

# Agenda – Culture, Communications, Welsh Language, Sport, and International Relations Committee

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Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 19 February 2025

Meeting time: 09.30

For further information contact:

Lleu Williams

Committee Clerk

0300 200 6565

[SeneddCulture@senedd.wales](mailto:SeneddCulture@senedd.wales)

## Hybrid

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### Pre-meeting registration

09.15 – 09.30

### Public session

#### 1 Introductions, apologies, substitutions, and declarations of interest

09.30

#### 2 Papers to note

09.30

##### 2.1 Welsh Government Draft Budget 2025–26

(Pages 1 – 4)

Attached Documents:

Copy letter from the Future Generations Commissioner for Wales to the Cabinet Secretary for Finance and Welsh Language: Calling on the Welsh Government to protect funding for prevention in future budgets – 21 January 2025



## **2.2 Impact of funding reductions for culture and sport**

(Pages 5 – 63)

Attached Documents:

Report of the National Theatre: Scene Change: Optimising business model innovation in the performing arts – 23 January 2025

## **2.3 Future support for Duolingo**

(Pages 64 – 65)

Attached Documents:

Copy letter from Cymdeithas yr Iaith Gymraeg's Learners' Committee to the Cabinet Secretary for Finance and Welsh Language: Calling on the Welsh Government to support the development of the Welsh Language course on Duolingo – 13 January 2025

## **2.4 Welsh Government international relations**

(Pages 66 – 69)

Attached Documents:

Letter from the First Minister: Responding to the Committee's letter of 23 December 2024 on the Welsh Government International Relations– 28 January 2025

## **2.5 British Council support towards a financially sustainable future**

(Pages 70 – 71)

Attached Documents:

Letter to the Secretary of State for Foreign, Commonwealth and Development Affairs: Seeking assurances that the British Council is supported towards a financially sustainable future – 29 January 2025

## **2.6 Legislative Consent: Data (Use and Access) Bill**

(Pages 72 – 76)

Attached Documents:

Report of the Business Committee: Revised timetable for consideration:  
Legislative Consent Memorandum on the Data (Use and Access) Bill – 30  
January 2025

Letter from the Cabinet Secretary for Economy, Energy and Planning:  
Providing the Welsh Government’s assessment of the impact of the Data (Use  
and Access) Bill on the Trade and Co-operation Agreement – 05 February  
2025

## **2.7 Ministerial scrutiny sessions**

(Pages 77 – 80)

Attached Documents:

Letter from the Minister for Culture, Skills and Social Partnership: Providing  
further information following the Ministerial scrutiny session – 03 February  
2025

## **2.8 International agreements in relation to diplomacy**

(Pages 81 – 82)

Attached Documents:

Letter from the Chair of the Legislation, Justice and Constitution Committee:  
Drawing to the Committee’s attention the Agreement Establishing the African  
Development Fund– 03 February 2025

## **2.9 Inter-institutional Relations Agreement**

(Pages 83 – 84)

Attached Documents:

Copy letter from the Deputy First Minister and Cabinet Secretary for Climate  
Change and Rural Affairs to the Chair of the Legislation, Justice and  
Constitution Committee: Providing an update on the seventh meeting of the  
Inter-Ministerial Standing Committee – 13 February 2025

**3 Motion under Standing Order 17.42(ix) to resolve to exclude the public from the remainder of the meeting**

09.30

**Private session**

09.30 – 11.00

**4 Consideration of papers to note**

09.30 – 09.40

**5 Review of the Public and Member Bill process: Consideration of the consultation**

09.40 – 09.50

(Pages 85 – 90)

Attached Documents:

Paper – Business Committee consultation: Review of the Public Bill and Member Bill processes

Letter from the Llywydd regarding the review of the Public Bill and Member Bill processes: Request for written evidence – 21 January 2025

**6 Charging for Exhibitions: Consideration of key issues paper**

09.50 – 10.10

(Pages 91 – 108)

Attached Documents:

Charging for exhibitions: Key issues paper

**7 The video games industry: Consideration of draft letter**

10.10 – 10.20

(Pages 109 – 112)

Attached Documents:

The video games industry: Draft letter

**8 The Welsh Language (Wales) Measure 2011 (Amendment of Schedule 6) Order 2025 & the Welsh Language Standards (No. 1, No. 2, No. 4, No. 6 and No. 7) Regulations (Amendment) Regulations 2025 – Consideration of draft legislation**

10.20 – 10.30

(Pages 113 – 118)

Attached Documents:

Draft legislation: Briefing and next steps

Letter from the Cabinet Secretary for Finance and Welsh Language: Informing of draft legislation relating to the programme of introducing Welsh Language Standards Regulations – 28 January 2025

**9 Cymraeg for all?: Consideration of approach**

10.30 – 11.00

(Pages 119 – 125)

Attached Documents:

Terms of reference paper: Cymraeg y bawb? Cymraeg for all?



By email

21<sup>st</sup> of January 2025

## **Re: Prevention in the Welsh Government's budget**

Dear Mark,

I was heartened by statements made before Christmas by the Cabinet Secretary for Health and Social Care, Jeremy Miles MS, and the importance he attached to investment in prevention services as well as to reducing waiting lists.

I also strongly welcome the emphasis the new UK government has placed on prevention in health, crime and other public services. We now need the Welsh Government to make a similar commitment to prioritising action on prevention across devolved areas of responsibility.

Following engagement with Local Health Boards and other public bodies that fall under the Well-being of Future Generations Act, I am calling on the Welsh Government to protect and ringfence funding for prevention in future Welsh Government budgets. I am recommending that this includes each Welsh Government department having funding that is ringfenced for prevention. I am supported in this call by the Welsh NHS Confederation and the Health Foundation.

Current fiscal frameworks do not distinguish clearly between spending on acute services and prevention, despite the evidence that investment in prevention can deliver greater long-term return. Without action, spending on prevention will continue to be a casualty of intense pressures on day-to-day budgets and a victim of short-term thinking. This will undermine the Welsh Government's commitment to taking a long-term, prevention-led

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Comisiynydd Cenedlaethau'r Dyfodol Cymru  
Tramshed Tech, Heol Pendyris  
Caerdydd, CF11 6BH  
[cystylltwchani@cenedlaethaurdyfodol.cymru](mailto:cystylltwchani@cenedlaethaurdyfodol.cymru)  
[cenedlaethaurdyfodol.cymru](http://cenedlaethaurdyfodol.cymru)

---

Future Generations Commissioner for Wales  
Tramshed Tech, Pendyris Street  
Cardiff, CF11 6BH  
[contactus@futuregenerations.wales](mailto:contactus@futuregenerations.wales)  
[futuregenerations.wales](http://futuregenerations.wales)



approach to improving public services which is a duty under the Well-being of Future Generations Act.

To quote the Health Foundation: “Public policy is littered with examples of prevention spending being cut to provide short-term funding to patch up front-line services, and there is too little incentive to invest in services that deliver long-term benefits.” Wales is no different. An example is the reduction of funding to Sports Wales despite the evidenced return on investment in social value of £4.44 for every £1 spent, at a time when demand from obesity and mental health needs are exponentially rising.

We saw similar thinking to protect funding for longer term outcomes when former Chancellor Gordon Brown introduced the split between capital and revenue expenditure in 1998. The creation of the RDEL (limits on resource spending) /CDEL (capital spending) split enabled the government to better track capital expenditure and boost long-term investment.

