFI) to structure capital schemes in ways that benefit the arts.

Example: Salisbury and District Hospital underwent a major rebuild in 2006 with a £22m PFI extension. Around 1% of the capital money was earmarked to include art in the new build. The art collection now comprises over 1200 pieces of original artwork and a further 500 pieces of printed framed prints and posters are displayed in ward and bedside areas.<sup>43</sup>

12. **Friends schemes.** Friends schemes help arts organisations to get closer to their customers. They can be a vehicle for harnessing the support of an organisation's most staunch supporters, building a resource of fiercely loyal advocates as well as generating a valuable revenue stream in return for benefits that the organisation offers. Where it works well, relationships can develop into a mutually beneficial long-term partnership.

Example: The Academy of St Martin's-in the-Fields<sup>44</sup> is probably one of the UK's most commercially successful orchestras. Its Friends scheme provides an 'entry-level' vehicle for growing the individual giving of its supporters. Whilst many Friends schemes major on the benefits to members, the Academy scheme promotes engaging and enjoyable ways of encouraging people to invest in the company's creative ambitions. Donor-giving opportunities sit alongside bespoke opportunities to mix and travel with the orchestra and to purchase Academy recordings and merchandise.

12. **Tax policy.** A feature of tax policy is its neutrality, as tax incentives don't generally relate to specific artistic content. Instead, criteria tend to be linked to types of beneficiaries with individuals, corporate businesses and non-profit

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<sup>43</sup> <http://www.artcare.salisbury.nhs.uk/Documents/ArtsStrategy2016.pdf>

<sup>44</sup> <http://www.asmf.org/support-us/friends/>

foundations left to make their own cultural decisions. Examples across Europe include tax reliefs, tax breaks, tax deductions, tax exemption, tax allowance and tax incentives etc. and specifically branded schemes such as the transfer of art in lieu of payment of tax.

Example: Throughout the 1990s Sweden had applied its standard VAT rate of 25% to books. Lowering the VAT on books in Sweden was intended to lower prices and increase sales to promote readership, quality of books and diversity of content. In 2002 a decision was reached to bring down the level of VAT on books to 6%. The reduction was immediately reflected in lower prices and in the following year sales rose by 16%.

Example: The UK Core Cities group, of which Cardiff is a member, has been developing a case for the implementation and development of Tax Increment Financing (TIF). The TIF model is based on reinvesting a proportion of future business rates from an area back into infrastructure and related development. It applies where the sources of funding available for a scheme to deliver economic growth and renewal cannot cover the cost of infrastructure required by the scheme.

13. **Levies.** These are the requirement to pay an additional amount on top of the identified cost of the cultural product. Examples include booking fees, credit card charges and charges levied for a specific purpose (such as general fundraising or capital refurbishment).

Example: The Community Infrastructure Levy allows local authorities in England to raise funds towards infrastructure needed to support the development of their areas, usually through planning gain and developer contributions, towards the cost of infrastructure needed to support an area's development. The Planning Act (2008) defines cultural facilities as within the definition of relevant infrastructure.

Levies can be voluntary and mandatory. They can also be geographically specific, as with a Business Improvement District.

Example: A Business Improvement District is a defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area. There is no limit on what projects or services can be provided through a

Business Improvement District. The only requirement is that it should be something that is in addition to services provided by local authorities.

14. **Percentage legislation.** This is a tax measure through which taxpayers may designate a certain percentage of their income tax to be allocated to a specific non-profit, non-governmental organisation). Among EU Member States, percentage legislation systems exist in Eastern European countries, such as Hungary, Lithuania, Poland, Slovakia, Romania and Slovenia.

Example: In 2007, the Non-profit Information and Training Centre (NIOK) Foundation conducted research studying percentage legislation in the five Eastern European countries identified above. The study concluded that, where there's no tradition of donation and no philanthropic models for the population to follow, application of percentage legislation can be an effective way to stimulate giving.

16. **Transfers in lieu of tax.** Many countries allow taxpayers to transfer their property, including works of art, in lieu of payment of different taxes, such as estate tax. Such a system effectively acts as a 'tax credit' rather than a 'tax deduction'.

Example: In 2015/16 the UK's Cultural Gifts Scheme and Acceptance in Lieu Scheme (managed by Arts Council England) was used in 36 cases. A wide range of works of art, worth almost £50 million, were accepted for the nation. Among the items were works by artists, including Sir Anthony van Dyck, Sir Joshua Reynolds and JMW Turner. There were also some significant works on paper by John Flaxman, William Blake, Whistler and Goya, and two very fine Italian Renaissance Old Master drawings.<sup>45</sup>

15. **Social impact bonds.** The motivations for founding arts organisations are artistic and social rather than financial. This can mean that boards are often (financially) risk averse. Recently, different models of investment have started to emerge based on financial potential and the kind social impact which resonates more closely with the arts sector.

Social impact bonds use repayable finance to achieve a social as well as financial return. The growth in the social enterprise movements has seen new banks and investment funds occupying the space between commercial and

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<sup>45</sup> <http://www.artscouncil.org.uk/publication/cultural-gift-scheme-and-acceptance-lieu-annual-report-201516-0>

non-commercial activity. Funds provide repayable finance to arts organisations with ambitions to grow and who also want to have a positive impact on society through the quality of their arts. This is attractive to a new type of investor who wants to combine financial, social and artistic outcomes. These investors expect to get their money back, often with interest, and they want to see positive social change take place as a result of their investment.

Example: Through a £7 million Arts Impact Fund, funded by Arts Council England, Bank of America Merrill Lynch, the Esmée Fairbairn and Calouste Gulbenkian Foundations, Nesta is experimenting with applying the concept of social impact investment to the arts and cultural sector in England using unsecured loans as an investment tool. So far £5.4 million of investment has been made across 16 arts organisations.

15. **Community share schemes.** Community shares are a form of withdrawable share capital that can be used to support a range of community-based activities, from financing renewable energy schemes, transforming community facilities or restoring arts buildings.

Example: Community Shares Wales<sup>46</sup> is funded by the Big Lottery Fund and delivered by the Wales Co-operative Centre. It provides support across Wales and works closely with the Community Shares Unit. The project aims to raise awareness of community shares across Wales and support communities through the process of share issue, enabling them to develop local services and facilities at the heart of their communities.

16. **Voucher or discount schemes.** A voucher is a credit of a certain monetary value that can be used only for a specified purpose. In the culture sector, vouchers are used as a manner of stimulating demand for cultural products or allowing discounted access to specified events.

Example: The Young Vic's "Two Boroughs" discount scheme<sup>47</sup> is about building a local community around the theatre. The theatre has identified as a priority building relationships with neighbours and local residents. "Two Boroughs" is open to all residents of Lambeth or Southwark. Once registered, local residents have the chance to come and see a show for free at the Young Vic as well as a range of free workshops, theatre club, projects and events throughout the year.

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<sup>46</sup> <http://communityshares.org.uk/node/5069>

<sup>47</sup> <https://www.youngvic.org/taking-part/two-boroughs>

17. **Timebanking.** A variation on the voucher scheme, Timebanking is a means of exchange used to organise people and organisations around a purpose, where time is the principal currency. For every hour participants ‘deposit’ in a timebank, perhaps by giving practical help and support to others, they are able to ‘withdraw’ equivalent support or benefits.

Example: Timebanking Wales<sup>48</sup> works with a range of third sector and public organisations including development trusts, communities first partnerships, social landlords, youth groups, social care services and local authorities to maximise their potential to engage, involve and empower the people they serve.

18. **Banking schemes.** These channel bank support to the cultural sector. Banking schemes can include loan schemes that give a preferable interest rate to cultural activities, or any other instruments that favour cultural activities. There are examples in Wales of bodies such as the Charity Bank adopting this approach.

Example: Towcester Museum was created as a result of a successful community asset transfer. The proposal was to convert a former Georgian coaching inn owned by the council into a museum to help further social and economic objectives in Towcester. This meant the council was able to offer us the building at less than its full market value.

Charity Bank<sup>49</sup> provided a property loan that helped with the purchase of the building. The low-interest loan also worked as an endorsement of organisation’s credibility and long-term plans. This helped them to secure a £50,000 grant from the Heritage Lottery Fund alongside other smaller grants.

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<sup>48</sup> <https://www.timebankingwales.org.uk/>

<sup>49</sup> <https://charitybank.org/social-impact>

## 6. Concluding observations

1. There are compelling arguments for maintaining levels of public funding and we welcome the fact that the Welsh Government has endorsed this as a point of principle. However, we acknowledge that in straitened times this shouldn't be at the expense of exploring new ways of making public investment work harder, or helping arts organisations to explore new approaches to generating income. We are committed to achieving these goals and are actively delivering a number of development programmes
2. Private support – such as sponsorship and funding from Trusts and Foundations – adds value but it must be recognised that such support can be time-limited and changeable. Moreover, private funds in many European countries are decreasing rapidly in the period of financial austerity.
3. Private support on its own is not a long-term substitute for the firm foundation that sustained public funding provides. Few non-public sources of funding offer a predictable, ready alternative to the ongoing support that public funding can provide. Very few private sponsors are willing to fund organisations' core costs, seeing this as the responsibility of Government and its public funding agencies. However, some sponsors are prepared to make multi-year investments in particular projects. Currently, the Welsh Government only makes arts funding available on an annual basis. Three-year funding would make a significant difference in helping organisations to plan ahead and structure longer-term fundraising campaigns.
4. A small number of arts organisations in Wales achieve impressive results in sponsorship, fundraising and individual philanthropy. The Welsh Government could consider some way of marking and celebrating particular achievement as a way of incentivising others.
5. Major success in sponsorship and fundraising is usually limited to the larger organisations who can afford to employ their own fundraisers or Development departments. The best results are usually achieved where a fundraiser works exclusively for a single organisation and is fully immersed in the philosophy, vision and work of that organisation. Shared fundraisers (i.e. someone working with a portfolio of organisations) are sometimes advocated as a pragmatic and cost-effective alternative. However, there's little evidence to show that they work, and the challenges of competing loyalties can be difficult to avoid.

6. Fundraising is a highly competitive business, largely reliant on the contacts and professional networks of individual fundraisers. However, when considering a fundraising strategy, one size doesn't fit all. What's right for a major international opera company won't necessarily be appropriate for smaller community-based organisations, and certain types of cultural activity might not easily lend themselves to traditional sponsorship or fundraising. If the potential cost of fundraising outstrips what an organisation is likely to raise, it might be more beneficial to pursue other strategies for diversifying income. A number of these are either being pursued already by the Arts Council or are identified as potential opportunities for the future.
7. Sustainable fundraising for smaller-scale organisations is more likely to be achieved where organisations have a well-developed sense of how they engage with their customers and supporters. Where organisations are 'owned' by their community it's more likely that they'll be able to encourage their supporters to invest time, energy and/ or money in the organisation's activities. Organisations should think imaginatively about appropriate ways of giving that are relevant to their circumstances. The astute organisation will find the best 'fit' for its income generating activities that is consistent with its overall mission.
8. Social impact bonds have not been widely used in the arts in Wales. These potentially offer a new source of investment for organisations whose arts mission also delivers beneficial social outcomes. Consideration should be given to identifying new pump-priming investment that could be used to replicate the Arts Impact Fund that's available to creative businesses in England. The Arts Council of Wales' existing relationship with Nesta (managers of the English scheme) might provide a basis for progressing a similar scheme for Wales.
9. There are many ways of generating non-public funding, with some approaches more complex and speculative than others. However, there are relatively few organisations in Wales with the skills and experience to assist with this broad portfolio of potential opportunity. Through its "Resilience" programme and other business development services, the Arts Council of Wales is committed to developing a greater pool of informed, expert technical advice on a range of creative business issues. The Arts Council will be reporting on the progress of its "Resilience" programme as well as working to develop new sources of independent business expertise. The Arts Council will also be exploring ways of realising a more campaigning approach to the promotion of corporate and individual giving in Wales.

10. The development of business expertise should fully involve the Welsh Government's Creative Industries team (who are charged with establishing a new business advisory service – Creative Wales). The complementary roles until now of the Welsh Government's Creative industries team and the Arts Council reflect the link between economy and culture. The establishment of Creative Wales – a body operating at arm's length from Government – is a strategically significant development. As plans for Creative Wales advance, it will be important that there's close and proper alignment between the respective skills and expertise of Government and the Arts Council.
11. The best fundraising campaigns will use a variety of different tools to avoid over-reliance on a single approach. For example, some of the new digital ways of working, such as Crowdfunding, are proving a popular means of providing new sources of income for specific projects. This is well worth exploiting. However, there are some possible limitations, especially if repeated appeals to the same constituency risk creating donor exhaustion.
12. Indirect public support measures through tax incentives are well developed internationally, but the take-up of these by citizens, cultural organisations and businesses varies across different countries is very mixed. Public intervention in terms of matching funds, tax-related incentives or fiscal encouragement builds trust in the importance of culture for sponsors and donors. Most tax-related incentives and/or allowances lie outside the direct control of the Welsh Government. However, consideration should be given to what scope there might be – if any – should Wales acquire tax varying powers at some point in the future.
13. Brexit has potential implications for the financial viability of artists and arts organisations. These extend beyond straightforward issues of access to European funding. We would particularly identify two key issues which should be part of UK Brexit negotiations:
  - *Artist mobility* – the foundation of artistic and creative development. Whatever the future arrangements, any changes to immigration regulations must be negotiated in ways that allow reasonable and appropriate mobility of creative workers and avoid counter-productive barriers that add costs and enforce quotas
  - *Protection of Intellectual Property* – the UK Government must ensure that copyright works enjoy robust and properly enforced legal protection in international markets. Strong protection for copyright should be incorporated as a key principle into any future trade negotiations.



## 1) Earned Income

In the year 2016/17, 59% of Chapter's total income was classed as earned income via the following means:

- Ticket sales £512,327 (20% of earned income)
- Hires and Rental income £336,968 (13% of earned income)
- Shop income (0.7% of earned income)
- Trading via Café Bar (66.3% of earned income)

This level of earned income has remained relatively stable with 60% earned income achieved in the previous year (2015/16) with the proportion between the various elements also remaining stable.

Competition is increasing for people's time and money. Various competitors (the likes of Tramshed and Capitol Cinemas) are adding further pressure and with the inception of pop up cinemas and art installations across the city and site specific theatre events in derelict buildings etc. continuing to increase – audiences continue to move away from the established arts centres.

We need to better understand our audiences to be able to develop our own programmes and, subsequently, new audiences. As of October 2017 we will be installing a state of the art new box office system with superior online booking, audience analysis, online donation and e-marketing functions. With an increased understanding of our audience data we will be able to develop new programming strands with a view to increasing footfall and revenue. 5 key audience development avenues have already been identified across Welsh language audiences, Young Adults (16 to 30), LGBTQI+, Children and Families and Access (Dementia and Mental Health).

## 2) Philanthropy

In 2016/17 through Fundraising activities Chapter raised £250,000 from non-public sources and a further £140,000 from public (Arts Council of Wales Lottery and Big Lottery). These figures do not include ACW revenue support (which

accounts for 15% of Chapter's overall income). In total, non-public funding accounted for 6% of Chapter's overall income in 2016/17. With public funding involved this figure rises to 9% (not including ACW revenue).

To compare, in 2015/16 non-public funding accounted for 4.4% of total income and with public funding involved this figure increased to 7.3%.

So in the last 12 months we saw an increase of 1.6% for non-public funding and a decrease in public funding of just 0.1%.

With Fundraising costs at £54,000 a year, in 2016/17 this translates to £4.6 non-public money generated for every pound spent. Including public funding into the equation we generate £7.2 for every pound spent. The UK average in 2015 (the last year of complete data compiled) is £3.7.

Chapter's non-public funding comes from three sources – grants from charitable trusts and foundations; donations and sponsorship from businesses; and donations from individuals. Trust income is still the largest portion of this representing 58% of non-public funding received; with individual giving at 25% (figure is higher than usual due to one major gift which has slightly skewed the data – the percentage is usually around 13% and Corporate support at 17%).

In 2016/17 Chapter received its first major gift from an individual. The remainder of individual support has come from two smaller 'crowdfunder' style campaigns, a regular giving programme and a membership scheme. We see this as an area of growth although face a constant challenge of demonstrating the arts as a charitable cause and one which should be supported. This is where the role of public bodies such as the Arts Council of Wales is invaluable.

Corporate support has remained steady with one large sponsorship deal, a series of one off company donations and a lower level membership scheme aimed at generating use of Chapter's hires spaces.

Sponsorship has been harder to secure with many companies responding that their CSR / Social pots have been drastically reduced (Legal & General / Deloitte to name a few). We lack the national profile and access to national audiences to give larger companies the profile they want through sponsorship deals (the likes of Coca-Cola, British Airways etc) so the focus of our sponsorship deals is around staff engagement with Cardiff branches of national companies or those with headquarters in the city. Many companies respond to say that their support is

directed at the numerous sporting teams also based in the city. The Arts can be a harder case to argue however we have had success securing support towards education work, and work with vulnerable adults.