My office is actively contributing to the Welsh spending review process and promoting the agreed definition of prevention to raise awareness of the level of prevention spend and to make the case for protected preventative allocations. (See Annex below). My office is also working alongside the ZOE Institute to help define a methodology for assessing the Draft Budget in line with the Well-being of Future Generations Act and my Cymru Can strategy.

Over the next few years, through working closely with your Budget improvement team, we hope to see tangible improvements in the way the budget is determined to include transparency around the share of the Budget dedicated to prevention and the ways in which the Budget reflects the five ways of working of the Well-being of Future Generations Act.



Comisiynydd  
**Cenedlaethau'r  
Dyfodol**  
Cymru

**Future  
Generations**  
Commissioner  
for Wales

Significant investment in prevention is our only option to turn the tide on health outcomes for the people of Wales. Both our current population and our future generations need us to act boldly and urgently.

Yours sincerely,

Derek Walker

Future Generations Commissioner for Wales



Comisiynydd  
**Cenedlaethau'r  
Dyfodol**  
Cymru

**Future  
Generations**  
Commissioner  
for Wales

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Comisiynydd Cenedlaethau'r Dyfodol Cymru  
Tramshed Tech, Heol Pendyris  
Caerdydd, CF11 6BH  
*cystylltwchani@cenedlaethaurdyfodol.cymru*  
cenedlaethaurdyfodol.cymru

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Future Generations Commissioner for Wales  
Tramshed Tech, Pendyris Street  
Cardiff, CF11 6BH  
*contactus@futuregenerations.wales*  
futuregenerations.wales



## Annex: Definition of prevention as agreed by the Office of the Future Generations Commissioner for Wales and Welsh Government

**The definition of prevention**  
As agreed by Welsh Government and the Office of the Future Generations Commissioner for Wales

**Primary prevention:**  
Building resilience – creating the conditions in which problems do not arise in the future. A universal approach.

**Secondary prevention:**  
Targeting action towards areas where there is a high risk of a problem occurring. A targeted approach, which cements the principles of progressive universalism.

**Tertiary prevention:**  
Intervening once there is a problem, to stop it getting worse and prevent it reoccurring in the future. An intervention approach.

**Acute spending:**  
Spending, which acts to manage the impact of a strongly negative situation but does little or nothing to prevent problems occurring in the future. A remedial approach.

More information available [here](#).

**National  
Theatre**

**Scene Change:**  
Optimising  
business model  
innovation  
in the  
performing arts

# Contents

Foreword from Sir Damon Buffini	03
Foreword from Kate Varah	04
Executive summary	05
Acknowledgements	07
01. Research aims and definitions	08
02. Understanding the external factors impacting the performing arts ecosystem	11
03. The sector's approach to business model innovation	18
04. Identifying prevailing business models	25
05. Business model innovation potential across the models	40
06. Reaching recommendations	44
07. Conclusions and recommendations in full	46
End notes	49
Appendix 1: Methodology	53
Appendix 2: Selected Bibliography	57

# Foreword from Sir Damon Buffini

**The performing arts are a cornerstone of British culture; a testament to our country's capacity for creativity. From the glittering lights of the West End to grassroots performances taking place in all corners of the UK, the performing arts not only entertain but enrich our lives, strengthen communities, drive economic prosperity and support British soft power.**

Within the performing arts are companies that can rival film and television in global influence and revenue - the top five musicals have each grossed more than any film ever.<sup>1</sup> However, as this paper makes clear, the performing arts are not simply a market force, they are a public good. The sector also includes organisations that are finding innovative solutions to some of the UK's most pressing problems, including by combatting social isolation and improving educational attainment.<sup>2</sup> Together they make up a mutually reliant ecosystem, which includes organisations of all sizes alongside thousands of talented freelancers, and works in urban and rural areas across the entirety of the United Kingdom.

It is also a sector whose resilience in periods of adversity has been nothing short of extraordinary. In the face of significant challenges, including successive funding cuts and the aftershocks of a global pandemic, the performing arts sector has remained steadfast in its commitment to producing social value and artistic excellence.

Yet, despite the incredible achievements of this industry - from global phenomena like *War Horse* and *Matilda* to the smaller organisations improving people's lives every day - we must confront the underlying challenges threatening its future and thus ability to meaningfully contribute to a decade of renewal.

This research, informed by data analysis alongside deep consultation with more than 140 organisations in the industry, finds that the business models being used in the non-profit part of the performing arts sector are no longer working: organisations delivering vital public benefit are struggling to survive, and depleted reserves post-pandemic mean there is no money available to fund much needed innovation or capital infrastructure upgrades. Even those achieving revenue success in the for-profit sector are not always able to cash flow new projects.

It is clear that change is necessary. The performing arts are not a luxury; they are essential part of the fabric of British society, and even - or, perhaps, especially - in challenging economic times, funders, policymakers and the sector would best serve the public by working together to find new models and explore new ideas.

This report provides a 'behind the curtain' look at performing arts business models - how they operate, the value they deliver, and the challenges they face. It should serve as both a map and a manifesto - a blueprint for those who believe that the performing arts can continue to thrive and innovate in an ever-changing world. Our findings have led us to make bold recommendations to protect the performing arts for future generations:

We are calling for the **sector** to boost their technological capacity by creating the sector's first Tech Roadmap, and to unlock new opportunities for cost saving and revenue generation through a series of pioneering sector-authored playbooks.

We are calling on **partners** to support a once-in-a-generation match fund which would drive long-term sustainability and decarbonisation in the arts through capital investment, and to help organisations across the country with their tech and financial expertise through the creation of a board bank of experts.

And we are asking **policymakers** to step in to save vital cultural infrastructure facing financial collapse due to local government and development agency funding cuts. Following that, we are calling on them to introduce an Arts Business Model Innovation Fund, providing seed funds to pilot new ideas and approaches, and - put simply - to help organisations to make more money and do more good. Finally, we are asking them to enter into a service level agreement with the sector, speeding up tax credit processing timelines and developing cash flow finance solutions for the whole performing arts sector, thus stabilising finances and reducing vulnerability to cash flow issues.

Together, we believe that these steps pave the way for a more resilient, innovative, and sustainable future for the performing arts.

**Sir Damon Buffini,**  
Chair, National Theatre

# Foreword from Kate Varah

**The UK's performing arts continue to astound with their resilience, innovation and commitment to powering creativity that changes lives - but the sector's ongoing success depends on the sustainability and adaptability of the business models that underpin it.**

Those working in the performing arts are, by nature, entrepreneurial. As such, in recent years, organisations and individuals have been able to successfully overcome the significant challenges presented to them: despite being a sector reliant on in-person gatherings, organisations delivered innovative new digital work and social programmes during a global pandemic; and non-profit organisations have found ingenious ways to 'keep the lights on' despite unexpected cuts to their funding and a growing need for capital investment.

Non-and for-profits alike know that to survive and thrive they must continue to deliver baseline services alongside developing new work and innovating their business models - and yet, with depleted reserves following the pandemic and challenges accessing seed capital, that is proving difficult. For those who can access the transformative impact of the Theatre Tax Relief this supports the increased cost of making work. However, it leaves nothing remaining for years of built up capital infrastructure repairs or investment in innovation.