In terms of Trust income we still have a range of one off grants and some longer-term (2 or 3 year) grants. The majority of funding goes towards our Education work, with Capital and Theatre work also receiving sizeable contributions. A few core grants have been received but largely Trust income is project focussed. Relationships with London based Trusts are strong, with Chapter's reputation reaching further afield. While the number of Wales based Trusts – or those with a preferred focus on Wales – are relatively few, we have been able to access a few – specifically Moondance and the Colwinston Charitable Trust. Again the support from public bodies such as Arts Council of Wales is invaluable, as Trusts like the reassurance of seeing public support there, and for funders who are not local, this public support is often the first sign that a project has a local need and should be funded.

A constant struggle we face arises over Chapter's recorded level of overall income and we are ineligible in many cases to apply for funding as guidelines specify turnover must be under a certain amount. This is where Chapter's Trading income works against us as, although the figures look impressive on the balance sheet, the majority of this income goes back out again in the running of the organisation, it doesn't all find its way into project budgets. So in reality, much of our project activity relies on external support. This feeds back into our attempts to raise the profile of Chapter's charitable activity so we can confidently make the case for support.

We have recently become aware of a scheme in England aimed at building an organisation's fundraising capacity through a new 18-month national training intensive designed to accelerate your revenue-generating capabilities. The Building Resilience: Fundraising and Revenue Diversification Programme, a new initiative from Arts Manager International in partnership with Cultivate and BOP Consulting, provides participating organisations with 18 months of group training and individual support, designed to increase financial resilience with an emphasis on fundraising. We wondered whether there would be appetite from ACW and Welsh Government in creating a similar scheme here.

We have also participated in and benefitted from the Arts & Business Creative Internship scheme that is doing great work to encourage more people to take up

Fundraising as a profession. We would encourage more support for schemes such as this that have provided us with a valuable additional resource to our Fundraising capabilities.

### 3) Investment

Chapter owns 100% of the issued share capital of Chapter Trading Ltd and Chapter Bay Ltd. The principal operation of these companies is the operation of a café bar at the main Canton site and in Cardiff Bay (Sio).

We do not have tax relief on trading profits, as these are either absorbed by a management charge or gift aided up to the charity. In 2016/17 £5,000 was gift aided to Chapter from Trading and any Sio profits will be treated in the same way at the end of this year (17/18).

For any future capital site developments, we will explore the option of Capital Gains tax relief.

Gift Aid of £1,300 was claimed on donations in 2016/17.

In terms of direct investments made by Chapter, the only ones we have been able to make to date have been as a result of public funding through the WCVA Social Business Growth Fund and its support towards Sio. This venture has been started to help us diversify income streams and grow our earned income.

Without grant support this is not an area we would be able to explore and we do not hold resources to invest in other areas.

We would welcome support on securing ethical investment from a 'business angel' via UnLtd or Clearly So towards clearly defined projects.

Another area where we would welcome support would be in terms of reducing the amount of debt Chapter has. Reducing debt would free up funding which would perhaps allow us to invest. For example, with the loan we have on one of our buildings. Without a loan in place, we would be able to sell a building which is rapidly becoming a liability for us, and to which the loan is attached, and use the full amount received to build a low cost alternative and leave money which could be put into reserves and secure Chapter's future sustainability.

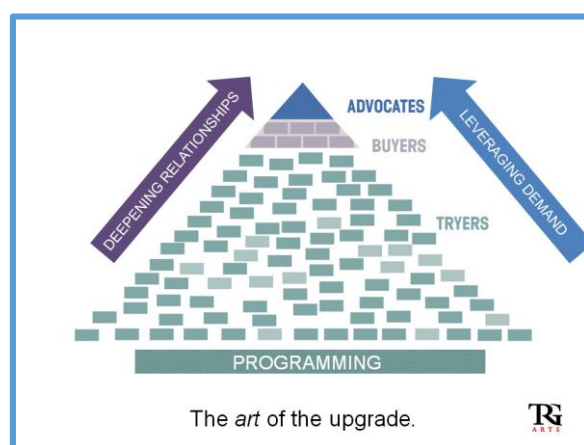
TRG Arts welcomes the Culture, Welsh Language and Communications Committee's Inquiry into Non-public funding of the arts. This submission is specifically in response to the call for International examples of innovative approaches to raising non-public funding of the arts.

The Results Group for the Arts (TRG Arts) is a data-driven consulting firm that teaches arts and cultural professionals a patron-based approach to increasing sustainable revenue through increasing earned and philanthropic income.

Since its founding in 1995, TRG Arts has gained a reputation for transforming the business models of non-profit and commercial entertainment partners, initially in the US and Canada. TRG Arts is an industry pioneer in areas including dynamic pricing, audience loyalty development, database modelling, and the subscription model.

Recently, TRG Arts has expanded. In 2015, the TRG Arts Center for Results, a venue for arts and cultural professionals to learn best practices was opened in Colorado Springs. In 2017, TRG Arts established an office in London to support its rapidly growing portfolio in the UK and Europe. TRG Arts now has 40 team members working across North America and Europe, each skilled in teaching arts professionals — from the executive leader to the marketing and development departments to the box office — how to build deeper and stronger relationships with patrons and grow sustainable revenue.

TRG Arts' core competency is building patron-centric loyalty programmes such as subscription and membership for arts organisations and museums. We believe that, in an era of declining government and foundation support, strong *loyalty programmes* will become the backbone of *sustainable revenue* for arts organisations. It will be crucial for organisations to grow their percentage of 'patron-generated revenue', e.g. that which comes from individuals in the form of ticket sales, memberships and



TRG Arts' signature loyalty counsel moves patrons from less loyal "Tryers" to deeply invested "Advocates."

donations.

TRG Arts believes traditional fundraising tactics must be taught within a context of growing loyal relationships with patrons. Major donors almost always begin their relationship to organisations by booking tickets. In a healthy organisation, the marketing team brings in new ticket buyers and members, and the fundraising team then leads those patrons through the traditional process of identification, cultivation, solicitation and stewardship. TRG Arts' loyalty counsel helps fundraising professionals identify which ticket bookers are "donor-ready" and which current donors are poised to upgrade, so that patrons receive the right solicitation considering their holistic, historical investment with the organisation.

Over more than twenty years TRG Arts has gathered a robust toolkit of best practices, which is constantly updated. We are obsessed by results and we view our clients as partners, championing the meaningful gains we make together.

We share much of our learning freely with the sector and our website is packed with relevant case studies. Our first client in the UK, the New Wolsey Theatre in Ipswich, reported a 31.5% increase in Box Office revenue in their first season using TRG Arts techniques. We are delighted to have just embarked on our first long-term working relationship with a Welsh organisation, Theatr Clwyd who join our UK portfolio which now also includes Northern Stage, Sheffield Theatres, Nuffield Southampton Theatres and Birmingham Royal Ballet.

While we are driven by our beliefs in the transformative power of arts and culture and the value of effective Government subsidy to the arts, through our work we have seen that positive and profound change to the business model of arts organizations can lead to artistic innovation and the ability to better inspire entire communities.

TRG Arts would be delighted to share more detail on the way we work and to discuss what the impact of implementing some of our practices might have for audiences and arts organisations in Wales by giving a presentation to the Culture, Welsh Language and Communications Committee as part of this enquiry.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / The Culture, Welsh Language and Communications Committee  
Cyllid Celfyddydau nad yw'n Gyhoeddus / Non-public Funding of the Arts  
CWLC(5) ART09  
Ymateb gan Samuel Murray, Myfyriwr PHD, Caerdydd / Evidence from Samuel Murray, PHD Student, Cardiff

The effectiveness of efforts to increase non-public funding of the arts in Wales by bodies including the Arts Council, local authorities and artists and arts organisations themselves. This funding would include: earned income; philanthropy; investment.

There is a fundamental danger in allowing sponsorship and investment from companies who will seek to use the arts as way to further their public image and agenda. The greatest risk is posed by the attempts of fossil fuel organisations to rectify their environmental image by investing in the most key of British institutions. Oil giant BP have sunk money into the British Museum, the Royal Opera House, National Portrait Gallery, Royal Shakespeare Company and the UK City of Culture Programme in Hull. On the surface this may seem like a British company making a generous donation, but such investment is aimed at improving BP's image so they can continue to harm our environment. Their investment of culture was particularly pertinent at the time of the Gulf of Mexico oil spill with investments helping to rebuild their image. Whilst Wales looks towards investing in renewable energy infrastructure, such as the tidal lagoons in Swansea and Cardiff Bays, opening up the arts to mass corporate sponsorship will be a route BP will identify to strategically influence policy with soft power. There must be consideration of how corporations will seek to gain political influence from their investment in culture, therefore measures must be in place to ban corporations from investing in culture to gain political influence or to lobby. Investments that have a conflict of interest through soft power must also be considered and prevented through an ethical screening process. From the outset, the committee needs to establish that funding practices like that of BP are not welcome in Wales and that their lobbying will not be allowed.

Superstar Performance Tax is idea that should be explored where if a superstar performer is playing at the principality stadium, or liberty stadium a levy should be placed on that performance to benefit the arts directly through a small percentage of ticket sales taken from the promoter's fee. Over the past year, we've seen Beyoncé, Rihanna, Coldplay and Justin Bieber play in Cardiff making millions of pounds in ticket sales if a percentage of that were to go to music education services it could provide much needed instruments or teachers.

There are also moves which the Welsh Government could make to empower community enterprise. With groups like the Creative Republic of Cardiff taking control of venues as community cooperative spaces we could see the process of asset transfer to communities being easier, and spaces could be earmarked as potential cultural venues given priority for community ownership over property development.

To get musical instruments for school and community services the Welsh government could have a mutually beneficial relationship with local music shops in which in return for providing instruments for services to borrow or have the businesses would be promoted and given tax cuts. Music shops and instrument repair shops could also become instrument recycling points where those who don't use instruments anymore could donate them for school and community services. The repair shops could fix these instruments up in return for a tax break and the instrument donor could be given a voucher in return to spend in music shops and record shops across wales.



International examples of innovative approaches to raising non-public funding of the arts.

In Portland, Oregon in the United States public arts funding is distributed through the Regional Arts and Cultures Council (RACC), who are not only given a budgetary provision but are direct recipients of the city's art tax. The Portland Arts Tax requires citizens to pay a flat annual rate of \$35 to go towards arts non-for-profit organisations and to pay for arts education provision in schools administered by the RACC. The Tax was enacted after a ballot measure referendum to introduce it which 178,725 residents voted in favour of the measure, 62% of the electorate. This only covers so much provision and the subsequent funding focuses on education.

Another major initiative enacted by the RACC is the Work for Art programme where to aid in providing arts funding to the city workers donate some of the pay check to the arts as a tax-deductible donation. The scheme allows donors to choose to give to a community or education fund and is matched by private donors and public donors. Donors of \$60 or more are given an arts card entitling them to 2 for 1 tickets to events by beneficiaries. In the period of 2015-6 donations totalling \$912,000 were raised from the programme. Businesses who have been set up to allow their employees on the payroll make contributions also are invited to take part of friendly arts competitions like a Battle of Company bands with prizes for the bands involved. This programme has recognised that when someone make an altruistic contribution that they are a stakeholder and should be allowed to participate in the processes. The programme looks for ordinary citizens to donate for their love of culture not because of a vested corporate interest.

In terms of monetising the outputs of the Arts Council Wales portfolio organisations there are many opportunities to be explored to ensure companies and productions are sustainable. In 2016 BOP Consulting produced a report for the British Council entitled *Opportunities for China-UK Collaboration in Museums and Theatres* which suggests a wide variety of ways China funds the arts. The report talks about the development of extra-performance products by the National Centre for Performing Arts (NCPA): 'Although derivative products are not common in Chinese theatres, they have been effective in promoting the NCPA brand and grabbing the attention of younger audiences. NCPA director Mr Chen Ping states that derivative products are "a type of cultural service of our audience"'. Often people want to take home memories of their performances and whilst some

companies like National Theatre Wales have done this it could spread throughout NPOs as a way to build a cultural brand for Wales. Derivatives were pioneered in China by the Shanghai Museum: 'its derivative products are developed by a dedicated design team, sold on site and at three other off site stores, and will be sold online from 2017'. Interestingly the report points out that to meet running costs 'raising ticket prices is not an effective solution, as the average ticket already costs between one tenth and one third of the monthly average wage in China' showing that there need to be more strategic thinking in how to generate revenue, not to merely price audiences out of culture. One example of how to meet this challenge was presented by the Guangzhou Grand Theatre who broke even in their first year of operation because: 'its in-house management team lowered operational costs and expanded audience reach, for example curating a series of performance programmes designed for Spring Festival to attract the wider public'. Whilst it is nonsensical to impose unnecessary austerity on arts companies there can be sustainability audits to ensure house keeping costs are kept low through measures like energy efficiency. The key take away is building accessible and successful programming to attract wider audiences and speak to their experiences.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / The Culture, Welsh Language and Communications Committee  
Cyllid Celfyddydau nad yw'n Gyhoeddus / Non-public Funding of the Arts  
CWLC(5) ART10  
Ymateb gan Plaid Werdd / Evidence from Welsh Green Party

Wales Green Party are submitting this response to the questions raised by the inquiry into non-public funding of the arts in Wales.

- The effectiveness of efforts to increase non-public funding of the arts in Wales by bodies including the Arts Council, local authorities and artists and arts organisations themselves. This funding would include: earned income; philanthropy; investment.

Sponsorship:

BP have recently committed to a five-year investment programme of £17.5 million in for a range of projects at the British Museum, the National Portrait Gallery, the Royal Opera House and the Royal Shakespeare Company. However, after the successful 'Liberate the Tate' campaign last year, BP announced the company will end its Tate sponsorship after 26 years.

Since the sponsorship schemes curated by big oil companies have been made public, the backlashes against Tate and the British Museum have made it apparent the public opinion is not in favour of the British arts being sponsored by companies such as BP.

Should the public funding of the arts in Wales be reduced from the currently budgeted £31.7 million, sponsorship from companies that do not support Wales' economic aspirations to invest in renewable energy, and the goals for the environment set in the Wellbeing of Future Generations Act, should not be accepted. It is equally important that, money should not be accepted from sources that conflict with our democracy.

At a time when Wales is looking to make investments in renewable energy, such as Swansea Tidal Lagoon, it would be detrimental to our democracy to accept sponsorship from companies that conflict this aim as sponsorship schemes are used by companies as PR stunts and can also open doors to lobbying behind closed doors. It is important that both public and non-public sources of funding are treated in a transparent manner, and should the level of non-public funding of the arts be increased, measures need to be taken to keep the public informed of the funding sources.

Sponsoring organisations to employ full-time fundraisers:

Establishing alternative funding streams to public funding is a challenge that arts organisations across the field of arts, from theatre to visual art are increasingly facing. Many organisations employ full-time staff in charge of filling funding applications. In order for an organisation to be seeking their own funding it is necessary for them to have at least one full-time staff member dedicated to seeking further funding. For organisations that do not currently employ this type of staff, public funding could be used to sponsor organisations to employ staff to ensure that going forward, they are fully equipped to seek for extra funding themselves. This kind of sponsorship would long term ensure the development of more autonomous and less dependent forms of financial support for the arts.

- International examples of innovative approaches to raising non-public funding of the arts.

Professional marketing and exporting of Welsh arts:

In April, Scotland launched a high-profile initiative to promote business and arts collaboration. The programme was launched by Fiona Hyslop, the Cabinet Secretary for Culture, Tourism and External Affairs, and offers grant funding of between £1,000 and £40,000, matched by business sponsorship to the same value.

There is scope that Wales' many SME businesses would be interested in affordable sponsorships if the scheme was promoted to mutual benefit across and outside Wales. Combining the promotion of Welsh business with the promotion of Welsh art would be an immeasurably better idea than accepting sponsorship from multinational companies that are not rooted in Wales.

In order to gain interest and funds both within Wales and outside Wales, it is important that funds are allocated long-term to promote Welsh arts both internationally and within the UK. Scotland has a high profile with an internationally acclaimed and well-known art school, Glasgow School of Art, and has programmes that enable the promotion of the arts produced in Scotland both within Scotland and outside, such as Made in Scotland.

Wales could benefit from further research into the ways in which Scotland has raised and continues to raise the profile of Scottish arts.

Whilst there may be a role for commercial sponsorship of any cultural activity, this should **not be used** to reduce the total state support for the Arts, but rather to allow state funding to be redeployed elsewhere.

#### International Examples: Creating a national brand

Wales must make use of its existing level of talent to promote and market its arts better as well as further afield. It is also paramount that Wales finds its feet in terms of branding and marketing its cultural strengths in the field of arts. Finland's efforts to brand its design talent for exporting in recent years have proven extremely fruitful in terms of both importing an interested audience ("design tourism") as well as exporting the products designed in Finland to other countries for sales. In 2012 Helsinki was appointed the World Design Capital, which increased the awareness and interest towards Helsinki as the centre for Nordic design, particularly in Asian markets such as Japan, South Korea and China. For Cardiff, bidding to be Europe's Capital of Culture in 2023, for example, should form a part of a strategic plan to increase the awareness of and revenue from the Welsh arts, rather than come as an after-thought following calls from artists and others working in the field.

For a small country like Wales, creating and maintaining an international network would aid in creating a long-term marketing strategy that capitalises on Wales' cultural and artistic heritage. This would also mean thinking of arts in line with tourism development: inviting and increasing tourist flow, promoting art that focuses on Wales' cultural history and present would also enable creating products that people can purchase to take home as memories of the performances they have seen and experiences they had whilst visiting Wales. As Finland has found, cultural history can and needs to be packaged in a way that appeals to current tastes and design standards. It is equally important that marketing strategy is created in advance of any events and product development taking place. The comprehensive report that followed Helsinki's year as the World Design Capital, notes that the international media strategy focussed on creating a communications network in the target cities of London, New York, Stockholm and Berlin (<https://www.hel.fi/static/liitteet/kanslia/blogit/WDCHelsinki-FinalReport-Finnish.pdf>). This was then successfully exploited to promote long-term development projects for which the year as a World Design Capital provided a platform for. The report emphasises the importance of approaching the different international medias early and maintaining the connection throughout the year.

Cultural diversity needs to be protected and promoted in the face of a dominating global artistic culture. This is especially important when looking to sell and package culture in such a way that will create more revenue to fund arts in Wales. Ensuring that arts organisations follow on a path paved by National Theatre Wales creating productions that Welsh people care about or that are topical in our own society, such as *We are still here*, about Port Talbot's steel works, is paramount to ensuring that the public continues to enjoy and benefit from the arts in Wales if non-public funding is increased.

Building a national instrument bank:

In Finland, local libraries have since 2012 expanded from lending just books. For example, various libraries across the country now lend out winter and summer sports equipment. The service is free to the user and funded through the public grants libraries get from the state. Funds are allocated locally to ensure local demand is met but not exceeded. It is possible to use this type of extended library model to create a national but localised instrument bank in Wales.

The Welsh Government needs to encourage the growth of local arts associations made up of practicing artists across Wales. We also ask The Culture, Welsh Language and Communications committee to ensure that local arts associations, where they exist, are given opportunities to represent on regional arts boards instead of local government officials. Only by enabling the arts community to take charge of their own financial positions, will the arts in Wales become truly sustainable, both economically and culturally.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / The Culture, Welsh Language and Communications Committee  
Cyllid Celfyddydau nad yw'n Gyhoeddus / Non-public Funding of the Arts  
CWLC(5) ART11  
Ymateb gan Arts Development UK / Evidence from Arts Development UK

ADUK welcomes the Committee investigating the success of the arts sector in Wales at increasing its non-public funding, the distribution of non-public arts funding in Wales, and identifying international models of best-practice that Wales could look to emulate in this regard.

Our membership consists of local authority arts services, Arts Council of Wales portfolio organisations, cultural trusts, cultural consultants, artists and arts organisations – those at the interface between arts and the community. ADUK supports its members to identify non-public funding avenues through the inclusion of a 'Funding Information' section in our weekly E-zine and the Funding section on our website. We also provide opportunities for our members to network regionally and nationally, to attend our programme of seminars and conferences, and to share skills and knowledge of other members through our online Skills and Knowledge Bank.

We believe that the sector in Wales actively seeks opportunities to increase income, philanthropy and investment. Through conversation with our members however, we also believe that the cultural sector needs further knowledge, advice and support to effectively identify and secure these opportunities. In an increasingly competitive funding market, where grants are difficult to access without considerable fundraising experience, there are a number of organisations without either time or experience to bid, or who need a range of support mechanisms to achieve additional resources to support arts and creative product.

Arts Council of Wales' Resilience Programme is supporting its portfolio clients to increase their income generation, but what of the rest of the arts sector? Arts & Business go some way in supporting the whole sector through training courses that cover areas such as fundraising, sponsorship and business development. They also offer a Board Bank Scheme whereby the skills of people in member business organisations are matched to strengthen the Board skills of arts organisation. There are also a programme of information and training sessions offered by Voluntary Arts Wales. Aside from these, the cultural sector needs to attract the support of highly skilled and knowledgeable business individuals that are at present underutilised.

ACW portfolio clients have different needs to local community arts groups, but for the sector to be sustainable and resilient, the needs of all within it need to be addressed. Many community groups require support to generate revenue from membership and other services/activities, which could then be utilised to access training, increasing their marketing and promotion skills. Some local authority arts services offer support, advice and signposting to such groups. We are aware that the cultural sector is supportive of each other; however, what more can we learn from other sectors?

Knowledge, advice and support is key for the sector, and is obtainable through training, peer support programmes, skills-sharing, and learning from cross-sector and sector-specific practise from within Wales and beyond. What are the examples from across the globe from countries with a similar demographic and geography to Wales? What's the status of their arts sector and its sourcing of non-public funding?

Although increasing self-generated **income** for the sector in Wales is possible, it is a struggle within a country that has deep pockets of deprivation. For the majority, opportunities to engage with and participate in the arts are free or low cost, many being subsidised by public funding. Many expect these opportunities to remain free or low cost, decreasing generating earned income opportunities through ticket sales and participation fees.

We believe that the societal value placed on the arts needs to be addressed so that people are willing to pay to engage with and participate in arts provision. In comparison, it appears that society's value of sport enables it to earn income via these means. Economically, the demand versus supply within the sports sector appears well-balanced; is supply outweighing demand within the arts sector or is there a need to create a demand for the arts in Wales that enables opportunity to increase earned income in the sector? For example, venues such as the Wales Millennium Centre (WMC) are able to earn income by programming popular touring UK musicals; yet, new musical work is a struggle to make and sell. The popular musical programme has a fan-base, reputation, and a strong brand that creates a demand for its supply in Wales. How can we translate this to new musical work? This question can also be asked of other art forms.

ADUK believes that although **philanthropy** is a means by which the sector can increase its non-public funding, we would question how realistic this is in a country that has a low level of wealth compared to the rest of the UK. Even so, if



the sector were able to profile the value of the arts and its contribution to society, this may motivate giving to the sector. Aside from monetary gestures, the sector could benefit from philanthropy in terms of time, advice and expertise from those skilled in decreasing dependency on public money.

In terms of **investment** in the sector, once again, as with earned income and philanthropy, the value of the arts requires a bigger presence and profile across society. What is the motivator for investing in the sector beyond areas (e.g. digital) that could potentially turn a profit? For the sector to have increased investment it needs to highlight a worthwhile return. This may be possible for larger institutions within the sector, but what of the community arts organisations and more localised providers?

We believe that further promotion of and support to source and secure funding from trusts and foundations is required, raising awareness of the potential to fund provision through currently under-accessed avenues. In sourcing funding for Gwyl Grai / Rawffest, the Youth Arts Festival for Wales, we have applied to numerous trusts and foundations across the UK with a low success rate. RawFfest has a growing profile and would seem likely to be supported by trusts and foundations but the reality of the situation is that much time and resources need to be applied, with only a moderate return from this area. There is much work still to be done to profile the work and outline the benefits of funding from trusts and foundations to the arts sector in Wales. Alongside this, we have also run Crowdfunding campaigns, on both occasions generating a low level of funding. We are sure that many others have also experienced difficulties sourcing funding through these avenues. It was resource heavy to complete applications and undertake the campaigns, and all resulting in securing a relatively small amount of funding. With this in mind, how is a sector that already feels under-resourced going to find the capacity to undertake this, for what, at present, seems a very low rate of success?

Gwyl Grai / Rawffest is a collaboration between ADUK, Youth Arts Network Cymru (YANC), Newport Live!, Venue Cymru and WMC. Collaboratively, Gwyl Grai / Rawffest is able to access funding that may not have been accessible to partners as individual organisations. Further collaborations within the sector include ClymuCelf / ArtsConnect, between the local authority arts services of Rhondda Cynon Taf, Vale of Glamorgan and Caerphilly County Borough Councils, Awen Cultural Trust (Bridgend), Merthyr Tydfil Leisure Trust, and Arts Active (Cardiff).

Collaboration has meant that these organisations have been able to pool resources to access funding for joint initiatives.

There is also potential to learn from models such as IndyCube, enabling those within the sector with ownership of buildings to: a) earn income through renting their spaces; b) develop new collaborations, through providing these spaces to artists and arts organisations and encouraging networking. Although there is potential in this, there's the caveat that sometimes artists and arts organisations expect space as in-kind contributions to a partnership, such as Gwyl Grai / Rawffest expects of WMC for its festival in 2018.

Furthermore, the human resource within the sector, although at times working under pressure or as a result of limited financial resources, has considerable experience of partnership working or raising funding from outside sources to make ends meet. Arts officers are often well-skilled and experienced in the potential of generating income and working with limited financial resources to produce professional outcomes. Arts officers are also very experienced practitioners in supporting cross-cutting agendas, using arts to aid other development services such as education, health, regeneration, social services, support for elder people and crime prevention, often working in disadvantaged areas with communities that others find difficult to reach. Local government arts officers and those working within arts organisations could sell on their expertise in advising non-arts bodies, such as Health Boards and Housing Associations, on how to use the arts to meet their objectives and achieve their outcomes. However, the caveat to this is that their expertise are often under-valued by those in other sectors, and there is a common perception that arts projects can be devised by anyone, regardless of their experience, training and expertise. As previously noted, the awareness of the value of the arts to society needs addressing, and Welsh Government could certainly play a role in advocating for the knowledge that there is within the arts sector.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / The Culture, Welsh Language and Communications Committee  
Cyllid Celfyddydau nad yw'n Gyhoeddus / Non-public Funding of the Arts  
CWLC(5) ART12  
Ymateb gan Prifysgol Metropolitan Caerdydd / Evidence from Cardiff Metropolitan University

With over 400 graduates joining the economy as artists, designers, makers and creative economy professionals each year, Cardiff School of Art and Design is one of Wales' major stakeholders in and contributors to Wales' creative and commercial sector.

We are fully committed through our formal curriculum and extra-curricular activities to ensuring that our students leave us with strong employability related skills and a clear understanding of the attributes needed to pursue their chosen careers. As well as addressing their practical and intellectual skills, they are also supported through Cardiff Met EDGE – the development of their Ethical, Digital, Global and Entrepreneurial skills.

Through EDGE, we feel that they are well equipped to face many challenges but we also recognise that the wider environment created by Welsh Government, UK Government and local authority policy makers needs to be an enabling one for them to succeed and contribute to the Welsh economy.

We believe that it is important for Wales to have a thriving creative economy and to have an innovative and successful business sector, for which investment in the arts and culture is vital. Investment supports new work and ideas that might not otherwise come to fruition and these then impact on other sectors and national priorities. This helps brand Wales as a forward-looking nation and one that welcomes investment and new business, making it a desirable place to live in and visit. Public funding of the arts is therefore an important aspect of public expenditure with measurable and qualitative impacts.

However, as important as monetary investment in the sector is, the power of the Welsh Government and other policy makers to create an enabling environment where the arts and culture can thrive is of equal importance.

We very much want to see the promotion of joined up policy and practice by Welsh Government and local authorities; for these governing bodies to act as enablers for creative activities and view a collaborative approach as fundamental to their overall commitments to economic development, health, sustainability, skills, community cohesion and tourism. The encouragement of partnerships between arts

organisations, education and business by Welsh Government and the Arts Council of Wales is therefore important, as it can seed cultural and business innovation.

Bodies such as the Arts Council of Wales also have a role to play in offering advice, guidance and training to enable artists and practitioners to have the skills to be self-supporting.

For example, Cardiff School of Art and Design has been delighted to partner with the Arts Council of Wales, Chapter Arts Centre and g39 in the Wales in Venice Invigilation Plus programme. This programme is enabling eight of our students and new graduates to invigilate at the Wales Pavilion at the Venice Biennale and develop their own creative initiatives with mentoring support. This has required the investment of time and money by the University, and so enabled cost savings on the part of the Arts Council, but it means that our students and new graduates have had a hugely valuable insight into the international arts arena. They have gained skills that have already been shown to kick-start their careers and broaden their intellectual thinking and artistic practice. This kind of collaboration helps build Wales' capacity as a creative centre and helps persuade the talent that we have nurtured over the past three years to stay in Wales where they are well connected to the professional networks who can help them as they emerge as artists and creative practitioners.

While we support the current investment in the arts by Welsh Government, we also believe that it has a vital role in encouraging this co-operation between like-minded organisations who want to contribute the Wales' cultural and economic growth.

## 1. Introduction

- 1.1. Art Fund welcomes the invitation to contribute to the Culture, Welsh Language and Communications Committee's inquiry into non-public arts funding.
- 1.2. Our response is focused on our areas of expertise and as such as we submit evidence of Art Fund or Art Fund-assisted initiatives to increase non-public funds to museums and galleries.
- 1.3. For further information, please contact Karen Wright, Art Fund's Policy and Public Affairs Manager, at [kwright@artfund.org](mailto:kwright@artfund.org).

## 2. Who are we?

- 2.1. Art Fund is the national fundraising charity for art. In 2016 we gave over £4.7m to help museums and galleries acquire works of art for their collections, with £217.8k of this awarded to museums and galleries in Wales. We help museums share their collections with wider audiences by supporting a range of tours and exhibitions. For example, we assisted Tate to acquire Constable's *Salisbury Cathedral from the Meadows* and funded the Aspire partnership to tour the work across six UK venues, including National Museums Cardiff in 2014. We also award grants to support the training and professional development of curators. We are independently funded, with the core of our income provided by 123,000 members who receive the National Art Pass and enjoy free entry to over 240 museums, galleries and historic places across the UK, as well as 50% off entry to major exhibitions and subscription to Art Quarterly magazine. In addition to grant-giving, our support for museums includes Art Fund Museum of the Year (won by the Hepworth Wakefield in 2017) and a range of digital platforms, including our crowdfunding platform Art Happens.

### 3. Examples of innovative approaches to raising non-public funding for the arts

- 3.1. Alongside a climate of economic uncertainty and public funding cuts<sup>1</sup>, museums and galleries are increasingly expected to boost their income by becoming more commercially minded and by attracting philanthropy. We are therefore pleased to share with the Committee three examples of Art Fund or Art Fund-assisted projects which support museums to diversify their funding streams.
- 3.2. It should be noted however, that while there is both opportunity for – and a real benefit of – increasing private funding for the arts, we recognise that these alternative income streams will not be sufficient to substitute the vital contribution of public funding.

#### Sheffield Museums' *Going Public* project

- 3.3. Sheffield Museums launched their *Going Public: International Art Collectors in Sheffield* project in 2015 to examine how UK museums outside of London can better attract philanthropy. The project continued in 2016 with Art Fund support, and we are also supporting the return of the project in 2017.
- 3.4. Findings from *Going Public* reveal that philanthropy must be part of a sustainable and mixed funding economy, and should be considered additional to – rather than replacing – public funding. Other findings include the need for curators to develop the fundraising, stakeholder management, and advocacy skills required to attract philanthropy (and also to make the case for public funding), and the necessity for museums to build fruitful relationships with and beyond the cultural sector.
- 3.5. Despite the project demonstrating that there is real interest from high net worth individuals to support museums, *Going Public* found that further work is needed to clarify the routes to philanthropy. Although the UK has a relatively sophisticated range of incentives to encourage charitable giving, they are, as highlighted in the 2014 Charities Aid Foundation report [Give Me a Break](#), often

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<sup>1</sup> The Museums Association's [Museums in the UK 2017](#) report highlights that local authority revenue spending on culture, heritage, libraries and leisure services in Wales fell by 26% in real terms between 2010 and 2016. The report also discovered that 64% of museum respondents in Wales reported a cut to their public income in 2015/16.

archaic, more complicated and fragmented, and therefore levels of awareness of the various methods of tax-efficient giving remain relatively low. Art Fund is working with a wide range of stakeholders looking at ways to simplify and clarify the routes to philanthropy and make giving more efficient and attractive.

### **Art Fund's Art Happens crowdsourcing platform for museums and galleries**

- 3.6. Art Happens is the UK's first free online crowdfunding platform designed especially for museums and galleries. The platform stems out of our desire to share our 100+ years of fundraising experience with museums to fundraise for a project. Since its launch in 2014, 29 museums and galleries have successfully raised over £475k to stage exhibitions, create new commissions and make important restorations. Moreover, however, by taking part in Art Happens, our partner museums have developed vital fundraising, digital marketing and networking skills that will continue to benefit them far into the future.
- 3.7. Recently, the Nantgarw Chinaworks Museum raised £15,410 from 119 funders through Art Happens to recreate William Billingsley's secret recipe for his fragile Nantgarw porcelain.

### **Art Fund's Art Tickets – aggregated ticket management system for museums and galleries**

- 3.8. Following a successful beta phase of our prototype ticket management system, Art Tickets, we have now secured funding to upscale the system to offer a new way for hundreds of museums to harness the opportunity afforded by online sales. The idea for Art Tickets was born out of our internal research (which surveyed 220 UK museums and galleries who sold tickets for permanent collections, exhibitions or both) which revealed that just 10% of museum tickets are sold online and that 45% of charging museums have no online ticketing capability – thus missing out on a vital source of income and audience intelligence.
- 3.9. We are therefore launching our scaled-up Art Tickets system to better support the sector, and provide a cost efficient way for museums to sell their tickets to customers, foster the sharing of data between institutions, and build a database of museum ticket buyers for use in cross-marketing or generating additional income for museums.

VAW welcomes the opportunity to respond to this consultation about non-public funding of the arts. Please note that this response is based on our recent experience, and does not represent a systematic survey of arts funding of the voluntary sector in Wales.