Many I speak to in the sector feel they are now at a breaking point with limited funds and conflicting demands. Non-profit and for-profit organisations, are responding to the need for social impact programmes which contribute to education, wellbeing and placemaking - but this is supported by limited, patchwork funding. At the same time, they are being asked to find new revenue streams to stimulate national economic growth with reduced core funding and no central, annual capital maintenance fund. Many I speak to in the sector feel they are now at a breaking point with limited funds and conflicting demands.

This is why in this moment the National Theatre has chosen to commission this research into the diverse business models within the performing arts. By investing in a deeper examination of these models, we hope to show how, together with policymakers and partners, we can foster a more sustainable and equitable ecosystem that supports both innovation and accessibility. In this critical moment of political change, domestic and international, we hope that our recommendations - drawn from qualitative and quantitative evidence - help these three key constituents to make the sector stronger and drive real change, together.

The creation of this report would not have been possible without the invaluable contributions of the independent advisory group and research network. Their expertise, guidance, and critical insights were instrumental in shaping the research approach and ensuring the report's findings reflect the complexity and diversity of the performing arts sector.

The advisory group, composed of leaders and experts from industry, policy, research and funding organisations provided strategic direction and acted as a sounding board for emerging ideas. Their collective experience allowed us to address gaps, challenge assumptions, and refine our methodologies to ensure the final report is both rigorous and relevant.

Equally vital were the insights of a wider research network, who fed into this research through a seminar and subsequent bilateral meetings. Their input enriched the analysis and ensured the report's recommendations were fully grounded in the existing evidence base.

Most importantly, we would like to thank the more-than-140 performing arts organisations who fed directly into the research team through the survey, bilateral meetings, or in-depth interviews. We hope this paper reflects their experiences, and serves as a rallying cry - marking a genuine turning point for our world-leading sector.

**Kate Varah,**  
Executive Director and Co-Chief Executive at the National Theatre

# Executive summary

**The performing arts sector contributes significantly to the UK's economic vitality, wellbeing, and global cultural influence. The sector turns over £4.38bn and produces an annual GVA of £2.26bn, drives tourism to the UK, and makes those who interact with it happier and healthier.<sup>4</sup>**

Despite its enduring impact, the sector faces unprecedented challenges stemming from structural issues, including the limited availability of funding, post-pandemic economic pressures, and technological and capital under-investment. This paper examines the current state of business models within the performing arts and identifies transformative opportunities to ensure long-term resilience, sustainability, and innovation.

## Key challenges

Data analysis and consultation with more than 140 performing arts organisations from across the UK revealed five key challenges facing the sector:

- **Fragile business models:**  
Performing arts organisations, particularly those in the non-profit sector, struggle with depleted reserves, declining public funding (the UK now ranks significantly below many other European countries in terms of the proportion of GDP spent on culture),<sup>3</sup> and rising operational costs. For-profit and non-profit organisations both face challenges in short-term cash flow management, limiting their ability to develop new projects.
- **Under-investment in capital:**  
The current need for investment in bricks-and-mortar is undermining organisations' potential for revenue creation and their ability to deliver social impact. Recently introduced capital funds (e.g. Levelling Up Funds) have often been competitive processes which invest in specific areas for set periods of time and therefore do not substitute for stable investment in infrastructure across the country.
- **Impact of technological gaps:**  
Digital adoption and IT infrastructure are significantly underdeveloped across the non-profit sector. While some large scale organisations experiment with digital revenue streams, widespread technological inefficiencies hinder innovation and audience engagement.

- **Hybrid value creation:**  
Organisations increasingly blend cultural, social, and commercial value. Community-driven activities and educational outreach have become central to non-profit operations, but these add layers of complexity to already stretched resources. Many performing arts leadership teams face a grinding structural battle in aligning interlocking mandates of cultural and social purpose with sustainable commercial performance.
- **Barriers to innovation:**  
Structural impediments, including risk aversion, short-term funding cycles, and a public funding system which expects predictable outputs, constrain organisations' ability to explore new business models.

Although exacerbated by recent events, these are not new challenges. Instead, they relate to three drag anchors which have long been identified as hindering business model innovation in this sector: a lack of capital; a lack of reserves; and insufficient capabilities. In order to overcome these, policymakers, funders and the sector must work together to drive real and permanent change.

## Opportunities for innovation

Through data analysis and detailed case studies, our research identifies - for the first time - five prevailing business models in the sector: 'Our House,' 'Big Tent,' 'Footloose,' 'The Social,' and 'Digi-enabled.' Each model offers unique strengths and opportunities for transformation through tailored interventions, including through:

- **Development of long-term funding mechanisms to support experimentation and sustainable growth;**
- **Development of long-term funding mechanisms to support activities which offer low-cost and effective ways of contributing to the UK Government's missions;**
- **Collaborative resource sharing across models;**
- **Investment in digital capabilities.**

# Recommendations in summary

To address the factors constraining the business models of performing arts organisations, and to support these identified opportunities for innovation, this report makes a number of recommendations. In summary, these are:

## Sector-led

- 1. Tech Roadmap for adoption and efficiencies:**  
A sector-led tech roadmap would set clear benchmarks for technology adoption, driving efficiency and sustainability across performing arts organisations.
- 2. Trailblazing sector-authored Playbooks to unlock revenue and support cost-saving:**  
The first of these would highlight best practice and practical advice for approaches to shared procurement and strategic mergers, reducing operational costs and establishing best practice in cost efficiency.

## Partner-led

- 3. Historic Leveraged Capital Fund for sustainable infrastructure:**  
A once-in-generation leveraged capital fund, combining government and private investment, would support arts organisations in building and maintaining sustainable infrastructure.
- 4. Pro Bono Tech & Financial Advisor Network:**  
A network of pro bono tech and financial experts would support small performing arts organisations with tailored advice and strategic guidance to enhance resilience and growth.

## Policy-led

- 5. Urgent Stabilisation Fund for Cultural Organisations:**  
This fund would provide revenue and capital support to successful performing arts organisations in regions affected by funding cuts, ensuring long-term stability and continued public benefit.
- 6. Arts Business Model Innovation Fund:**  
A two-stage innovation fund would enable arts organisations to generate new streams of revenue, providing seed and follow-on funding that would allow them to experiment with new sustainable and socially impactful business models.
- 7. Sector-HMRC Service Level Agreement:**  
A service level agreement with HMRC would streamline tax credit claims and improve cash flow for performing arts organisations, ensuring timely processing and supporting financial stability.

Full recommendations are provided on page 48.

# Acknowledgements

We are incredibly grateful to the large number of experts from inside and outside the performing arts who have given their guidance on this report and its contents. We wish to particularly thank our advisory group and research network members, whose insights have been invaluable to the team. However, it is important to note that these individuals are not responsible for the contents of the paper, including its recommendations, and any mistakes are the authors' own.

With particular thanks to:

**Pascale Aebischer**  
University of Exeter

**Charlotte Appleyard**  
Royal Academy

**Jonathan Badyal**  
Universal Music

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Future Arts Centres

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Royal Opera House

**Elaine Bedell**  
Southbank Centre

**John Boumphrey**  
Amazon

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Arts Council England

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Warwick Arts Centre

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University College,  
London

**Lilli Geissendorfer**  
Theatre Green Book

**Francesca Hegyi**  
Edinburgh International Festival

**Dan Hutton**  
Barrel Organ Theatre

**Jameela Khan**  
Barrel Organ Theatre

**Rosie Klich**  
East 15 Acting School,  
University of Essex

**Hilary Knight**  
AEA Consulting

**Elisabetta Lazzaro**  
University for the Creative Arts

**Catherine Love-Smith**  
University of York

**Michael Lynas**  
ATG Entertainment

**Deborah Mattinson**  
formerly Office of Sir Keir Starmer,  
Leader of the Opposition

**Kirsten McLeod**  
British Business Bank

**Bethany McShepherd**  
London Academy of Music  
and Dramatic Art

**Adam Memon**  
National Health Service

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Royal Holloway,  
University of London

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McKinsey

**Sunita Pandya-Malik**  
Tara Arts

**Jean-Andre Prager**  
formerly 10 Downing Street

**Jemma Read**  
Bloomberg

**Conni Rosewarne**  
Royal Brompton  
and Harefield Hospitals

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Department for Culture,  
Media and Sport

**Fran Sanderson**  
Figurative

**Becky Shaw**  
Ostmodern

**Alan Shipman**  
Open University

**Justine Simons**  
Greater London Authority

**Moira Sinclair**  
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**Stephanie Sirr**  
Nottingham Playhouse

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Freelance

**Annabel Turpin**  
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**Ben Walmsley**  
University of Leeds

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The Audience Agency

Moreover, we are grateful to the more-than-140 performing arts leaders and practitioners who shared their data, experiences and ideas with us through roundtables, survey responses and in-depth interviews (see Appendix 1). This report would not have been possible without them.

01.

# Research aims and definition

***‘Well, I’m sorry to break the news, but if an organisation has a viable way to create, deliver, and capture value, it has a business model. It doesn’t matter whether an organisation is in the public or private sector. It doesn’t matter if it’s a non-profit or a for-profit enterprise. All organisations have a business model.’<sup>5</sup>***

## Research Aims

**This study aims to dive deep into the anatomy of performing arts business models. Its ambition is to identify distinct, prevailing business models and to use these models to consider how different parts of the performing arts sector can be supported to scale their value and impact.**

This is not uncharted territory, as our analysis highlights. Two decades of discussion and experimentation around business model innovation in the performing arts precede this research (see Appendix 2). However, this paper looks to deliver new insights to drive policy recommendations which we believe can provide an inflection point in the pace and scale of innovation.

The paper uses a mixed-method approach (see Appendix 1). By reviewing grey literature and conducting both quantitative and qualitative research, we present fresh survey data and case studies. These expose the dominant business models and the pressing challenges that must be addressed for performing arts organisations to unlock their full value-creating potential.

## Definitions

In this research, we use the definition of the performing arts adopted by the **Office for National Statistics**:

This includes:

- **production of live theatrical presentations, concerts and opera or dance productions and other stage productions;**
- **activities of groups, circuses or companies, orchestras or bands;**
- **activities of individual artists such as actors, dancers, musicians, lecturers or speakers.**

It excludes:

- **activities of personal theatrical or artistic agents or agencies;**
- **casting activities.<sup>6</sup>**

This definition helped to define the scope for empirical work and shaped our engagement with the performing arts sector, enabling us to produce meaningful insights and recommendations.

However, it should be stressed that the arts and cultural sector operates within a deeply interconnected value-creation ecosystem. Innovation and impact often emerge through cross-artform collaborations and the burgeoning links between: the arts and the broader creative industries; public bodies and commissioning agencies; and the wider private and third sector.<sup>7</sup> Recognising these dynamic interconnections has been critical throughout our study.

***‘[The impact of the arts] depends not only upon the individual efforts of artists and arts organisations but also on an entire arts ecosystem—creators, educators, distributors and promoters, suppliers, funders, and audiences. The health of the ecosystem depends on five connections within it: (1) between different art forms; (2) between for-profit and not-for-profit organisations; (3) between different organisations working in different locations; (4) between arts organisations, local public bodies, and local businesses; and (5) between the arts sector and the broader creative industries.’<sup>8</sup>***

**Jonathan Deakin, Tom Meakin,  
Tunde Olanrewaju, and Van Nguyen**  
McKinsey

As a part of a complex ecosystem, enabling greater levels of business model innovation in the performing arts requires systemic thinking and systemic interventions rather than piecemeal reforms. As a result, our recommendations aim to support and deepen connections across this entire ecosystem to unlock new revenue streams and greater social impact.

## **On freelancers**

The above definition of performing arts includes the freelancers who make up more than two thirds of those employed in the sector.<sup>9</sup> We hope that the recommendations of this report are able to support more stable, creative and impactful work for this cohort. As such, at several points in this paper we consider the impact of current challenges on freelancers. However, whilst freelancers do – of course – have their own business models, we recognise that it would be necessary to develop a separate framework to consider bespoke interventions to support them. This is, in part, because considerations of scalability are different when looking at the freelance workforce. By narrowing the focus to organisations in the performing arts, we have been able to provide deeper insights into organisational business models which we hope will help both these organisations and the freelancers who work with them. However, we would strongly recommend future research is conducted on business models for freelancers in the performing arts sector.

## **Business model innovation: definitions and context**

For this study, we required clear definitions of both ‘business models’ and ‘business model innovation.’ Our literature review (see Appendix 2) revealed strong academic consensus that a business model explains how organisations create and capture value. We adopted this definition:

*‘a business model describes the rationale of how an organisation creates, delivers and captures value... A business model describes the value an organisation offers to its customers and illustrates the capabilities and resources required to create, market and deliver this value and to generate profitable, sustainable revenue streams.’<sup>10</sup>*

To understand how a business engages with business model innovation involves rethinking how organisations identify customers, engage them, monetise the engagement, and organise the value chain to support these processes.<sup>11</sup>

Crucially, as American innovation specialist Henry Chesbrough has emphasised, business model innovation requires organisations to use both external networks and internal connections to create and deliver new value propositions.<sup>12</sup> In this sense, as Enev and Liao note in their research on business model innovation:

*‘Business model innovation goes beyond product and/or process innovation and continuous business performance improvement, and aims to understand **how to transform the way organisations operate and create value**’<sup>13</sup>*

## **In Search Of Transformations**

Our research has sought evidence of *transformational business model innovation*: the mindsets, strategies, and actions needed to drive it - and the barriers preventing performing arts organisations from achieving it. These findings inform our suite of actionable recommendations to support the sector in unlocking its full value-creating potential.

02.