The majority of participation in the arts and culture happens within local communities. There are around 4,000 amateur arts, crafts and heritage groups across Wales, with an estimated 650,000 people regularly participating in them ([Welsh Government figures](#)). These creative activities, which are essential to the wellbeing and quality of life of individuals and communities, are largely self-sufficient and receive very little direct public funding.

The capacity for significantly extending earned income, investment and – in particular – philanthropy, within a sector which relies on volunteers and limited funds, is therefore comparatively small.

For example, a common model among voluntary performing arts groups which receive no direct public funding, is of subscription fees from members, supplemented by income from fee-paying performances / ticket sales. This pays for venue hire and running costs, and occasional professional artist fees (e.g. group leaders), and sustains many local voluntary arts groups.

Such groups do, however, rely on local venues, facilities, networks and support: an infrastructure that supports local culture. And this is where reductions in public funding are felt.

Arts groups have long been adapting to reduced public funding. The Wales Audit Office report [Local Authority Funding of Third Sector Services](#) (Jan 2017) reveals that 'Culture and Related Services' is the only area of Welsh Local Authority spend to reduce both in real and cash terms between 2001–02 and 2013–14 (p.13): a decrease of 35.3% in real terms.

Voluntary Arts has sought to support the voluntary and amateur sector to increase its diversity of funding sources. We have a range of free information briefings, including 'How to write a successful funding application', 'Applying to trust funds', 'Gift Aid', 'Crowdfunding for voluntary arts and crafts groups', 'Social enterprise',



‘Trustees and fundraising’ and ‘Raising funds locally’. We regularly share information on a variety of funding sources and mechanisms through our social media channels and through our UK-wide newsletter.

VAW overwhelmingly hears of the need for small grants from the groups we work with. These might be from arts-specific or generalist funders; from public sources or charitable trusts and foundations. Awards for All remains an important funder of local cultural activity, as is the Arts Council of Wales’s small grants programme, but there is also a need for very small grants. Voluntary Arts recently ran a project, [Open Conversations](#), to improve its understanding of creative activities with Black, Asian and Minority Ethnic (BAME) cultures and communities. One of the findings was a demand for ‘micro-grants’ with easier application processes, for example allowing video submissions. This is borne out by VAW’s experience of administering micro-grants (between £100 and £250) to enable participation in Voluntary Arts Week, to pay for the costs of materials, venue hire and promotion. The [Gwanwyn](#) celebration of creativity in older age offers a similar model. A small amount of increased investment in this area can yield substantial results and introduce large numbers of participants to the benefits of creative cultural activities.

The heritage sector in Wales has benefited from the dedicated [Catalyst Cymru](#) programme, which provides fundraising skills development for all who work in the heritage sector, and is delivered by WCVA.

Regarding investment, VAW has been exploring the potential for an arts-based manifestation of the Wales Wellbeing Bond, a form of social investment that uses public funds, rather than the private funds used by other Social Impact Bonds. We believe there is considerable potential for arts-based initiatives using repayable finance, particularly in the area of arts and health programmes.

## Volunteering

The additional resource, across all arts, culture and heritage organisations, is of course the vital contribution of volunteering.

VAW has been exploring the role of volunteering in the arts. We are not aware of a statistical overview of arts volunteering in Wales, but the following represents an initial indication of the scale and contribution of volunteers to arts organisations in Wales, which we believe is likely to be considerable:

- The Wales Council of Voluntary Action (WCVA) estimates that there are about 938,000 volunteers in organisations in Wales ([Third Sector Statistical Resource 2016](#)).
- This leads to an estimate that 145 million hours of volunteering is given in Wales in a year, which can be given a monetary value of £1.7 billion: equivalent to 3.1% of Wales' GDP (*ibid*).
- Around 10% of the 33,000 third sector organisations in Wales work in the area of arts, culture and heritage, and 1,915 (22%) of the registered charities in Wales include the charitable purpose of promoting arts, culture, heritage and science (*ibid*).
- In 2015/16, there were 1,353 volunteers within the 67 Arts Portfolio Wales organisations ([Arts Council of Wales](#) figures).
- The number of Arts/Culture and Heritage opportunities advertised on the [Volunteering Wales](#) website between 1 July 2016 and 1 July 2017 was 670.

There are emerging volunteering trends, such as online or micro-volunteering (e.g. archiving heritage collections online), and cultural venues are increasingly part of time-banking schemes (e.g. the [Sherman 5](#) initiative, and [Get the Chance](#), which rewards critical responses to arts and culture with time credits).

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
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CWLC(5) ART15  
Ymateb gan Arts Alive Wales / Evidence from Arts Alive Wales

Arts Alive (working and public name Arts Alive Wales – AAW) is a Powys based arts educational charity, working in contemporary visual arts, crafts and literature. It serves rural and post-industrial communities in Mid and South-East Wales. It has a recognised profile for arts participation, including Arts and Health activity, focused on individuals and communities that face barriers to arts access. It became a Portfolio Client of Arts Council of Wales (ACW) on 1 April 2016.

AAW received no public funding from national or local government before 1 April 2016. Its sustained growth was built on a well-diversified income base of project-funding from trusts and foundations, underpinned by unrestricted income from earned and philanthropic sources. It sought investment funding from ACW to realise its ambitious artistic and organisational plans for the region, and to realise the potential for compelling contemporary arts and culture in rural Wales.

AAW's investment funding from ACW (£75k in 2016/17; £77k in 2017/18) has been used to increase staff capacity and resource, including a new post of Digital Manager, and has already helped leverage multi-annual funding for two further staff posts from trusts and foundation funding (£50k per year for three years).

AAW's has a strong organisational culture and ethos, and its responsibility and duty to use ACW public funding to leverage other income is a core principle of its strategic plan. Its Board and senior management team are committed to retaining and growing income diversification to ensure the long-term sustainability of the organisation and the arts in rural Wales.

### The context within which AAW operates

AAW operates in mid and South-East Wales, working with individuals that experience deprivation across a range of indicators. Rurality exacerbates the challenges faced by the communities it serves. However, AAW's proximity to the English border and to cities of South Wales offers potential access to more affluent audiences as compared to colleagues who work in arts organisations based in mid / North Powys and West Wales.

## AAW Financial Model

AAW's development strategy and financial model is aligned to its organisational, strategic and artistic aims and objectives. The quarterly funding slate and accompanying narrative report, form a key part of Board of Trustees monitoring.

The AAW financial model assumes a balance of contributed and earned income streams including trusts and foundations, lottery, and philanthropic fundraising. It has set itself a target of matching public funding to non-public funding in a ratio of 1:3. Specifically, AAW aims to leverage twice its ACW investment with funding from trusts and foundations, and to match the investment in terms of earned income and philanthropic fundraising.

Earned income and philanthropic fundraising raise unrestricted income, enabling AAW to invest in researching, piloting and evaluating activities. Unrestricted income therefore supports innovation and creative risk-taking, as well as contributing to the costs of professional development for staff and artists.

## Trusts and Foundations

Welsh organisations are underfunded from major Trusts and Foundations compared to their English counterparts and ACW investment means that AAW can approach key funders with greater confidence. Its strategy for Trusts and Foundation funding falls into two strands:

1. Activity funding – direct activity in accordance with AAW's artistic policy
2. Funding for support costs (employment costs and overheads)

As indicated above, AAW has already had success in approaching Trusts and Foundations for support costs, and is currently piloting and evaluating activity projects, particularly in the digital sphere, to strengthen the quality of its approach to further significant funders over the next 24 months.

## Earned income

AAW currently earns income from letting space at its Crickhowell venue and from running a creative programme of classes and events. It has a track record of securing commissions from partner organisations either as discrete projects or to match fund larger project work. It is investing staff time in developing new earned income streams including sponsorship and arts services, building upon its 2016/17 Nesta funded Digital Innovation Funded project.

## Partnerships

ACW investment has helped further promote AAW to partner organisations who support its activity with either cash or match funding. Partners include Landmark Trust, Brecon Beacons National Park Authority, Abergavenny Food Festival, Green Man Festival, Canal & Rivers Trust, Monmouthshire Housing Association as well as local businesses.

## Philanthropic Funding

AAW holds a biennial fund-raising fine art auction, with an associated individual giving campaign. The event raises unrestricted income enabling AAW to invest time and resources in strategic planning and development. Art sales of over £120k have generated £70k of core income over four events held since 2009. The event helps AAW connect to its audience, promotes the artists with whom it works and is an opportunity to demonstrate the impact it is making for the individuals and communities with which it works.

## Skills and context

AAW's income base and its potential for earning income is built upon the expertise and knowledge of its human resources (artists, board, volunteers as well as staff), its physical assets (eg venue) and the unique environmental, social, cultural and historical context of the region within which it operates

All AAW staff members are expected to contribute to development strategy and activities to enable the organisation to meet its aims and objectives. ACW's resilience programme is offering AAW additional expert advice to support its strategic business planning. AAW also relies upon a small bank of professional advisers, including expert fundraisers, to support its strategic development.

## Financial security and Artistic risk

The strategic plan which AAW is now pursuing has been facilitated by its strong financial plan and sound governance. Non-public arts funding has arguably enabled the organisation to take greater creative risks but like many small arts charities, the organisation's ambition was constrained by its limited capacity. Public funding has unlocked AAW's potential.

## Conclusion

Non-public funding has been a highly beneficial financial resource for Arts Alive Wales, without which it would not have secured ACW investment. Arguably AAW

has been able to take greater creative risks with the unrestricted funds it has earned or fund-raised than would have been the case with public funding.

Public funding of the arts is essential, because it places visible value on the fundamental role of the artists, culture and the arts in society and in the lives of individuals and communities. However, all financial resources come with responsibilities and obligations. Public funding should be used to generate other non-public resources, whether these are cash or in kind.

The huge role and value of unpaid volunteers, is one 'in kind' contribution which is scarcely recognised within the ecology of Welsh arts organisations.

Whilst recognising the difficulty of quantifying their value, the 2015 Charity Statement of Recommended Practice for accounts, acknowledges this and recommends that notes to the accounts acknowledge their benefit and contribution.

Welsh arts organisations often lack the skills and capacity to generate new income streams, and AAW applauds initiatives such as the Resilience programme, which offer support for strategic development. Further cash funding to invest in the professional development of staff would be welcome and would enhance the sector's confidence and creativity.

AAW recognises that as a micro-business with five (soon to be six) employees, it is supporting a modest cost base compared to bigger arts organisations. The fundraising target it has itself – that public funding forms no more than 25% of its overall income – reflect its understanding of its own specific operating conditions.

It is of vital importance that this consultation is based on an acknowledgement that the object of the exercise is *not* to reduce WG's financial commitment to the arts, but how best to facilitate the sector's ability to increase earned income / non-public funding through its existing public subsidy.

*1/ "the success of the arts sector's efforts to attract more non-public funding"*

### Strategic planning

Core funding affords you the ability to plan strategically; without adequate core funding you lose this ability, and with it the ability to attract alternative sources of funding. G39 has attracted non-public funds from various trusts and charities, but these have been predicated on our ability to develop long term relationships with them. With the combined stability of our modest core funds and a 10-year lease on a large-scale venue we have been able to secure project partnerships with high profile UK art agencies such as Artangel and Jerwood, both of which brought significant investment.

Organisations that rely largely or wholly on project funding face another challenge, specifically that they are often obliged to assign earned income as match funding and are therefore unable to accrue significant reserves.

### Scale of operation

The consultation must also recognise the wide ranging scale of arts organisations operating in Wales and what this means for developing an approach to alternative sources of funding. Wales's artistic culture is delivered by a mosaic of organisations of different scales and crucially, with different functions. Small organisations serve a different role and function differently from their larger, more hierarchical counterparts. It is not feasible to develop a one-size-fits-all approach for business development across all arts organisations, for example: a) the capacity to generate significant earned income increases exponentially with scale of organisation; and b) there are threshold levels of annual turnover below which it is acknowledged [needs citation] that certain business models (eg gallery with cafe) are more of a burden than an asset.

A further consideration that should be taken into account is the **instrumental value** of the arts. This is widely understood and the sector helps delivery of many policy

decisions taken by the Assembly, passed on through the Arts Council of Wales to its clients. All publicly funded arts organisations are in the process of implementing key strategic targets connected with the Welsh language, accessibility and diversity, art in schools and education – the list goes on. With this remit as a central tenet of any agreement that involves public funding many organisations focus their energies on delivering these targets.

### Non-financial philanthropy

There are already philanthropists who support the arts. These philanthropists do not give money, but give the resources that they have to offer. They are volunteers – they are the people who give time, who turn up, who keep things going. Some are highly skilled (eg charity trustees). They all play a crucial role and are essential to the arts in Wales.

The consultation should also identify the value of current support for the arts from non-public sources that can not be evidenced in financial reports, eg rent reduction and rates relief. People who work in the arts are skilled at working economically, driving a hard bargain and making small amounts of money go further.

### Excerpt from our proposal for the Arts Council of Wales' Resilience Programme

#### G39's value perception

*Out of necessity g39 has grown with an economic model that places significant emphasis on non-financial investment (eg voluntary input by participants and staff) as well as other cost-reducing exercises such as recycling and reusing materials. While this means that g39 is perhaps one of best examples in Wales of an organisation that drives maximum value and output from financial investment, it has also resulted in poor understanding internally (and perhaps externally) of the equivalent financial value of our overall output. When there is an opportunity to earn income we often are not well equipped to maximise it.*

*How our value is perceived externally is also likely to be a barrier, by stakeholders and audiences / participants. Our sustained output gives the appearance that we are adequately resourced, but our dwindling reserves tell a different story.*

...



*To become less reliant on project funding we need to:*

*Develop the means and confidence within the organisation to realise potential income streams and pursue a more sustainable model*

*We need to bring about an attitudinal shift that makes financial exchange a commonplace part of engaging with g39's activities (but not necessarily the default method of value exchange). This shift needs to be implemented with a confidence that filters throughout the organisation as a whole so that the exchange of money (in both directions) is acknowledged as a positive action and not a squeamish or unpleasant matter. The organisation needs to improve its own perception of its value, and that of its services and experiences.*

*2/ "The distribution of non-public arts funding in Wales and how this compares to the rest of the UK"*

We believe the consultation should be framed by *measuring* the availability of non-public funds. To that end, the questions that we believe need addressing are:

- What existing philanthropists and alternative sources of funds are there within Wales?
- What do they support?
- What level of private funding is currently available to the arts in Wales?
- What is the appetite for financial patronage of the arts in Wales?

A supplementary question would be to ask why the vast majority of philanthropic funding in the UK is centred on London, with fewer sponsors spread regionally in England, and the fall-off of these sponsors particularly notable in Scotland, Northern Ireland and Wales.

*3/ "international models of best-practice that Wales could emulate"*

Canada is particularly good at encouraging a mix of public and non-public subsidy of the arts, but there is an agency (similar to Arts & Business) that is actively engaged in delivering it in each region. They also understand the differences more clearly between different scale orgs (funded by the town/ city, by the region, by the country depending on the remit they have the ambition to perform).

The government must be fully committed to its role in securing alternative funding for the arts. Ideas:

Alternative education – student loans / bursaries for non-accredited training (or make accreditation easier for non-institutional training)

Develop more diverse ways for meeting corporate responsibility (not just percent for art – eg Tesco's bag tax). WG could be using a carrot for the businesses – provide incentives for businesses to support arts. Percent for art exists not because developers/ architects love art, but because it is a regulatory obligation.

## Our experience and thoughts about ways to increase income generation

Our remit as a charity is to provide a service, which like many other public services is not of a nature that would gain a return on investment by a commercial company. Much of our work happens with local communities and schools where a financial return would not be realistic.

With a staff team of 4 we have to spend our time wisely, ensuring we fulfil our purpose and create work of high quality. Without a specialised role in the staff team, the time allocated to look for commercial sponsorship, sourcing and applying for funding from Trusts and Foundations and philanthropic donations from individuals, equates to around 15% of one full time staff member. Successfully achieving an income from these areas takes time to research potential matches, apply and nurture a relationship, as such the return on our invested time has to be carefully weighed up.

In order to increase earned income through ticket sales there are many contributing factors. From personal experience, having been a venue programmer, venues as still paying fees at a level as they were 10 years ago to the companies producing the work such as Theatr na nÓg. With the reduction and loss in many cases of Local Authority funding, venues are working to tight programming budgets. Guaranteed fees are becoming increasingly rare with venues opting to minimise risk by offering to split ticket sales with the company, meaning both the producing company and venue take equal risk. For us that means we are entirely dependent on the success of the venue marketing our show and selling tickets on our behalf.

The face value of the ticket is subject to VAT and then split with the hosting venue meaning an increase in ticket sales by £1 would see an actual increase of around 49p after royalties to us.

Tickets need to be priced at a level appropriate for the community in which the production is performed so that cost doesn't become prohibitive and the arts only for the elite.

The success of each local economy has a huge impact on how much audience members can afford and the price venues can charge.

## Our recommendations

In the long term the infrastructure of small arts organisations would need to be reviewed to look at the feasibility of creating and supporting new specialist roles as well as the availability of successful fundraisers in the country to fill any new positions. It would be of benefit to companies such as ours if ACW were able to, via their Resilience programme, provide a regional resource of this nature to similar National Portfolio companies.

An analysis of each portfolio organisation by an expert with a proven track record of working with arts organisations to increase income would be welcomed.

A joined up approach to investing in audience development would support venues, see visitors attending their local venue more and with transport investment support communities to travel to other venues which on the map should be local but in reality are impossible to get to if reliant on public transport.

In return venues would generate more income not only on ticket sales but ancillary spend and in return have more flexibility in the fees available to pay the companies producing the work.

## Arts Council National Portfolio Funding

The development of a new show typically takes between 2–5 years from the initial idea, development of the script, booking of venues (usually 1 year in advance) to the creation of the final production. Companies in Wales that rely on ACW funding work in a precarious way with an uncertain future due to grants only being awarded on an annual basis. Whilst we plan ahead for the next 3–4 years we never know if we will be successful in continuing to receive funding from our major funder until January for activities to begin in April.

## Our recommendations

With a commitment to longer term funding over a period of 3 years plus for National Portfolio Organisations in line with Arts Council England, organisations would increase stability, security and the ability to plan further ahead. With funding secured for a longer term this would enable this to be used as match funding for

applications for Trusts and Foundations where applications would normally be submitted 6–12 months before required.

It may also offer more security if a potential investor could be found.

## An innovative approach to raising non-public funding

Theatr na nÓg has experienced first-hand the challenges that come with diversifying our business model and producing commercial work.

Having toured a new musical ‘TOM’ about the early years of Tom Jones in 2014, the company redesigned the show to be a large scale production to tour the UK in 2016 with the aim to generate additional income to support the company and to take our work out to a wider audience.

‘TOM The Musical’ toured to 12 venues, played 83 performances to over 41,000 people and grossed over £1 million in box office but still didn’t create a profit. We do believe there is a possibility of this model achieving what we set out to do from our findings and the things we have learnt on our first venture into the world of commercial theatre. It is a hugely competitive market which has a very different business model to that of a subsidised company as we are. It is a high risk model and only works with significant capital investment.

The tour was only possible with an investment of capital funds of £300,000, a combination of a bank loan and investment from Arts Council Wales. What we discovered during the process to find investment was that there were no investors in Wales used to the vagaries of theatrical productions. This difficulty in engaging the private sector is compounded because there are no major UK companies headquartered in Wales.

Whilst we would love to tour a show of this scale again the challenge to find capital investment again is hugely prohibitive and the amount of time invested in this and the creation of the production naturally takes priority over our other work as there is not a large enough team to run both concurrently. This then leads us to question whether we can fulfil our purpose as a charity and achieve commercial success.

## Our recommendations

The Welsh Government, through the Economic Development portfolio of Ken Skates could look to developing a small group of investors initially encouraging

them to participate by offering incentives over an initial three-year period.

## In conclusion

We do not wish to be negative about the possibilities of decreasing dependence on the public purse but as our response shows at our scale of operation and with our remit (As given by ACW) it is difficult to discern how we alone can devise, develop and deliver a diminution of our funding reliance.

Our staff team and board would be happy to engage further in the debate as it progresses.

The consultation references "philanthropy", "earned income" and "investment" as potential ways of funding the arts outwith of public subsidy.

Realistically the only route to philanthropic giving is via charitable funds and trusts – established for the purpose of giving to "good causes" as few if any organisations have direct access to wealthy individuals. However all philanthropic giving is targeted towards specific purposes – the arts being just one. Arts organisations have generally been good at raising funds from such trusts, with the bigger organisations such as WNO having most success as they are able to employ expertise to research and access such funds – competition being extremely keen and most trusts and foundations operating across the UK.

However funding from trusts is unable to contribute either to general operating costs or even to general programmes of work. They are really only available to support specific, additional projects and initiatives and therefore inevitably will be a supplement rather than a replacement for public support.

In regards to "earned income" this is generated by sales of some kind – most usually tickets in the case of the performing arts– together with ancillary/associated trading – refreshments and merchandising. This is where it gets tricky as of course more "popular/populist" performances will generate more income in direct and indirect sales than activity of more limited appeal. So a Pink Floyd tribute band will earn more income from tickets and bar sales than a piece of new writing or contemporary dance.

Similarly, audiences for NT Live and RSC screenings tend to be much larger than for new live drama created in Wales which has neither the kudos of those brands or the star names. (Although of course both National Theatre and the RSC receive very large amounts of public funding and are able to attract philanthropic giving and sponsorship given the power, reach and quality of the brand). It would be a relatively easy step for arts centres and theatres to move away completely from programming and producing new, live theatre which is risky, ( i.e quality etc are unknown until the work reaches the stage) and which requires relatively high input of technical and marketing support and generates limited box office – in favour of

live screenings from London which have no risk and require virtually no technical or marketing effort.

Whilst this would reduce the need for public support, the "cost" to creativity and to Welsh talent would be immense.

The reality is that theatres present programmes which strive to achieve a balance between product which will guarantee an audience and at least cover most of the costs with that which is new and untested but which showcases creativity, ambition and innovation – but at a financial loss.

Increasing earned income is always one of the core goals for any business and arts businesses are no exception. The question is one of where the balance lies – increase ticket prices and exclude sections of the population? Increase the number of tribute bands and impoverish the diversity of the programme? Pay artists less and increase "profit"?

Business sponsorship also has a part to play but experience suggests that the major players will always reap the biggest rewards. Business expects maximum exposure for its support and this is best guaranteed by the national organisations who in turn attract biggest audience and most media coverage. Smaller scale sponsorship is of course valuable but in reality adds a small amount at the margins.

Arts Council funding is key to ensuring that the public have access to contemporary arts and culture – not limited (or at least less limited) by postcode or class. It also recognises the need for artists to at least be paid a reasonable (if basic) rate for the job and to be able to operate in a safe and inclusive environment.

It's not clear what is meant by "investment" in the consultation but surely this is the most appropriate description for public funding. It is investment in creative talent and in opportunities for audiences to experience and participate.

Artists and arts organisations are nothing if not innovative. If there are trust funds to be applied for, sponsors to be wooed and new platforms to market work and sell tickets then we can be certain that there will be creative people trying to exploit them.



We also understand that public budgets are under great stress and it is right that the basis for, and extent of, public funding of the arts should be scrutinised and the potential for other sources of funding explored.

However Wales is a small and essentially rural, post-industrial nation with a scattered population and a limited number of national or multinational businesses or high net worth individuals.

As a nation there is also the expectation for our own national cultural organisations as well as activity across the country – at regional and local level and in both languages. Limited budgets are therefore stretched even tighter than say in an English region with a similar population level.

I have 40 years+ experience of working in the cultural field – as art teacher; Regional Arts Association officer; presenter; producer and Chair of ACW. Investment of public funds (from taxation and Lottery) has been and remains a crucial element in securing a vibrant arts ecology – one which supports the creative voice and strives to make that voice available to all.

## 1. Introduction:

- 1.1. Ffilm Cymru Wales is grateful for the opportunity to respond to the government's inquiry and is alert to the wider context that frames this work, in particular the on-going squeeze on grant-in-aid (GIA) resources, now coupled with a significant decline in national lottery receipts.
- 1.2. The push to diversify income, is therefore not a 'nice to have', but an essential approach for any publicly funded arts organisation. This has been the case for several years now in the context of on-going austerity measures with many organisations, ourselves included, maximizing efficiency savings, improving marketing and reach, and fundamentally adapting business models.

## 2. About Ffilm Cymru Wales:

- 2.1. Ffilm Cymru Wales, formerly the Film Agency for Wales, was established in 2006 following a review of the cultural industries. As the external lottery delegate of the Arts Council of Wales (ACW) and British Film Institute (BFI), Ffilm Cymru Wales supports the strategic development of the film sector in

**Wales, in addition to devising, funding and delivering further projects, such as the BIG Lottery-funded Film in Afan scheme ([www.filminafan.com](http://www.filminafan.com)), and developing producers and services as an independent company and business in its own right.**

- 2.2. Ffilm Cymru Wales does not receive any GIA from ACW or Welsh Government, but does receive c. £120k of GIA per annum (approximately 6.6% of annual income) via the BFI, which leverages lottery and third party funds from applicants, supporting the work of film education practitioners and film exhibitors (e.g. festivals, independent cinemas/arts centres and pop-up film provision).
- 2.3. Ffilm Cymru Wales' work is structured around supporting the production of new work and ensuring that it connects with audiences throughout Wales and beyond; and in training and education to encourage a new generation of film

talent and film lovers. We capture this work under the banner of Make, See, Learn.

- 2.4. In delivering this work we collaborate with a wide range of commercial and public partners in Wales, elsewhere in the UK and internationally.
- 2.5. The company is a social enterprise – a Community Interest Company – with profits recycled to further the company’s public good aims and objectives.
- 2.6. For more information please see [www.ffilmcymruwales.com](http://www.ffilmcymruwales.com)

### 3. Developing the sector:

- 3.1. The core business of Ffilm Cymru Wales is as a strategic financier supporting the development of the film sector and cultural engagement with film in Wales. As such we are distinct from the majority of ACW’s portfolio – and seen by HMRC as a financier rather than either a trading body or direct producer or exhibitor of content. This contrasts with arts venues or producing organisations that have a direct relationship with audiences/customers where they can sell seats, experiences, snacks, etc.. That is, Ffilm Cymru Wales is a B2B rather than B2C entity, moreover where the client business – whether it be a film production company, cinema, film festival or education practitioner – is seeking funds from us, rather than to pay for a service. We provide this service on behalf of ACW and BFI and circa 86% of our income of c.£1.8m is paid out to third parties in this way to benefit upwards of 70 applicant organisations per annum.
- 3.2. As a sector development body with its core service as a lottery delegate as described, Ffilm Cymru Wales has positioned itself to develop and add monetary value to public funds and diversify income streams in three ways:
  - Leveraging investment;
  - Providing training and financial facilitation to encourage changed behavior in the sector – particularly encouraging broader exploitation of intellectual property (IP) and increased audience reach;
  - Developing new products and services.

## 4. Leveraging investment

- 4.1. The lottery finance that we provide requires co-finance to be able to draw it down. In the case of production funding, where we spend the majority of our funds, there has been an average of £7.52 of third party finance raised for every £1 of Ffilm Cymru Wales funding. That equates to a total of £51,182,655 of partnership funding to our production investment of £6,804,288 in the financing of 60 feature films, including 10 in the Welsh language.
- 4.2. Co-financing comes from many and varied sources including:
- 17 films (28% of supported features) accessing financing from international co-production (totaling £3,997,604);
  - £5,100,673 raised from private investment incentivized through EIS, SEIS or VCT tax wrappers; and
  - £12,897,528 from the pre-selling of distribution rights in advance of production, including equity contributions from broadcasters such as BBC Films, S4C and Film 4/Channel 4.

## 5. Developing and adapting business practice

- 5.1. Over the last 5-years Ffilm Cymru Wales has researched, tested and developed its Magnifier approach to developing the sector - to make the most of good ideas. Magnifier is essentially about maximizing the value of intellectual property (IP) and market awareness to increase revenue and audience potential.
- 5.2. Ffilm Cymru Wales achieves this increased revenue and audience potential by:
- The early and systematic identification of IP potential, backed up with funding and multi-disciplined networks that can enable exploitation. This has allowed producers to develop games, education assets, publications, soundtracks, merchandise and stage/tv adaptations, for example, with a third of supported projects having additional IP offered alongside their feature films.

- An environment that supports shared and accelerated learning – through the systematic gathering of data, case studies and research benefitting filmmakers who are introduced to cohorts of their peers and experts from varied disciplines.
  - The early and systematic evaluation of audience/market potential of projects, with distribution and marketing experts, backed up by flexible funding and working approaches that enable tailored market and distribution strategies to be seen through including the creation of teasers and proof of concept materials (including for crowdfunding/sourcing platforms), for example, that test and build markets and low cost.
- 5.3. Supported projects include sci-fi feature, *The Machine*, with its WJEC co-produced education resource, soundtrack and tv pilot series for Universal/SyFy channel; book adaptation, *Submarine* with its accompanying soundtrack; the animated feature, *Ethel & Ernest*, with its accompanying soundtrack and education resource; and horror feature, *Don't Knock Twice*, with accompanying VR game, released this month through Sony Playstation.
- 5.4. It is worth noting though that whilst potential sector income is increased and diversified in this way, as a public funder, Ffilm Cymru Wales is necessarily further down the recoupment waterfall than commercial co-financiers. There is a long lead in time from development to exploitation – often upwards of 5-years; and most independent feature films don't fully recoup their cost of production (hence the rationale of lottery funding being used to support new and emerging talent to offset market risk). Therefore, the benefits of this adaptive business model are first and foremost for the broader sector – including the independent production companies and talent we're supporting, rather than there being an expectation of significant additional financial resource for Ffilm Cymru Wales itself.
- 5.5. With this shared learning principle in mind, at corporate level we are increasingly collaborating with our colleagues across the national arts companies both at project level (where collaborations include the Port Talbot Passion Project/Gospel of Us and the current Save Our Steel revisiting of Port Talbot stories with National Theatre Wales; 2117 opera film collaboration film with WNO and their youth opera, or the collaboration in which all 8 of the national arts companies have come together to examine and exploit joined up opportunities to refine our work around audience development;

skills; international profile and shared research. One of the motivations behind the coming together of the national companies, was to explore the potential to diversify income, through increased potential scale and impact.

5.4 For information, including line-ups for previous Magnifier cohorts, please see: <http://www.ffilmcymruwales.com/index.php/en/company-details-and-contact/magnifier>

## 6. Developing new products and services

- 6.1. As noted above, when an arts organisation is set up and known for its provision of free at the point of use financial services as a lottery delegate of ACW and the BFI, and it has no direct customer facing business (as with an arts venue or production company), routes to diversifying its own funding – as opposed to encouraging diversification of income in the sector, as above – are limited. However, Ffilm Cymru Wales sees opportunities in developing new products and services particularly in the area of education and training, opening up earned income potential.
- 6.2. Ffilm Cymru Wales has supported third party education practitioners in the provision of lottery funding since our inception and are therefore mindful that any product or service that we might develop needs to be addressing a gap in provision and not in direct competition or undermining the sector we're tasked to support.
- 6.3. We are currently in the proof of concept stage of our work in this area, but early indicators are promising with potential to develop our Foot in the Door new entrant training programme into a trading activity, providing an improved employability service to Housing Associations, focusing on transferable skills (e.g. hair-dressing, carpentry, design, administration) that can apply across the creative industries, arts and broader sectors. We are also exploring the potential to reversion UK education resources (co-financed with WJEC and free at the point of use for schools) for international markets.
- 6.4. For more information on Foot in the Door see: [www.ffilmcymruwales.com/index.php/en/film-educators/foot-in-the-door](http://www.ffilmcymruwales.com/index.php/en/film-educators/foot-in-the-door)

## 7. Challenges:

- 7.1. As should be clear from the above, there is no complacency around the need for diversifying income, but equally no quick fixes or easy answers.
- 7.2. It would be remiss not to note the various challenges to diversifying income for film (many of which apply to the wider arts) including:
  - the public perception of what they will and wont pay for, and at what price point (with long traditions of free content/experience – from libraries and museums, to free or ultra-low cost on- line content);
  - Increased competition for consumer time;
  - Increased marketing power of competitors – with increasingly large/concentrated cultural ‘players’, who have access and resource to use big data in targeted marketing campaigns; Harnessing this is possible – e.g. when collaborating with a well-resourced broadcaster, but it is not a given for all arts organisations or projects;
  - Competition for philanthropic funds – where the arts can be pitted against health & education, for example, which may be seen as ‘more worthy’;
  - The creation of cultural work is time intensive and practitioners have developed their artistic approach over many years – the adaptation of business models has to operate within this broader context.
- 7.3. For film in particular, there is a lack of philanthropic funding, with opportunities tending to lie more with investment, which favours more established companies and commercial propositions. This is a challenge for the independent sector, and particularly the emerging indigenous companies and talent within Wales as they develop their track-records and business enterprise. Funding provided through Pinewood/Welsh Government is offered on commercial terms (Market Economic Investor Principle), which has historically favoured more established companies based outside of Wales.
- 7.4. Notwithstanding this challenge, as we have evidenced in Section 4, Ffilm Cymru Wales has leveraged significant private investment, alongside market pre-sales and international co-production funds, collectively contributing c.£22 million of the £51,182,655 in co-financing, leveraged by our £6.8m of

lottery investment. Our investment specifically prioritises Welsh talent – particularly writers, directors, producers and production companies for British qualifying productions (per national lottery requirements), whilst encouraging international collaboration.



## 1. Introduction

National Dance Company Wales (NDCWales) is grateful for the opportunity to provide a written submission to the Committee regarding its inquiry into non-public funding of the arts. NDCWales understands that the Committee is interested in how effective efforts have been to increase earned income, philanthropy and investment, with reference points to include both UK and international. This is especially relevant in the light of the reduction in grant in aid from Arts Council of Wales over the past seven years, and the reduction in support from a range of bodies, including local authorities, and the ongoing reduction in lottery receipts.

## 2. NDCWales – our aims

NDCWales is an internationally renowned contemporary dance company based in Cardiff, creating and touring dance works across Wales, the wider UK, and overseas. It commissions the best choreographers from around the world to create work here in Wales. Around two-thirds of its touring happens in Wales, across a range of scales, enabling audiences to access exceptionally high quality dance work.