# Understanding the external factors impacting the performing arts ecosystem

# The performing arts are a British success story.

Individual performing arts shows can rival films and television in the revenue they can produce - evidenced by the fact that at least five musicals have grossed more than any film ever.<sup>30</sup> The highest-grossing production of all time - *The Lion King* musical - has now taken more than \$10 billion (£7.95 billion) worldwide, compared to *Avatar*'s global box office record of just under \$3bn (£2.39 billion).<sup>31</sup>

At last count there were 10,370 performing arts enterprises in the UK, turning over £4.38bn and producing an annual GVA of £2.26bn.<sup>14</sup> This means there are more than three and a half times as many performing arts organisations in the UK as there are Tesco stores.<sup>15</sup>

Investment in the performing arts also has a multiplier effect - a study found that for every £1 spent on a theatre ticket, an additional spend of £1.40 is generated in the local economy.<sup>16</sup>

***‘The Edinburgh Festivals exemplify how the performing arts can fuel economic growth. Each year, thousands of visitors from around the globe gather to experience the talents of actors, comedians, and musicians from the UK and beyond. A 2022 analysis revealed the festivals generated a gross economic impact of £492 million for Edinburgh and £620 million for Scotland.’***

**Francesca Hegyi**  
CEO, Edinburgh International Festival

Nevertheless, whilst the performing arts sector has been edging towards recovery since the pandemic, many organisations - despite their desire to innovate (demonstrated in Chapter 3) - remain stuck in unsuitable business models which restrict growth and productivity.

For commercial and non-profit producers, higher capitalisation costs (which meant fewer works produced following the pandemic) have been mitigated through the financial cushion provided by Tax Reliefs.<sup>17</sup> Enhanced tax reliefs gave UK theatre companies the confidence to put on new and large-scale productions after the pandemic and their success may be one of the reasons that data suggests that visitor numbers to the West End have bounced back more successfully than, and may have even surpassed, those recorded in Broadway.<sup>18</sup>

However, data and interviews with those working in the sector suggest that non-profits are still struggling to cash flow – and therefore to green-light – projects which could produce greater social value, develop fresh talent and IP, make their businesses more efficient, or help them to innovate and grow. Our interviews also suggest that some for-profit businesses are struggling to cash flow commercial projects, inhibiting their growth potential.

In this chapter we consider both non- and for-profits, identifying the key external factors impacting their business models.

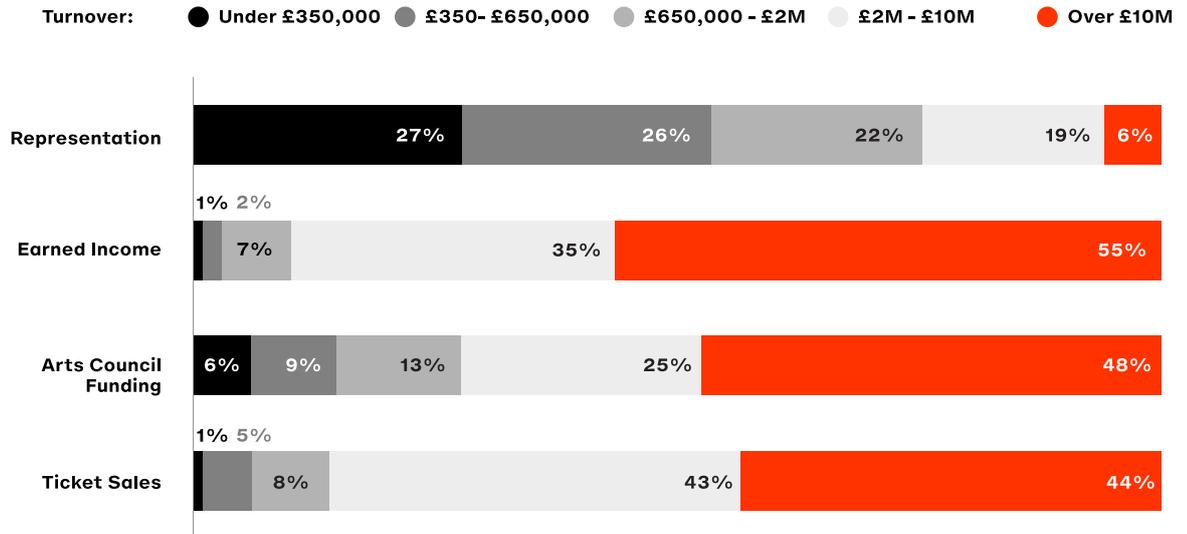
**Fig 1. Percentage representation of each income band for performing arts organisations funded by Arts Council England 2022/23**

**Source:**

Arts Council England Open Data. N = 483. Filtered to represent only performing arts organisations. See appendix 1.2.

**Note:**

Earned Income represents aggregate of £728.5M. Arts Council Funding represents aggregate of £292.7M. Ticket Sales represents aggregate of 15.5M.



## Non-profit Organisations

There are thousands of non-profit performing arts organisations based across the entirety of the UK, from Eden Court in Inverness to Duchy Opera in Cornwall.<sup>19</sup> These organisations vary vastly in size, and data from Arts Council England (ACE) reveals they also have highly differentiated funding models (Fig. 1), with some organisations earning the majority of their income and using public funds to support particular social impact, and others getting most or all of their funding from the public purse. There are also non-profit performing arts organisations who do not rely on public funding, and support their charitable objectives using solely philanthropic and revenue funding, for example Norwich Theatre runs a Learning Charity which receives no public funding.<sup>20</sup>

How organisations fund themselves is dependent on size, audience, remit and place. For example, organisations closer to large cosmopolitan centres are often able to attract higher levels of philanthropy and greater audiences, whilst - wherever in the country they are - organisations working exclusively with marginalised communities may not be able to bring in commercial revenue, instead relying on public funding in return for delivering social value.

Policymakers and funders have long understood the reasons for subsidising performing arts organisations: they are not simply a market force, they are a public good. Evidence consistently suggests that they can provide good value for money to the Exchequer in producing social and economic value.<sup>21</sup> They create joy,<sup>22</sup> have an inherent artistic value,

are important to their communities,<sup>23</sup> drive tourism,<sup>24</sup> and help to develop new types of stories, find new audiences, train talent and innovate on behalf of the wider performing arts sector, and the entire creative industries.<sup>25</sup>

Take, for example, the National Theatre’s War Horse: it began performances on the South Bank in 2007 after a development process over a number of years in the National Theatre Studio and since then has been seen by 8.3 million people in 14 countries around the world, on four national tours, and - alongside the original text - was the inspiration for a film which grossed \$178 million worldwide.<sup>26</sup>

More specifically, the performing arts offer low-cost and effective ways of contributing to the UK Government’s missions and milestones.

For example, the government is aiming to **end hospital backlogs**: programmes run by arts and cultural organisations can be scaled to tackle loneliness and the youth mental health crisis - two things that have an outsized impact on NHS waiting lists and costs.<sup>27</sup>

The government is also aiming to **give children the best start in life**: learners engaged in culture and arts education have better academic and non-academic learning outcomes with enhanced academic achievements, reading skills, creative and critical thinking, agility and collaboration skills.<sup>28</sup> Engagement in arts education also correlates with improved attendance, stress reduction, resilience, perseverance, and classroom behaviours.<sup>29</sup>

## Case study insight: Restoke

Founded in 2009, Restoke is a small and dynamic performing arts organisation based in Stoke-on-Trent which provides free and pay-what-you-decide performances, events and workshops to help to build a more joyful and connected community in the city.

Stoke-on-Trent is one of the 20% most deprived districts/unitary authorities in England, with about 24% of children in the city living in low income families.<sup>32</sup>

The city population has worse health outcomes than the national average, including in areas like obesity, self harm and alcohol-related harm.<sup>33</sup>

Within this context, Restoke has built a programme of events for - and with - different cohorts living in the city. For example: **The Power Project** involves young people (12-17 years old) in every stage of the creation process of a new show - as writers, performers, technical support, front of house and backstage; **Dancing through the Darkness** is a weekly dance session where people with no dance experience can come together to “move, stretch, boogie and breathe”; and **Up Men** is a series of workshops and courses which use the performing arts to promote positive mental health in men through creativity and connection, bringing people together without fear of judgement.