Its current focus is on developing new audiences, and expanding the range of audiences that experience and enjoy dance in Wales, and beyond. To achieve this, it is diversifying its creation and touring model to reach a wider range of venues and create different types of work. For instance, this Spring it toured (along with 3 other companies) as part of the Family Dance Festival, performing mainly outdoors and free of charge, in 5 different locations in Wales. This Autumn it will mount its first small-scale tour for many years, visiting venues in Blackwood, Cardigan, Mold, Abergavenny, Llanelli and Cardiff, mainly reaching places where little or no contemporary dance currently takes place.

However, performance is only a part of its offer. It also delivers a range of participation opportunities in dance, to increase people's well-being, learning ability, self-confidence and means of expression. It has delivered a highly

successful 'Dance for Parkinson's' programme in Cardiff for over two years, and this is expanding to Blackwood this Autumn. It is delivering a new UK-wide 'Dance to Health' programme in Swansea and Carmarthenshire for this Autumn, using academically proven dance techniques to improve the health and quality of life of people who have had a fall, or are at risk of falling. Its youth programmes – for both gifted and talented young dancers, and those new to dance, take place in schools and communities across Wales, and at its base in Cardiff Bay.

### 3. NDCWales – finances

NDCWales is very grateful for the support it receives from ACW – its core grant is key to its being able to raise funds from elsewhere, and to make common cause with new partners who have trust in working with the Company because of the confidence and badge of quality that the core grant represents.

The Inquiry highlights that the ACW grant – and most of the grants passed onto its Regularly Funded Organisations – increased by 3.5% in 2017/18. However, this masks the fact that the grant has dropped for most ACW clients over the past 6 years. For instance, since 2010/11, NDCWales' ACW core grant has fallen in cash terms by 5%, or by around 21% in real terms. Despite this, the Company has become busier, delivers work to more diverse audiences and its turnover has increased by around 45% as a result of maximising other forms of income. However, its reliance on the ACW core grant is as strong as ever: without this, other funders would simply not have the confidence to invest in the long term.

The shift in model the Company is effecting – from being solely a 'middle-scale' touring company to a greater range of work created and delivered – has been matched by a shift in the Company's reliance on public funding. In the year 2014/15 the ACW core grant accounted for over 85% of its turnover. In the current financial year (2017/18), the latest forecast indicates that the ACW core grant this year will account for 54% of the turnover; including other sources of public funding (Arts Council England, lottery sources, and other ACW support) shows that total public funding will represent 65% of turnover in 2017/18. This significant shift has been enabled primarily by increasing earned income, income from trusts and foundations, and individual giving.

## 4. Earned income

Earned income can be derived from several sources for an arts organisation – box office, fees paid by venues/promoters, hiring out equipment and spaces, earning fees for expert services and delivery, merchandising, delivering engagement and learning projects, and so on.

Compared to other parts of the UK, the fees which can be earned in Wales are relatively low; for instance, Welsh venues pay NDCWales around 40% less for their performances than in other parts of the UK, and they pay around a third of the fees paid by overseas venues. Studio hire rates are around 50% of comparator rates in, for instance, the West Midlands, which limits the amount the Company can earn by hiring out its facilities.

The low level of fees paid by venues in Wales reflect the relative size of venue catchment areas, whereby the number of available arts attenders is relatively low compared to elsewhere in the UK, both due to population density, and to demographics. To match this ticket prices vary across Wales – from rates in Cardiff which are comparable to any major UK town or city, to places such as Newtown and Milford Haven where ticket prices are, by necessity, around a third less. These venues report a highly price sensitive audience, limiting the amount they can earn at the box office, and accordingly the amount they can pay for a performance by a company such as NDCWales.

NDCWales' earned income is derived from the following primary sources:

- Touring income: fees paid by venues, festivals and other promoters for performances. This income has grown by 130% in 3 years. The increase has been enabled by giving more performances in the UK and the diversification of the programme, and by securing international engagements which pay higher fees than in the UK. This financial year international touring accounts for 55% of touring income, even though it represents just 10% of performances. The future reliability of this income is in doubt in the light of the plan to leave the EU as a high proportion (and the highest payers) of the Company overseas bookers are in the EU
- Box office and project income: primarily for community and learning activities delivered at the Dance House in Cardiff Bay, this income has risen by 29% over 3 years as a result of increased activity levels

- Fees earned on project delivery and hires: these are management and delivery fees charged on restricted projects and from hiring out studios and other facilities, increased by 115% in 3 years to the extent that the studios are full most days, and there's little further room for expansion.

## 5. Trusts and Foundations

The competition for Trusts and Foundations' income is more competitive than ever before. Since the reduction in core arts grants across the UK, arts organisations' operations focused on raising funds from these sources have increased significantly leading to lower success rates, and smaller grants being awarded. This is likely to become more competitive in the future, with a continuing decline in success rates, making it more expensive to raise each pound, and realistically putting major grants out of the reach of smaller organisations.

Trusts and Foundations' primary interest is in community benefit and impact; they are more likely to be interested in supporting new activity in unlikely places, than in supporting ongoing work with existing venues or groups. They are unlikely to support the creation of new work, or of touring at a high level. To be successful, bids must be deeply rooted in the organisation's core mission, and be innovative, exceptional value for money and able to demonstrate real and lasting impact. These funds are not easy to access, and require patience, expertise and the development of strong relationships based on mutual trust and understanding – not easy when you're based in Wales, far away from where many of these organisations are based and where trustees live and socialise.

In total the Company expects to raise around £120,000 from Trusts and Foundations this year (from £15,000 in 2014/15). Here are a few examples of NDCWales' key investments from Trusts and Foundations and their purpose:

- Small-scale touring and associated learning and participation programme: London-based Esmeé Fairbairn Foundation (EFF) has made a 3-year investment in the Company to support a new small-scale tour of Wales each Autumn, along with associated participation programmes. The award came as a result of close working with EFF's officers, not simply by making a written submission, but also exploring and explaining the Company's vision, building their

confidence in a company they were funding for the first time

- Dance for Parkinson's: this programme is funded by a range of smaller (mainly Wales-based) trusts who give between £1,000 and £10,000 p.a.
- Core support: there are a few England-based trusts who will provide support towards core costs, linked to existing community, touring and participation work
- Capital: in the past, the Company has been successful in raising funds for the part-funding of vehicles and other capital purchases from Trusts.

## 6. Individual Giving

2% of people in the UK give to the arts, compared to 20% to religious organisations, and 10% to overseas aid, (Charities Aid Foundation 'UK Giving 2017'). There are fewer regular donors to charitable causes in Wales than elsewhere in the UK, as shown by The Community Foundation's recent research. The tax regime to incentivise individual donations is not as generous as that in the US, for instance.

Traditionally, UK arts giving has been focused primarily on a few very 'well-heeled' art forms such as opera and classical music, which can request significant % donations on top of relatively high ticket prices. For a touring company, without control of the ticket-selling process, and in a country where the average ticket price in a price-sensitive part of Wales might be £14, there is limited scope for developing regular giving of small amounts, from which most UK arts organisations derive the majority of their individual giving.

NDCWales has recently launched an individual giving scheme with annual subscription amounts of £30 – £120 for an individual. This is linked to twice yearly events where additional funds are raised. In this financial year, the amount expected to be raised from individuals totals around £21,000. Given time and investment this figure could rise, but by its nature the growth is long term as it is dependent on legacies and gifts which come as a result of long-term relationships and an investment of time and care. In the case of a mid-scale dance company, it is unlikely to rival the importance of Trusts and

Foundations, or earned income.

## 7. Opportunities for collaboration

The national arts companies of Wales have created a joint action plan for working together, focused in part on developing new sources of joint funding, and diversifying those who engage with culture. These programmes of work – both at early stages of development – could help diversify income for these companies and for others.

The profile of the arts in Wales is relatively low in the corporate sector, and with individual donors of significant means. The Welsh Government might assist by helping to create a powerful and compelling brand for the arts and culture in Wales, targeted within Wales, in the wider UK and internationally, enabling competition on a level playing field for Wales-based arts companies to secure higher levels of investment.

Unlocking the power and potential of digital arts dissemination – thinking about ‘pay per view’, broadcast and other commissioning funds – is still in the relatively early stages of research and development. Arts organisations interested in this means of dissemination and income growth could work together to share experiences and knowledge, seeking out best practice elsewhere, and bringing back to Wales insight and expertise to share.

When touring to venues in Wales on all scales, the Company is aware of the importance of attracting and retaining talent, in marketing, earning ancillary income and fundraising. This is difficult in sparsely populated areas where there are few such jobs on offer, meaning that the local ‘pool’ of experience is small if it exists at all. Encouraging skills exchanges between organisations and improving access to relevant training courses (mostly in England) could help develop and retain staff.

This would require some central co-ordination and support.

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Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / The Culture, Welsh Language and Communications Committee  
Cyllid Celfyddydau nad yw'n Gyhoeddus / Non-public Funding of the Arts  
CWLC(5) ART21  
Ymateb gan Cwmnïau Cenedlaethol Cymru / Evidence from National Companies of Wales

## NATIONAL COMPANIES OF WALES

The eight organisations are those designated as national companies by the Arts Council of Wales, and in receipt of ACW funding. They include the following:

BBC National Orchestra of Wales  
Ffilm Cymru Wales  
Literature Wales  
National Dance Company Wales  
National Theatre Wales  
Theatr Genedlaethol Cymru  
Wales Millennium Centre  
Welsh National Opera

Some of the eight organisations have submitted individual responses to this call for submissions; others will only be represented here.

Since March 2017, the companies have sought to work together even more collaboratively, and are starting to look towards a future delivery around five areas of focus:

- To develop diverse and inclusive audiences
- To develop sector skills and continue professional development including the development of adaptive business models
- To develop international profile and market opportunities
- To develop communications and collective messaging
- To underpin these other four with data and research

This early stage collaboration is driven by the potential for devising and delivering more joined up opportunities, at scale and with even greater impact; it is bold and ambitious and will require the support and advocacy from Welsh Government to ensure they are as successful as they could be. The group are also researching

how to collectively diversify the nation's cultural attenders, making them more inclusive and diverse.

We want to highlight a range of issues related to increasing non-public funds for the arts and culture in Wales, and we have detailed these in sections below.

## **PUBLIC FUNDING OF THE ARTS AND CULTURE IN WALES**

We welcome the committee's inquiry into this area of focus, and look forward to its findings in due course. We would also like to stress that, underlying this need for increased and more diverse sources of non-public funds, there is a strong base of public investment which helps us return an even higher yield from those public funds. Without this level of public investment, we cannot hope to leverage further monies which support outreach, education and learning, community engagement, artist and sector development, as well as world-class production, touring and promotion.

Over the last five to ten years especially, we have all looked to make savings and efficiencies, as well as to increase and diversify our income (including but not limited to traded services, ticket sales, philanthropy and donations, crowdfunding, CSR/ sponsorship, investment, and charitable trusts and foundations). To put those savings and efficiencies in context: arts funding cuts from Welsh government most recently total £1.5m in 2016/17; local authorities have cut £56m from UK arts funding since 2009 (The Stage, Feb16); and there is an £18m decrease in funding for the arts from National Lottery funds (Arts Professional, Nov16). It is worth noting therefore that whilst there was a 3.5% increase in cash terms compared to the 2016-17 revised baseline, the longer term view is in the context of reductions in funding over several years prior, and that the increase awarded in this financial year only represents a partial reversal of crucial baseline funds.

As a specific example of this, since 2010/11, NDCWales' ACW core grant has fallen in cash terms by 5%, or by around 21% in real terms. Despite this, the company has become busier, delivers work to more diverse audiences and its turnover has increased by around 45% as a result of maximising other forms of income. However, its reliance on the ACW core grant is as strong as ever as without this, other funders would not have the confidence to invest in the long term.

Another example would be Literature Wales, which since 2011/12 has increased the income it raises from other sources. In 2011/12 the ACW revenue grant



represented 74% of LW's income. By 2015/16, this had reduced to 61%. In this period, the additional funding and income LW receives beyond its core grant has increased 122% (an additional £204,779 in 2011/12 and an additional £366,595 in 2015/16). LW's turnover has increased 20% in the same period (£1,070,194 in 2011/12 to £1,209,476 in 2015/16).

## THE PICTURE IN WALES and THE UK

As companies resident in Wales, who also tour and co-produce work elsewhere, we see the levels of non-public funding in Wales as lower than in comparison to the rest of the UK. This is drawn from knowledge of those of us who are funded in Wales in addition to other/ UK funds (eg BBC NOW and WNO); and also from those of us connected into and affiliated with our sectors across the UK (eg membership of UK Theatre, Association of British Orchestras).

Out of the 12 UK nations and regions, Wales is ranked 10<sup>th</sup> in terms of overall wealth, with 23% of people living in poverty (ONS, *Economic Indicators*, 2016); in 2014 the average Gross Disposable Household Income in Wales was £15k pa, 82.5% of the average (ONS, *Economic Indicators*, 2016); Wales has 6.7% of UK VAT registered Businesses (ONS, *Business Activity Size and Location*, 2016). All of these mean that there is a lower potential for new avenues of private funding, than in Scotland or England. It is a challenge which has only increased over the last few years given the UK economic picture, and the outlook is not improving.

The Community Foundation in Wales published a report in 2014 detailing that Wales has the lowest % of household giving to charity at just 25.1%. This compares to 29.5% in Scotland; 46.2% in Northern Ireland and 30% in England, with the median donation in Wales being £7.32 as opposed to £10 in England. Only 2% of people in the UK give to the arts, compared to 20% to religious organisations, and 10% to overseas aid, (Charities Aid Foundation 'UK Giving 2017'). Given this, one has to be realistic on the levels of donations that can be achieved by an arts organisation within Wales – as well as factoring in the costs associated with managing these initiatives. Not to mention the competition on individuals to donate to other charities of UK significance, who also have large campaign budgets (cancer, children's, animal charities all securing the majority of these funds). We recognize that there is more that might be done in terms of potential individual support, as a long-term requirement to demonstrate how important arts/culture is as charitable cause.

There is only one FTSE 100 company based in Wales (Admiral Insurance Group), leading Wales to being frequently referred to as an economy of SME's (200,000 active in Wales). The combined turnover of the Wales Top 300 businesses in Wales is only £31.2 billion – compared to Scotland's £184.61 billion.

As one example in this area, NDCWales has recently launched an individual giving scheme with annual subscription amounts of £30 – £120 for an individual. This is linked to twice yearly events where additional funds are raised. In this financial year, the amount expected to be raised totals around £21,000. Given time and investment this figure could rise, but it is not expected to be a major part of the Company's income – and certainly unlikely to rival the importance of Trusts and Foundations, or earned income.

Overall therefore, our sense is that there are fewer sources of private funds (corporate and individual) in Wales.

## NON-PUBLIC FUNDING STREAMS

Whilst non-public funding will assist with the diversification of income and build financial resilience, as we have already laid out, Wales faces very specific challenges to securing such funds in comparison to its peer organisations throughout the UK.

Earned income can be derived from several sources for an arts organisation – box office, fees paid by venues/promoters, hiring out equipment and spaces, earning fees for expert services and delivery, merchandising, delivering engagement and learning projects, and so on.

Compared to other parts of the UK, the fees which can be earned in Wales are low; for instance, Welsh venues pay around 40% less than in other parts of the UK, and around a third of fees paid by overseas venues. Studio hire rates are around 50% of comparator rates in, for instance, the West Midlands, which reduces the amount earned by hiring out facilities. The low level of fees paid in Wales reflect the relative size of venue catchment areas, where the number of available arts attenders is relatively low compared to elsewhere in the UK, both due to population density, and to demographics. To match this, ticket prices vary across Wales – from rates in Cardiff which are comparable to any major UK town or city, to places such as Caernarfon, Newtown and Milford Haven where ticket prices are, by necessity, around a third less. These venues report a highly price sensitive audience, limiting

the amount they can earn at the box office, and accordingly the amount they can pay for a performance by a visiting company. Some of the national producing and touring companies, such as Theatr Genedlaethol Cymru, now struggle to secure fees from even some of the larger arts venues, and have to rely on box office splits, where the risk (in terms of income and loss) is almost entirely placed on the producing companies (as opposed to the venue).

It is also worth noting that all subsidised arts organisations need to scrutinise ethical and reputational risk considerations before engaging or accepting financial support from particular funding sources, be that sponsorship or other donations. The Committee must also be mindful not to compare arts organisations to each other, as there are a number of fundamental variations to an organisation's financial model – arts venues (receiving houses, producing houses), producing theatre companies (with buildings or without buildings) or organisations located in one place or working across the nation), where an organisation is within its business growth (start-up or established) – and its opportunities to secure alternative funds.

We eight, and only relatively few others (eg Royal Welsh College of Music and Drama, Theatr Clwyd, Amgueddfa Cymru), are able to operate effectively at a scale to potentially develop and attract this sort of private funding from corporates and other large donors. We need to be mindful of who we are approaching, when and how, so as not to over-ask against these potential pots, and in overt competition against each other. Likewise, to be successful we are likely to need very large-scale and innovative projects/ programmes which have ambitious outcomes and impacts. We would also note that income generation from philanthropy, investment and/or trading activities in itself takes expertise, resource (cash and people), and time. Some of our organisations are engaged with ACW's organisational development programme, Resilience, to build capacity, skills and knowledge in developing these opportunities further.