Restoke aims to create a cultural space that values the arts as essential to society rather than as a charitable endeavor and works with a diverse range of commissioning partners who recognise its contribution to the local social infrastructure. In a model like this, the organisation has limited capacity to commercialise its work or generate additional revenue streams through ancillary activity as either of these things would compromise its mission.

For more about Restoke read the full case study. [Link here](#)

It is precisely because of their multifaceted benefits that publicly funded organisations have been encouraged by stakeholders, policymakers and funders to spread their work more widely, with organisations urged over the last twenty years to be more relevant to all segments of the population, and to be hyper local, and – where scale allows – national and international.<sup>34</sup> They have also been pushed to produce greater levels of social value – something which many have prioritised (see Chapter 3).

This push for greater equity of access and increased social value should undoubtedly be a good thing for the country. However, this effort coincides with a period when non-profit arts organisations are being challenged to find new and diverse income streams.<sup>35</sup>

Balancing these two goals is inherently difficult, as a focus on building a commercial business can distract from, or even conflict with, an organisation’s other missions, such as offering affordable tickets.

Several external factors have made achieving both objectives even more challenging:

The first of these is that, **overall public spending on the arts across the UK has significantly decreased over the last decade-and-a-half**, driven primarily by a real term decline in local government funding.<sup>36</sup>

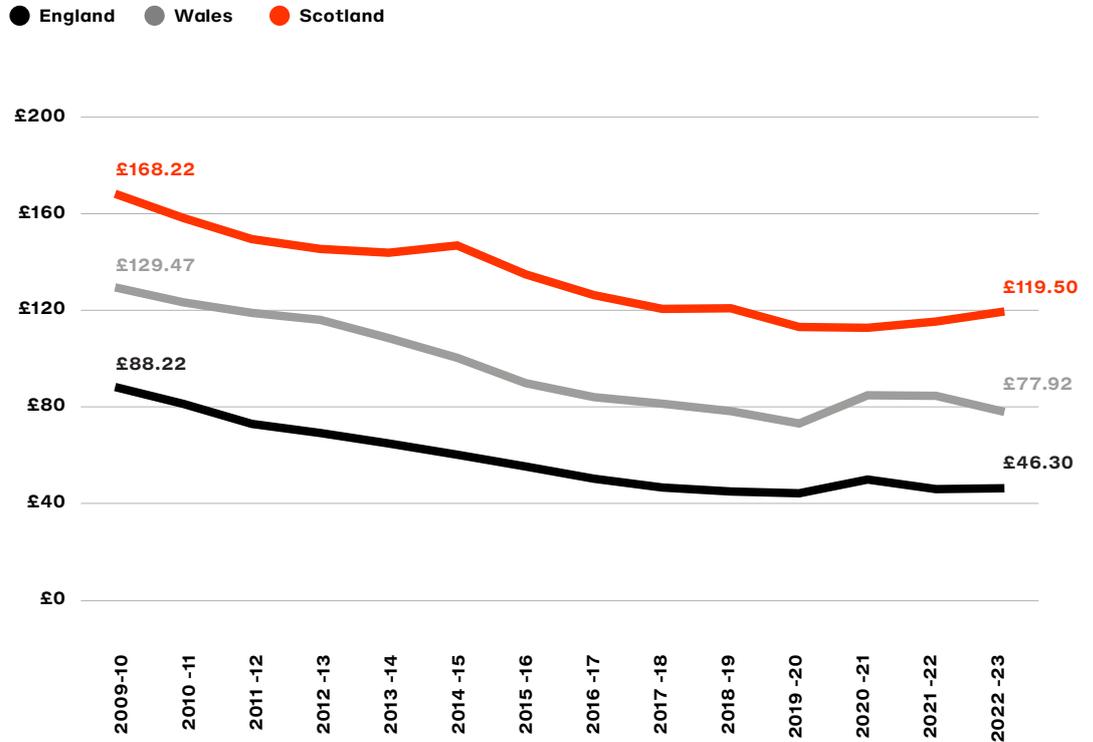
In every UK nation, local government has been and remains the largest funder of the arts, and the substantial decrease in funding they have made available to the arts (Fig. 2) and culture has not only put at risk their portfolio of investments, but caused a domino effect as other funders have attempted to make up the shortfall, without additional spend to help them to do so. Other investments in local arts have emerged over this time, including through: the UK City of Culture scheme; the Government’s Towns Fund, Levelling Up Fund and Community Ownership Fund; Arts Council England’s “priority places”; Creative Scotland’s Place Partnership Programme; and Historic England’s Heritage Action Zones and High Street Heritage Action Zones programmes.<sup>37</sup> However, the majority of these have been competitive processes, investing in specific areas for set periods of time and therefore can not replace the long term investment in key local infrastructure that local government funding historically provided.<sup>38</sup>

Compounding the impact of local government cuts, between 2009-10 and 2022-23, in real terms, core grant-in-aid funding of the Arts Councils per person decreased by 18% in England, 22% in Scotland, 25% in Wales and 66% in Northern Ireland.<sup>39</sup>

Overall, the UK now ranks significantly below many other European countries in terms of the proportion of GDP spent on culture.<sup>40</sup>

**Fig 2. Local authority revenue spending on cultural and related services per person, 2009-10 to 2022-23 (real terms, 2022-23 prices).<sup>55</sup>**

**Source:**  
The State of the Arts  
(University of Warwick  
& Campaign for the  
Arts, 2024).



Second, performing arts organisations are impacted by a legacy of **Covid-19 deficit budgets and reduced reserves**. The pandemic was a massive shock to performing arts organisations, who are particularly reliant on in-person gatherings. Whilst the Cultural Recovery Fund re-inflated some arts organisations' reserves, most were left in a financially worse place than before the pandemic.<sup>41</sup>

Moreover, many of the freelancers who make up the bedrock of the performing arts sector 'fell through the cracks' of government policy initiatives to help those out of work and were unable to access pandemic support.<sup>42</sup> The impact of the pandemic on this part of the workforce was deeply unequal: evidence suggests that younger workers, women and those from ethnically diverse backgrounds were among the hardest hit in terms of losing work and income.<sup>43</sup>

***'Post pandemic, and utilising the vital safety net provided by critical recovery funding, we invested in growing out of the pandemic and increased our earned income from 32% to 52% of our turnover. But set against three key factors of salary and recruitment inflationary pressures, paying artists the fees required for their own financial sustainability, and high inflation impacting on overhead costs, we simply cannot grow income fast enough and our reserves are taking the hit.'***

**Tarek Iskander**  
Artistic Director and CEO, Battersea Arts Centre

Third, the UK has an **overwhelmed and regionally unequal philanthropic sector** that is under pressure from intense scrutiny (as indicated by Baillie Gifford's withdrawal from arts sponsorship following a public backlash). Public support for the arts is at an all time high, with more than half a million supporters recorded at last count by non-profit Tessitura Network.<sup>44</sup> Whilst some of the largest organisations we interviewed have grown their philanthropy in challenging economic circumstances, overall, the total amount given by philanthropists to cultural organisations has fallen since the pandemic – donations to the UK's biggest cultural institutions from individuals and trusts and foundations hit a five-year high of £126.4 million in 2021, yet fell by 25% the following year to £97.2 million – whilst demand continues to rise.<sup>45</sup>

Place is also an important consideration when it comes to philanthropy of all kinds: charitable donations made through Gift Aid are four times higher in London compared to the UK average and over a third of all grants from the largest philanthropic foundations were made into London.<sup>46</sup> This is in part because many of the country's largest charities are headquartered in London. However, it is important to note that even for the largest, and most famous arts organisations philanthropy is only likely to make up a small proportion of total income. For example, cultural organisations directly supported by the UK Government, which include some of the country's most well-known organisations like the V&A and Tate, still only receive – on average – 10.2% of their income from philanthropy.<sup>47</sup>

The impact of all of these factors is further exacerbated by **general macro-economic uncertainty** caused by world events and specific local events, for example the recent budget's announcement that **employers' national insurance contributions will be increasing**, or context, across the four largest organisations supported by Arts Council England, this is likely to mean them finding an additional £4.25m per annum.<sup>48</sup>

As a result, subsidised organisations feel stuck. Organisations told us that they can identify clear areas of additional value they could develop but are struggling to do so when they have depleted reserves, and to innovate would have to risk removing resource from the main income generating activity of the business. Where public funding is available it is almost always based on an output that the organisation can evidence it will be able to deliver, limiting organisations' ability to try something genuinely new.

However, business innovation is clearly needed if they, or the publicly funded sector, wants to survive, and if we, as a society, want to continue to profit from its myriad of benefits.

A number of non-profit performing arts organisations are now at breaking point. Whilst some public arts organisations broke even or made a profit last year, the number that did has shrunk at an alarming rate. Looking at the Arts Council England data gives us a deeper sense of what is happening beneath the surface: of those organisations supported by Arts Council England the number of performing arts organisations reporting a net loss has grown 20% since 2019, with both large and small organisations affected. The median loss has increased from £57,000 in 2019 to £85,000 in 2023 – and where this loss used to typically be 6% above a company's revenue, it is now 12%.<sup>49</sup>

Business churn is a normal part of any economic cycle, but these are not all organisations who have been unable to achieve their value proposition. Rather, many are organisations who have been providing value for money to the public purse for many years, but have been impacted by sudden external shocks: for example, performing arts organisations facing drastic cuts as a result of the local City Council becoming bankrupt, rather than because they have failed to deliver on promised social or economic dividends.<sup>50</sup> It is also important to note that some of these organisations have long, historic roots, and are deeply connected to local people and place, meaning they cannot easily be substituted as it would take decades to rebuild the physical, resourcing or reputational collateral.

## For-Profit Organisations

Whilst our interviews found that commercial organisations feel less constrained by business model challenges than their publicly funded counterparts, they are of course not unaffected by macroeconomic factors. In particular, the pandemic depleted the reserves of organisations and exacerbated cash flow issues as, following periods of mandated closures, organisations struggled to find the investment needed at the beginning of projects when revenue in the performing arts generally comes at the point at which performances can start. The pandemic also had long term impacts on the health and sustainability of the freelancers who make up the bedrock of the commercial performing arts.<sup>51</sup>

The Theatre Tax Relief (TTR) has been vital for commercial theatre businesses, boosting economic growth and creating jobs by encouraging private investment in productions.<sup>52</sup> However, the relief has limitations: it takes time to process and cannot provide upfront funding at the start of a project. Some organisations reported to us that they had experienced particularly long processing times, adding financial uncertainty and instability to their business operations.

In addition, UK Theatre and the Society of London Theatre (SOLT) have pointed out that the decrease in the overall funding envelope has meant non-profit organisations passing greater liability onto commercial producers, increasing risk.<sup>53</sup> As such, and in order to protect touring, SOLT and UK Theatre have suggested that the national arts funders work with commercial partners to identify and mitigate against the forced passing of commercial liabilities to other operators in the theatre sector from organisations they support.<sup>54</sup>

***‘In the commercial theatre sector, we recognise the great opportunities that come from closer collaboration with non-profit organisations. By working together, we can expand access to inspiring productions and bring high-quality work to the widest possible audiences, and in particular to regional venues.***

***Recent years have brought challenges but also significant opportunities and successes for both producers and theatre operators in the commercial sector. Following the devastating impact of the pandemic, the continuation and enhancement of Theatre Tax Relief has enabled commercial producers and venues to be bold and innovative. To build on this success we need to streamline and simplify funding processes for both non-profit and commercial organisations. New approaches to alleviate cash flow issues for producers would encourage innovation in the commercial sector, but for long term success the whole ecosystem must be supported.’***

**Michael Lynas**  
Chief Content Officer, ATG Entertainment

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## Conclusions

Organisations across the for-profit and non-profit divide want to innovate on their current business models, and are trying to prioritise innovation in income generation by seeking new forms of revenue and investment models. However, they are currently restricted in their ability to do so by cash flow challenges, lack of seed funding for innovation activities and unmet capital requirements. The next chapters of this paper aim to better understand the nuances of their business model approach, and then to support their entrepreneurial spirit with practical policy recommendations for industry, funders and policymakers, to help those working in this world class sector to find growth opportunities, make cost savings and build stronger businesses.

03.

# The sector's approach to business model innovation

***‘Not everything that is faced can be changed.  
But nothing can be changed until it is faced.’<sup>56</sup>***

James Baldwin

## **A 20-year diagnosis – but still waiting for a cure**

***‘...the business models of publicly funded cultural organisations are often fragile, and generally lack the flexibility to address emerging challenges and opportunities, especially around the decline of public funding and the growth of new technologies’<sup>57</sup>***

Arts Council England

This quote underlines that as Arts Council England (ACE) launched its current ten year strategy Let’s Create, it was in no doubt about the business model challenges facing the organisations it funds. ACE’s diagnosis reflected a consensus, which has built up over two decades of research and discussion about the distinctive challenges of non-profit business model innovation in the cultural sector across all four nations.<sup>58</sup>

The most influential research considering these challenges arrived between 2005 and 2010. During that period, the ‘Mission, Models, Money’ (MMM) initiative<sup>59</sup> published a series of reports culminating in an analysis of the three major ‘drag anchors’ hindering business model innovation in the cultural sector, namely:

- **A lack of capital;**
- **A lack of reserves;**
- **Insufficient capabilities (especially around digital, data, and financial / strategic planning).<sup>60</sup>**

The mirror that MMM held up to the sector presented an image of a partly ‘frozen’ cultural landscape, populated with undercapitalised organisations lacking in reserves, lacking in income diversification and not producing high enough margins to reinvest in their rapid growth and transformation.

Some twenty years on, the performing arts sector is still being held back by these three key drag anchors on business model innovation, with this long standing MMM diagnosis yet to be met with a decisive set of ‘cures’ from funders, policy makers, and cultural sector leaders.