We would note especially that the competition for charitable trusts and foundations' income is higher than ever before. Since the reduction in core arts grants across the UK, arts organisations' operations focused on raising funds from these sources has increased significantly leading to lower success rates, and smaller grants being awarded. This is likely to become ever more competitive in the future, with a continuing decline in success rates, making it more expensive to

raise each pound, and realistically putting major grants out of the reach of smaller organisations.

Trusts and foundations' primary interest is in community benefit and impact; they are more likely to be interested in supporting new activity in unlikely places, than in supporting ongoing work with existing venues or groups. They are unlikely to support the creation of new work, or of touring. To be successful, bids must be deeply rooted in the organisation's core mission, and be innovative, exceptional value for money and able to demonstrate real and lasting impact. These funds are not easy to access, and require patience, expertise and the development of strong relationships based on mutual trust and understanding – not easy when you're based in Wales, far away from where many of these organisations are based and where trustees live and socialise.

With trusts and foundations, it would not be unusual for a substantive bid to take between 9–12 months of evidence gathering, staged applications, consultation etc before receiving a decision. This is something for which few organisations have the capacity, particularly if they are seeking to move into a new area of income generation from a range of other sources previously. It's also especially worth noting that these often exclude core running costs and prioritise new activity – rather than being available for core operational costs, or for substituting areas currently or previously covered by public funds.

Crowdfunding is often quoted as another potential area of income generation and fundraising. There can be a tendency to think it is an easy/ quick win, which it isn't and not repeatedly, but it does have value in testing ideas, raising awareness and seeing if there is a creative interest in the project, which can be very useful when building audiences. It is intensive in both time and resource, as communities of support have to be built, nurtured and communicated with. For example, Ffilm Cymru Wales is part of an international network of 40+ European film funds (cineregio), and none of the bodies observed significant sums coming from this source.

For some of us, there remain ongoing obstacles in terms of conflicting (and unclear) HMRC rules on VAT, Gift Aid, and sector tax reliefs which can cause problems for arts organisations across the UK.

There are some good practice examples which we would highlight however:

- National Dance Company Wales have taken part in international showcases like Tanzmesse in Germany, and as part of British Council Showcase at the Edinburgh Fringe to maximise international touring opportunities (also true of Theatr Genedlaethol Cymru and NTW as well)
- WNO have a successful traded service, Cardiff Theatrical Services, which designs and builds sets for the company but also for many other producing and touring organisations
- Theatr Genedlaethol Cymru continually raise funds from the hiring its comparatively significant technical resources to other organisations
- As a result of the ongoing implementation of Literature Wales' fundraising strategy, income confirmed from successful applications to private and third sector sources has risen from £50,500 in 2015/16, to £204,330 in 2016/17 – an increase of 304%. Also, following recent renovations and conservation works at Tŷ Newydd Writing Centre, Literature Wales secured a partnership with historic buildings holiday lettings agency Under the Thatch and renewed the site's wedding licence. During fallow periods, income from venue hire at Tŷ Newydd has risen from £815 in 14/15, to £8,085 in 2015/16, and a projected £23,097 in 2017/18.
- Since its inception, NTW has leveraged over £1.7 million from trusts and foundations based outside of Wales, all which has been spent within Wales and has also paid for a number of jobs for individuals throughout Wales, not just in Cardiff where the office is based. A recent independent consultation has confirmed that NTW is punching above its weight with regards to this rate of return, particularly in relation to the company's lean overhead business model and level of core ACW grant compared to other similar arts organisations throughout the UK.

## POSSIBLE AREAS FOR FUTURE FOCUS

We feel there is more that could be done to promote a collective value and sense of civic pride in supporting the arts and culture because they are important to the economic and cultural well-being of Wales. The current situation sees a more transactional approach to sponsorship, which makes it difficult to raise funds beyond the cost of delivering the actual benefits to the business. What messaging and profile-raising could be done to promote the responsibility of and value of

corporate support for the arts and culture, and could this be incentivised by a Government match-funding and/or future tax relief programme? General cross-government messaging (perhaps in partnership with the media and other partners) about the importance and value of the arts to our economy, well-being, creativity and education could be more consistently and publicly delivered.

The profile of the arts in Wales is relatively low in the corporate sector, and with individual donors of significant means. The Welsh Government might assist by helping to create a powerful and compelling brand for the arts and culture in Wales, targeted within Wales, in the wider UK and internationally, enabling competition on a level playing field for Wales-based arts companies to secure higher levels of investment.

Support from Welsh Government to enable a national/international messaging campaign to advocate for its extraordinary Welsh arts organisations and artists will provide invaluable endorsement and national pride. Highlighting how the arts are intrinsic to the success of the Wellbeing of Future Generations Act, the Creative Learning Through the Arts and the Government's new 2018 curriculum (which includes the Expressive Arts), and more within the Programme for Government, will contribute to creating a positive picture for potential funders to support and audiences to engage.

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CWLC(5) ART22  
Ymateb gan Laura H Drane / Evidence from Laura H Drane

## MY WORK

I have been an independent (freelance) producer since 2002, and been the director of my own limited company since 2011. I generally say I do two things – make things, and make things happen. In ‘making things’, I work with artists, creatives, academics, stakeholders, audiences and more to create shows, festivals, tours, events, exhibitions, etc. In ‘making things happen’, I work as a consultant (scoping, feasibility, R&D, evaluation, etc) and facilitator (with networks, boards, leadership teams, senior management, staff, volunteers). I also undertake advocacy and campaigning, both in a paid capacity and as a volunteer.

Current and previous clients include Crafts Council, Royal Liverpool Philharmonic, University of Manchester, ATG (one of the UK’s largest commercial theatre organisations); plus the National Companies of Wales (WNO, WMC, NTW, Theatr Genedlaethol Cymru, Literature Wales, BBC National Orchestra of Wales, Ffilm Cymru Wales, NDCWales). I also work with and for award-winning individual artists and collectives, like Karol Cysewski, and Light Ladd & Emberton.

My work crosses the arts, culture and heritage, and STEM (science, technology, engineering and maths). Before moving to Wales in 2012, I was living and working from Manchester and West Yorkshire. Throughout my whole career I have worked across the four nations of the UK and internationally wherever I am based. I am a National Adviser to the Arts Council of Wales, on the board of Theatr Iolo, and a Fellow of the RSA.

I am also the co-founder of What Next? Cardiff, a local chapter of a national movement to articulate and strengthen the role of culture in society. We are made up of freelancers, companies and venues within the arts and culture sectors. Our aim is to find new ways of engaging with our audience and visitors: the ever-expanding millions who value and take part in the cultural work that happens day-in, day-out up and down this country. To date we have done this through beginning positive, informed and inclusive conversations with each other and community leaders, politicians, funders, academics and business people. What Next? is a movement, not an organisation or campaign. There is no central leadership structure and it is run primarily on a voluntary basis.

Through WN?Cardiff, I led on ‘Cardiff Without Culture?’, which successfully opposed Cardiff Council’s proposed cuts to the arts and culture budget, and positively engaged with the elected representatives and officials to build a more constructive view of how arts and culture could contribute to the city’s development. Also through WN?Cardiff, I co-created and hosted the Welsh Government Culture Hustings, the first of its kind and one of the largest held in Wales, with about 300 people present. Nationally, What Next? is also a founding partner of BBC Get Creative, a platform to showcase everyday creativity and culture, be that knit-and-nattering, or barbershop-singing.

## VARIETY OF INCOME STREAMS

Within these specialisms, I work across the subsidised, commercial and voluntary/ third sectors, attracting a range of income sources – some National Lottery grants, some earned income (eg fees, ticket sales, teaching, running workshops), and some other sources (eg in-kind support, sponsorship, crowdfunding, investment). I bring my own and other private funds to ideas which might be primarily grant-aided projects, and often deliver work as a producer, consultant or facilitator for subsidised and commercial clients in a range of sectors in Wales, UK and beyond. Thus my income streams originate in the four UK nations and flow back to my base here in Wales.

I welcome the committee’s inquiry into this area of focus, and look forward to its findings in due course. I would also like to stress that, underlying this need for increased and more diverse sources of non-public funds, there is a strong base of public investment which helps us return an even higher yield from those public funds. Without this level of public investment, arts organisations cannot hope to leverage further monies which support outreach, education and learning, community engagement, artist and sector development, as well as world-class production, touring and promotion.

As a good example, ACW recently funded Light Ladd & Emberton to take our award-winning show CAITLIN to the Fringe as part of their Wales in Edinburgh strand. This is a show that was commissioned by the National Library of Wales in 2014, for the Dylan Thomas 100 celebrations, and has been in demand and touring on and off ever since. This includes a stint at Battersea Arts Centre, London for their A Nation’s Theatre festival with The Guardian. As a result of being selected as only one of 30 UK companies in the British Council Showcase, we are now planning a UK and international tour for the show in 2018 and beyond,



including to SW England, Yorkshire, Scotland (Dumfries, and Highlands), and to Chile, Brasil and Mexico. This will yield a high return for the artists and production team, leveraging an income from outside Wales on a show that is proudly made in Wales, and providing a return on previously invested public funds (in turn, making the show and artists less reliant on public funds).

I work very hard to ensure that we maximise income from a variety of streams in any given piece of work – cash match funds from a university, venue or other producing partner; ticket sales and crowdfunding from the public; in-kind support (eg free use of space, marketing and PR support); sponsorship and other investment from trust and foundations, organisations and stakeholders; Theatre Tax Relief claims when appropriate; merchandising; and more.

The Committee must be mindful not to compare arts organisations to each other, as there are a number of fundamental variations to an organisation's financial model – arts venues (receiving houses, producing houses), producing theatre companies (with buildings or without buildings) or organisations located in one place or working across the nation), where an organisation is within its business growth (start-up or established) – and its opportunities to secure alternative funds. This is also true for freelancers/ independents and SMEs, be they artists or producers, or small limited companies.

## SUMMARY

I hope that this has given you an insight as to how this sort of variety of sources of income plays into the sector at the very smallest scale – for independents and SMEs. The majority of these people and small companies have to have varied and successful 'portfolio careers'; we must continually bring our skills, contacts, experience, knowledge and more to bear in a range of ways to earn a living, of which public funding is usually only one component part.

It is welcome and timely that the Culture, Welsh Language and Communications Committee have launched an Inquiry into the challenges of non-public funding of the arts in Wales. Welcome, because it is imperative that the Welsh Government understand the complexities of funding challenges for the subsidised sector and its fragility. Timely, because we are all under extreme pressure to ensure every penny matters, achieving good rates of return on our nation's economic, political and social impact.

However, it is of concern that the terminology used within the Background Information of this Inquiry, which open with the lines, "The vast majority of the Welsh Government's budget allocations for the arts are for the Arts Council of Wales". Whilst the sentence itself is technically accurate, it misleads the reader into believing that this budget allocation is "vast", when it is in fact incredibly lean and that any further proposed cuts would have a detrimental impact on the sector.

In addition, noting that a 3.5% increase in cash terms compared to the 2016-17 revised baseline, is also taken out of context as the government's budget allocation has been cut for several years now. The increase awarded in this financial year only represents a partial reversal of crucial baseline funds.

Arts funding cuts from Welsh government (most recently £1.5m in 2016/17), local authorities (£56m has been cut from UK local authorities arts funding since 2009 – The Stage, February 2016) and the decrease in National Lottery funds (£18m decrease in funding for the arts – Arts Professional, November 2016) and Grant-in-Aid reductions are of huge concern for the whole sector. To that end, the full funding landscape needs to be understood by the Committee and not scrutinised in isolation to questions around earned income, philanthropy and investment alone.

Whilst non-public funding will assist with the diversification of income and build financial resilience, Wales faces very specific challenges to securing such funds in comparison to its peer organisations throughout the UK. It is also worth noting that all subsidised arts organisations need to scrutinise ethical and reputational risk considerations before engaging or accepting financial support from particular funding sources. The Committee must also be mindful not to compare arts

organisations to each other, as there are a number of fundamental variations to an organisation's financial model (arts venues (receiving houses, producing houses), producing theatre companies (with buildings or without buildings) or organisations located in one place or working across the nation), where an organisation is within its business growth (start-up or established) and its opportunities to secure alternative funds.

## The non-public funding landscape in which we work in Wales;

### Individuals

- There are limited pockets of wealth in Wales; as we also know much of Wales remains one of the poorest areas of the UK (with our local authorities eligible for the highest levels of intervention of the EU structural funds – another future financial concern for our nation with the implications of leaving the EU; and with 1 in 4 people living below the poverty line).
- The Community Foundation in Wales published a report in 2014 detailing that Wales has the lowest % of household giving to charity at just 25.1%. This compares to 29.5% in Scotland; 46.2% in Northern Ireland and 30% in England, with the median donation in Wales being £7.32 as opposed to £10 in England. Given this and the bullet point above, one has to be realistic on the levels of donations that can be achieved by an arts organisation within Wales – as well as factoring in the costs associated with managing these initiatives. Not to mention the competition on individuals to donate to other charities of UK significance, who also have large campaign budgets (cancer, children's, animal charities all securing the majority of these funds).
- With regards to High Net Worth Individuals, The Barclays Prosperity Map ranks Wales 11 out of 12 in the UK regions in terms of prosperity and calculates that Wales has 12,000 millionaires (and only 5 billionaires – none of whom now live in Wales), compared to 191,000 in London or 48,000 in Scotland. In 2008/9 Coutts identified 201 donations of at least £1m in the UK, totalling over £1.5billion – not a single one was from Wales, the only region in the British mainland not to feature.
- Total individual donations throughout the UK is between £7–£9bn per annum. This is broken down to only 2.6% per annum in Wales (£350m).

## Corporate

- There is only one FTSE 100 company based in Wales (Admiral Insurance Group), leading Wales to being frequently referred to as an economy of SME's (200,000 active in Wales).
- The combined turnover of the Wales Top 300 businesses in Wales is only £31.2 billion – compared to Scotland's £184.61 billion.
- Corporates are demanding more benefits from their arts sponsorship and in the case of one financial services company based in Cardiff, it has reduced its local CSR spend from £250k to £10k.

## Trusts and Foundations/Other Statutory Funding

- Since the financial crisis the number of Trust and Foundation applications submitted by arts organisations has dramatically increased, making the competition a lot harder. In addition, a Foundation's level of funds is dependent on how well its shares are performing, which has also been under pressure since the recession and the exit from the EU – resulting in less funds available to award.
- Leaving the EU will also preclude Wales from a number of European Cultural Funds that were once available to them, not to mention increase costs to our arts organisations for touring or artist exchange (NoFit State recently reported to the Creative Industries Federation that for the same European tour of Bianco it cost £46k more to mount the production in New York due to visas, carnets etc). This in turn will impact the sector's capability of increasing Earned Income through touring fees and box office income.

## Earned Income

- Survey data from the Audience Agency identifies that from a total population of 3,087,338 (2011 Census), a total of 1,319,178 are active Cultural Attenders. For NTW only 10.6% of this total attend Plays/Drama (139,833), who spend an average ticket price for theatre at £9.73 (2016/17 Audience Insight).
- Given the above statistics, the nation's geographic challenges and with 1 in 4 people living below the poverty line in Wales arts organisations need to be realistic around ticket price sensitivities, particularly the subsidised sector which strives to diversify and develop arts engagement by providing accessible ticket prices.

## Examples of Best Practice;

- A number of small arts organisations have been successful in generating funds from the public through Crowd Funding mechanisms. However, the levels of money are small (less than £5k) and does not build a resilient/sustainable financial model\*, as it only funds a specific short-term project – they also require a lot of time to create and manage. However, Crowd Funding is definitely complimentary to the income generation mix.

*\*Note: If long-term financial resilience is not supported and nurtured within the arts then full diversification of the sector is less likely to be achieved, making it more likely that only “the privileged few” would be able to make or experience work. This is one of the many reasons why investment is essential.*

- Throughout the UK, corporates tend to predominantly support arts venues who can provide year-round benefits packages to their staff from tickets, room hire and naming rights to spaces within the public realm. However, a good example of a more innovative approach is the Travelex Season at the National Theatre of Great Britain, where the company sponsors the subsidy of tickets. A great initiative that attempts to address the encouragement of diversifying its audiences within a socio-economic capacity.
- Other innovations or best practice comes from new technical functionality from creating contactless donations functionality, using VR to enable stakeholders to engage with work or real time updates (Greenpeace being the most technically advanced charity). Award recognition tends to acknowledge innovative communication campaigns which ignite a public’s imagination and engagement, but the principles/mechanisms of giving is essentially unchanged.

## Some examples of NTW’s success to increase non-public funding and its distribution include;

- Since its inception, NTW has leveraged over £1.7 million from trusts and foundations based outside of Wales. All of which has been spent within Wales and has also paid for a number of jobs for individuals throughout Wales, not just in Cardiff where the office is based. A recent independent consultation has confirmed that NTW is punching above its weight with regards to this rate of return, particularly in relation to the company’s lean overhead business model and level of core ACW grant compared to other similar arts organisations throughout the UK.

- In addition, the company has secured a number of UK grants (i.e. London 2012 Cultural Olympiad, The Space and 1418 NOW), totalling over half a million in additional funding support for artistic activity throughout Wales – from Connors Quay to Laugharne and to Usk. All of which was spent on the local economy and employment, creating significant cultural experiences for Wales to be proud of.
- Out of the 50 productions NTW has created since its inception, 15 (30%) have been co-productions with other national and internationally significant cultural organisations and festivals, resulting in NTW securing co-production funds from organisations outside of Wales. In addition, these productions have attracted audiences throughout Wales, the UK and globally – all contributing to the local economy with regards to accommodation, food and transport costs.

### Some Examples of how working together to ensure the arts sector in Wales is leading in its field, include;

- The National Companies of Wales (as defined by the Arts Council of Wales) are currently researching whether a ‘collective National heft’ can attract funds within and outside of Wales to benefit the nation’s arts sector, such as developing the nation’s international profile and market opportunities. The project is in early discussions, but they are bold and ambitious and will require the support and advocacy from Welsh Government to ensure they are as successful as they could be. The group are also researching how to collectively diversify the nation’s Cultural Attenders, making them more inclusive.
- Support from Welsh Government to enable a National/International messaging campaign to advocate for its extraordinary Welsh arts organisations will provide invaluable endorsement and national pride. Alongside highlighting how the arts are intrinsic to the success of the Wellbeing of Future Generations Act, the Creative Learning Through the Arts and the Government’s new 2018 curriculum which includes the Expressive Arts, will all contribute to creating a positive picture for potential funders to support and audiences to engage.
- Central Government to remove barriers to giving such as changes to tax benefits, as per the United States of America, where donations receive 100% tax exemption would provide greater financial support for the arts.

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Cyllid Celfyddydau nad yw'n Gyhoeddus / Non-public Funding of the Arts  
CWLC(5) ART24  
Ymateb gan Rose / Evidence from Rose

The Arts in Britain should be Lottery Funded especially the Eisteddfod. Theatres and Concert Halls should be Private Businesses which survive on ticket sales. Art Galleries should be part of National Heritage and Museums Funding. No artists should be given a living wage from tax payer's money for more than six months. Thirty million pounds a year would be a great help to hospital and schools. It does not raise people's spirits to see piles of scrap metal exhibited as Art - it makes people angry at the waste of money. People can find music they like very cheaply on radio or phones these days. Assembly members are elected to see that taxpayers money is spent wisely on essential services and keeping the economy healthy by attracting sensible viable businesses to Wales. The Arts Council grants should be scrapped along with the non-essential jobs of those who spend money on trivial temporary art installations in unexpected places in town or country - Brexit comes first!

## Background & Context – Reasons for Response

A&B Cymru has been promoting, enabling and developing mutually beneficial partnerships between business and the arts for almost 30 years. As the only organisation of its kind in Wales, its expertise and network is truly unique. Working across the country with businesses of all sizes and from a wide range of sectors, A&B Cymru is in the ideal position to provide in depth intelligence about business motivations, objectives and trends in supporting the arts.

Since its independence in 2011, A&B Cymru has also been working closely with both Wales and London based trusts & foundations, not just to support its own work, but to enable investment into arts organisations. More recently, this work has been extended to include individual philanthropists.

A&B Cymru's experience and success in diversifying its own income in order to ensure survival is illustrated by the reduction on its reliance on public funding from 66% in 2012 to just 17% in 2017.

The points outlined through this paper are drawn directly from the knowledge gained by working closely with businesses, individuals and trusts on a daily basis. To ensure the paper is useful, A&B Cymru has concentrated solely on these areas of its expertise.

## The Role & Reality of Private Sector Investment

A&B Cymru's definition of the private sector includes businesses, trusts & foundations and individual philanthropists. Each has an important role to play in helping to ensure the sustainability of the arts in Wales and there is still considerable potential to lever a higher level of investment from these sources than is currently secured. However, it is important that the approach to non-public funding of the arts is realistic. There is no single answer which will replace public sector funding and each organisation must strive to achieve a true diversity of income. This requires a substantial investment of skills, time and resource. Added to this, a number of key factors should be taken into account:

1. Motivation to support



**Business:** While many companies are minded to invest in the arts, it is not their core remit. To this end, when making decisions, potential sponsors will be looking at the bottom line objectives the arts can fulfil for them. For example, a business wishing to engage effectively with the community will want to do so because it will help the company's profile, reputation, recruitment and operation. It will partner the arts to help achieve these objectives in tangible and effective ways, not because of a philanthropic belief that it has a duty to support. The mistake that many organisations make is to approach potential sponsors from a viewpoint of "what are our funding gaps?" rather than "what needs could I fulfil for that company?"

Added to this, investment in the arts is viewed by business as "non-essential spend". It naturally follows, therefore, that it is among the first things to be cut when external forces result in a challenging time in the market.

Business partnerships with the arts are ever-changing and dependent on the economic climate, individual needs and current trends. Decisions are often taken at a London head-office level and out of the control of Wales-based staff. Many of the major sponsors of the past (e.g. Tesco, Legal & General, Barclays) no longer invest in the arts. However, A&B Cymru is constantly assisting businesses to sponsor for the first time, helping to ensure their experiences are successful in order to sustain support. This is a substantial task which takes much of A&B Cymru's staff time.

In addition to this constant change, motivations to partner the arts are also continuously shifting. For example, the ageing population has directly resulted in an increase in the number of businesses wishing to support projects which benefit older people. Similarly, there is currently a sharp increase in the number of companies seeking arts based training to address staff development needs. This kind of partnership has not been a priority for at least 2 years. However, in the past month alone, A&B Cymru has been asked to identify artist trainers to meet the needs of 6 of its business members.

**Trusts:** While many trusts & foundations have clearly defined priorities, others remain purposely broad so that decision making is highly subjective, allowing trustees to invest in projects for which they have a particular passion.

Competition for trust funding is fierce, though many London-based trusts still express a desire to invest more in Wales, stating that the number and quality of

applications remain low. This view is gradually changing as more skilled fundraisers emerge (see Skills Gap below) and an increased number of organisations secure support.

Individuals: Naturally, individual philanthropists are motivated by their own passions and will invest their wealth into projects and organisations in which they have a personal interest. While there is scope for the arts to secure substantial income from major gifts, accessing these individuals can be difficult. Securing donations is also a very different fundraising skill to negotiating a sponsorship deal or applying for a grant from a trust. This is just one of the reasons that underline the importance of ensuring Wales has enough skilled fundraisers working in the arts.

## 2. Core Funding vs Project Funding

The single biggest challenge facing any arts organisation looking to secure support is that no-one wants to be responsible for core-funding. The only minor exception is sponsorship which involves the delivery of agreed benefits in return for cash or in-kind investment. Beyond this, sponsors are not interested in how exactly their money has been allocated and so a contribution towards core costs is easier to ensure.

Generally though, business, trusts and individuals wish to invest in projects. It would therefore seem logical that public bodies with a remit to support the arts should explore the feasibility of moving away from project funding to focus instead on the essential staff and overhead costs needed to keep organisations operating. This would make a considerable contribution to the ability of arts organisations to secure funds from a range of partners.

Private sector funders are keen to ensure that no organisation becomes overly dependent on their support. This is illustrated by their reluctance to support projects for more than 3–5 years.

Added to this, however successful a project has been, private sector partners are averse to becoming “replacement” funders when a grant comes to an end. The arts therefore face the constant challenge of creating new projects in order to gain support and inevitably, effective and much needed projects are lost.

## 3. The Skills Gap

## The Creative Internships Programme

Securing a funding mix is crucial to the survival of the arts and organisations of all sizes now recognise that investing resources into this area is the only way to ensure sustainability. However, there is an insufficient number of skilled professional arts fundraisers in Wales. A&B Cymru believes that the only way to increase this vital pool of professionals in the long term, is to establish arts fundraising as a viable and attractive career path.

Through its Creative Internships Programme, A&B Cymru has been striving to achieve this ambition in a tangible and effective way for the past 5 years. The initiative places recent graduates into arts organisations as trainee fundraisers, providing in-depth training and development and enabling participants to begin their careers in the strongest possible position. The Programme has already proven itself to be a successful way of addressing a very real barrier to the sustainability of many arts organisations. To date, of the 16 graduates who have completed placements, 13 are now professional fundraisers in Wales.

However, as referenced above, even though the programme is still both hugely needed, one of the 3 funders who have supported the initiative since its inception has indicated that it would not accept an application for year 6 and that A&B Cymru needs to propose a new project in order to secure support.

## Career Progression

While the Creative Internships Programme is nurturing a new generation of fundraisers, there is currently no formal career progression for arts development professionals. As arts organisations increasingly need to secure high level income from a range of sources, the ability to access advanced fundraising skills is becoming crucial to success. A&B Cymru will review this skills gap over the coming months with the aim of establishing a new arm to the programme which gives junior and mid-level fundraisers the opportunity to develop their expertise and experience further.

### 4. Measuring Success

Until 2011 when A&B Cymru, Northern Ireland and Scotland became independent charities, an annual Private Investment in Culture survey was conducted across the UK. It was an invaluable tool in measuring and comparing not just investment levels but trends across each part of the UK. The individual charities no longer

have the resource to fund such an activity but finding a way to re-instate a similar model of measurement would be a truly worthwhile investment.

## 5. Partnership Working

### Shared resource

While many arts organisations understand that they need to find resource to employ a professional fundraiser, the majority of those operating in Wales are small companies who simply cannot afford the wages of a highly skilled full-time fundraiser. To this end, organisations must be open to employing a part-time fundraiser who is likely to be fundraising for other arts organisations at the same time. A&B Cymru has been promoting this way of working for a number of years and the idea is usually met with an initial level of mistrust and suspicion. However, in practice, each organisation quickly realises that their concerns about confidentiality or split loyalty were unfounded and that the sharing of resources can result in positive and useful partnership working.

### Strategic partnerships

A&B Cymru's ethos is based on the belief that true collaboration makes all involved stronger. Wales is a small country with limited resources and the only way to achieve its ambitions is for organisations to form mutually beneficial strategic partnerships. An example of this is Wales' urgent need to improve the provision of music tuition for children. It is widely agreed that without tangible action and increased investment, the future is bleak for music across the country. Welsh Government and Arts Council of Wales are already taking steps to achieve this ambition. However, despite a clearly stated need to secure private investment, no consultation with A&B Cymru has taken place at this stage. Meanwhile, the charity has been asked by a philanthropist to create a scheme which would provide free instrumental tuition for children living in poverty and plans are underway to deliver a pilot of such an initiative. A&B Cymru has also spoken to a number of trusts and businesses willing to contribute. It would be short-sighted of A&B Cymru to proceed with this project alone and so the charity is keen to discuss the potential of strategic partnership working with ACW.

A&B Cymru believes that this approach is the only way to ensure success with such major and far-reaching ambitions.

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CWLC(5) ART26  
Ymateb gan Opera Cenedlaethol Cymru / Evidence from Welsh National Opera (WNO)

## WNO - an overview

Welsh National Opera exists to bring the power, drama and raw emotion of opera to as wide an audience as possible in performances marked by an uncompromising quest for artistic quality.

As a national company with international status, we sit at the heart of music-making in Wales, reaching all corners of the country, and play a valuable role in the communities we serve in England. We work with our partners to discover and nurture young operatic talent, and provide the springboard for international careers. Touring is our lifeblood and we strive to present the highest quality work across our artistic programme, entertaining and inspiring audiences at our operas and concerts and providing transformative experiences through our youth, community and digital programme. Building on our 70 year history and our roots in the communities of South Wales, we aim to demonstrate to future generations that opera is a rewarding, relevant and universal art form.

## WNO - Finances

Welsh National Opera's turnover for the 2015/16 financial year was £17.7 million. We currently achieve an average of 46% of turnover from non-public funding. Of this around 35% is from earned income including box office and commercial income and 11% from fundraised income (sponsorship and philanthropic donations).

We receive public funding from both Arts Council of Wales (2016/7 £4.4m) and Arts Council England (2016/17 £6.123m): the latter enables our substantial touring activity in England).

## WNO – Earned Income

### 1. Box Office

The majority of our earned income comes from our Box Office. Last year (2015/6) we brought in £2.3 million from this source and in 2016/17 it is predicted to be £2.2 million. This is a significantly lower percentage of income than that of the London opera companies, but similar to Opera North in Leeds. We need to grow this amount over the next five years and in our business plan we aim to get up back up to over £3 million from this source by 2021/22, a figure we last achieved in 2009/10. We aim to do through a combination of increased volume and gradual but sustained increases in pricing, in collaboration with the venues we tour to, whilst also ensuring that a good selection of tickets are available at affordable prices.

### 2. WNO – Commercial Income

In 2015/6 we earned £229k in commercial income. This came from a variety of sources but mostly consists of fees for “commercial” concerts, co-production fees and set hires from European opera houses. Over the past six years our Artistic Director, David Pountney, has raised well over £1 million in co-production fees and set hires from his connections at international opera houses. Co-productions with other opera houses mean that the costs of building the sets and making the costumes are shared with one or two other organisations.

### 3. Cardiff Theatrical Services (CTS)

CTS – a commercial subsidiary of WNO – is a scenery and set-building workshop employing 35 people. CTS not only builds the sets for Welsh National Opera but also for a variety of other arts organisations and commercial theatres. Its client list including many of the UK’s leading theatre, opera, musical, dance and performing arts companies, visitor attractions and exhibitions. Its turnover in 2015/6 was £2 million and contribution back to WNO was altogether £200k (total profit of £34k). The challenge for CTS is to build its business and ensure that it increases its margins.

## WNO – Philanthropic Income/Sponsorship

Fundraised income makes up 11% of total income for WNO. Fundraised income is broken down as:

Individual donations – 45%

Trust and foundation donations – 45%

Corporate sponsorship – 10%

Around 44% of fundraising income is raised in Wales and 56% in England.

It may at first glance seem surprising that less of our fundraised income is raised in Wales. But WNO is a touring organization so is likely to attract support beyond Wales. Also – as other submissions will no doubt be pointing out – the fundraising potential is significantly lower in Wales than other parts of the UK, notably London, and so we actively seek income beyond Wales.

On individual giving we have a base of regular income coming from our Friends (groups based in Cardiff and the areas we tour to) for which members pay an average of about £40 per year, and also from our Partners Scheme, which is individual giving at a higher level, from £200 – £3000 per year. In addition to these schemes, we create “syndicates” for particular new productions and commissions, who become closely involved with a production as a result of a significant donation.

The challenge is of course finding these individuals. A figure recently brought to our attention is that there are only 4,000 people who are above the threshold for 45% tax in Wales and fewer than 10% of taxpayers in Wales qualify for the 40% threshold. We are fortunate to receive grants from many different Trusts and Foundations, but this territory is becoming increasingly competitive as, over the past seven years all arts organisations across the UK have been encouraged to raise more of their own funds. Trusts and Foundations are usually the first port of call. There is also a tendency for Trust and Foundations to want to support new projects and work, and hence sourcing funding for regular, sustained work, is becoming more difficult.

Corporate funding and sponsorship is by far the lowest proportion of our fundraised income. It is an extremely difficult environment and statistics show that corporate funds to the arts have plummeted since 2008.

## Possibilities for increasing non-public funding

In terms of how Welsh National Opera, and indeed other organisations, could increase their non-public funding within the existing climate, there are several points and suggestions we would ask the Committee to consider:

1) WNO senses a general lack of corporate responsibility to support culture and the arts in Wales among those businesses that it encounters, which is very different to some parts of the UK. There appears to be an understanding and belief in the value of the arts but this does not translate into investment. Would it be possible to promote a collective value and sense of civic pride in supporting the arts because they are important to the economic and cultural well-being of Wales? The lack of this results in a transactional approach to sponsorship which makes it difficult to raise funds beyond the cost of delivering the actual benefits to the business. Could Welsh Government lead on a messaging and public profile campaign to promote the responsibility of and value of corporate support for the arts across all of its activities to change the face of business support for the arts – this could culminate in an annual event or awards process that recognizes business support for the arts at Government level. Could this be incentivized by a match-funding programme? Arts & Business Cymru run a matched-funding programme which rewards business investment in several specific strands of work – this is valuable but also means that arts organisations could be tempted to create work to qualify for the funding rather than unlocking funding for important existing work. A system of more general matched funding to reward any new business sponsorship, long-term business sponsorship, corporate and social responsibility initiative and so on could encourage a greater number of companies to support existing activity.

2) For individual support, there is probably a long-term requirement to demonstrate how important arts/culture is as a charitable cause which could be introduced in schools and beyond.



- 3) There remain ongoing obstacles in terms of conflicting (and unclear) HMRC rules on VAT and Gift Aid which cause problems for arts organisations seeking to increase individual giving across the UK.
- 4) General cross-government messaging (perhaps in partnership with the media and other partners) about the importance and value of the arts to our economy, well-being, creativity and education could be more consistently and publicly delivered.
- 5) In terms of earned income, a key area of increased revenue for WNO could be through our wholly owned subsidiary, Cardiff Theatrical Services. CTS at the moment finds it difficult to secure work from the big studios, eg Pinewood in South Wales which have been supported by Welsh Government. It appears to us as if much of the freelance labour force they use is imported rather than using local workers. Could Welsh Government require or incentivize Welsh businesses to use local suppliers? This could enable us to grow the business, employ more people and potentially increase our existing use of apprenticeships.

Leonora Thomson

Managing Director

Welsh National Opera

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