The absence of cures has continued to sharpen the tensions performing arts organisations face in balancing the competing logics in their business models.<sup>61</sup> As we highlight in the case study analysis (Chapter 4), many non-profit performing arts leadership teams face a grinding structural battle in aligning their interlocking mandates of cultural and social purpose with sustainable commercial performance. As they blend commercial and mission-led practices - expanding their roles in areas like arts and health, place-making, and co-production - already-limited resources are further stretched.

These socially focussed business models prioritise non-financial value, as well as financial revenue.<sup>62</sup> In so doing, they are addressing vital market failures by providing services or products unmet by commercial markets or the state.<sup>63</sup>

Impact-driven organisations are constantly juggling these financial and non-financial imperatives, often with insufficient resources to pursue all of them effectively, as they struggle to generate a surplus from their core, mission aligned activities. The continued success of performing arts organisations depends on effectively managing these tensions.<sup>64</sup>

As a result of largely unreformed funding models, and systemic innovation blockers, the entrepreneurial energy of performing arts organisations is not being fully harnessed, and their full value creating potential remains unfulfilled. Indeed, since the MMM analysis, the structural barriers hindering more transformational business model innovation have deepened with performing arts organisations increasingly constrained by:

***‘Imagination is not a scarce resource in the cultural sector. Yet, financial support often falls into two extremes: grants (-100% return) or commercial investments (market return), lacking the nuance of modern financial sophistication and growing interest in social outcomes. This binary splits the sector into “commercial” or “subsidised,” despite overlaps, like private companies excelling in community work or charities producing profitable shows.***

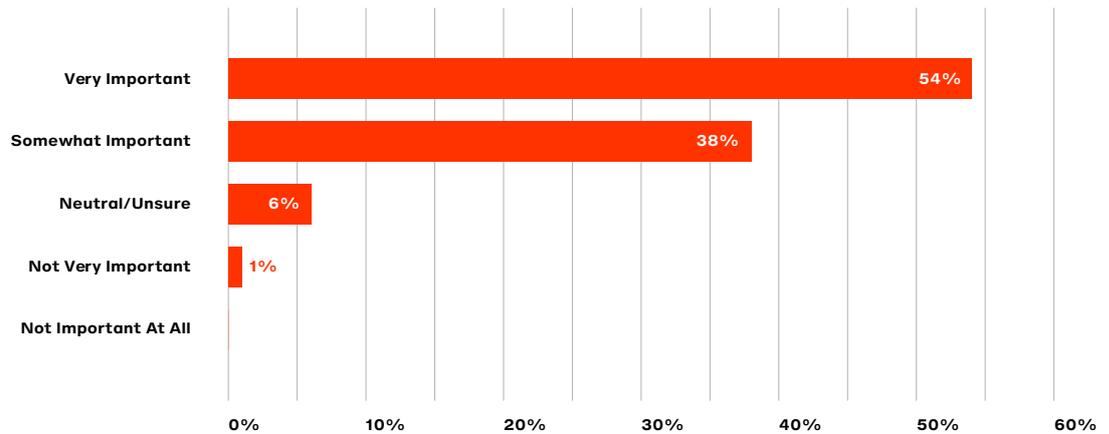
***Innovative impact investment models blending financial and social returns could help to dissolve this divide, reshaping incentives, management, and innovation. However, to be ready for such investments, organisations must address scalability challenges to ensure they will be able to repay loans, and must improve their data collection to be able to adequately demonstrate their impact.’***

- **Under-investment:**  
Core organisational development, R&D, and infrastructure improvements are consistently deprioritised.
- **Risk Aversion:**  
Persistent financial instability discourages bold experiments.
- **Short-termism:**  
Funding systems often prioritise outputs over organisational development, perpetuating a ‘*subsidy mindset*’.<sup>65</sup> Public and philanthropic funding often defaults to a ‘*buying not building*’ approach, which means the necessity of securing short-term delivery is privileged over the support of long-term resilience and innovation.<sup>66</sup> In turn, organisations are either operating from project to project or reluctantly aligning their planning cycles to the short term cycles of major funders.<sup>67</sup>
- **Technology Gaps:**  
High costs and outdated infrastructure limit digital adoption.
- **Workforce Issues:**  
Low pay means skills gaps have emerged, particularly where skills used in the performing arts are transferable to other sectors. Hybrid roles are sometimes introduced as a cost saving measure but can dilute a role’s expertise. Overall, skills challenges are increasingly inhibiting the capability building that is essential to accelerated rates of business model innovation.<sup>68</sup>
- **Demonstrating Non-financial Outcomes:**  
There has been a transformative shift across the sector, emphasising broader forms of value creation alongside the consequent need to better measure social and public value impacts. While performing arts organisations have excelled in delivering value, they often prioritise resources for impactful delivery over the complex and resource-intensive evaluation of non-financial outcomes, which require sophisticated measurement techniques.<sup>69</sup> This limits the ability of organisations to access certain types of finance, and to partner with certain types of organisations (e.g. to partner with the NHS on health programmes, a high level of detailed impact assessment will often be required).

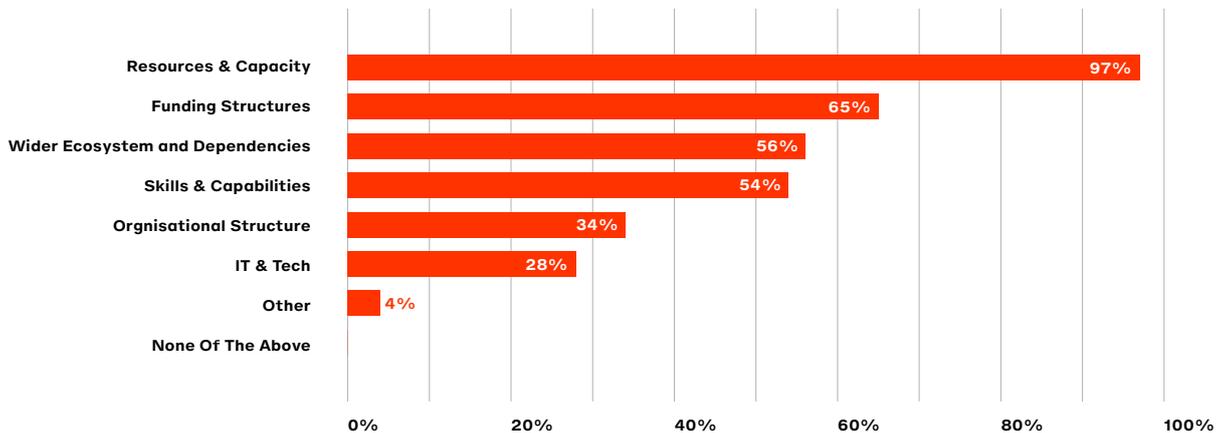
**Fig 3. Perceived importance of business model innovation and key challenges.**

**Source:**  
Arts Business Models  
Research: Sector Survey.  
N = 81.

**How important do you think it is for your organisation to innovate its current business model?**



**Are there any challenges associated with innovating your business model?**



### Thwarted entrepreneurship in the performing arts sector?

Despite these unfavourable conditions for business model transformation, performing arts organisations continue to demonstrate their entrepreneurial spirit through their desire to innovate.<sup>70</sup>

Over half the performing arts respondents to our survey (54%) – which targeted those leading organisations across the UK – regard it as very important that they innovate their current business, and 92% of respondents thought undertaking business model innovation either somewhat or very important (Fig.3).

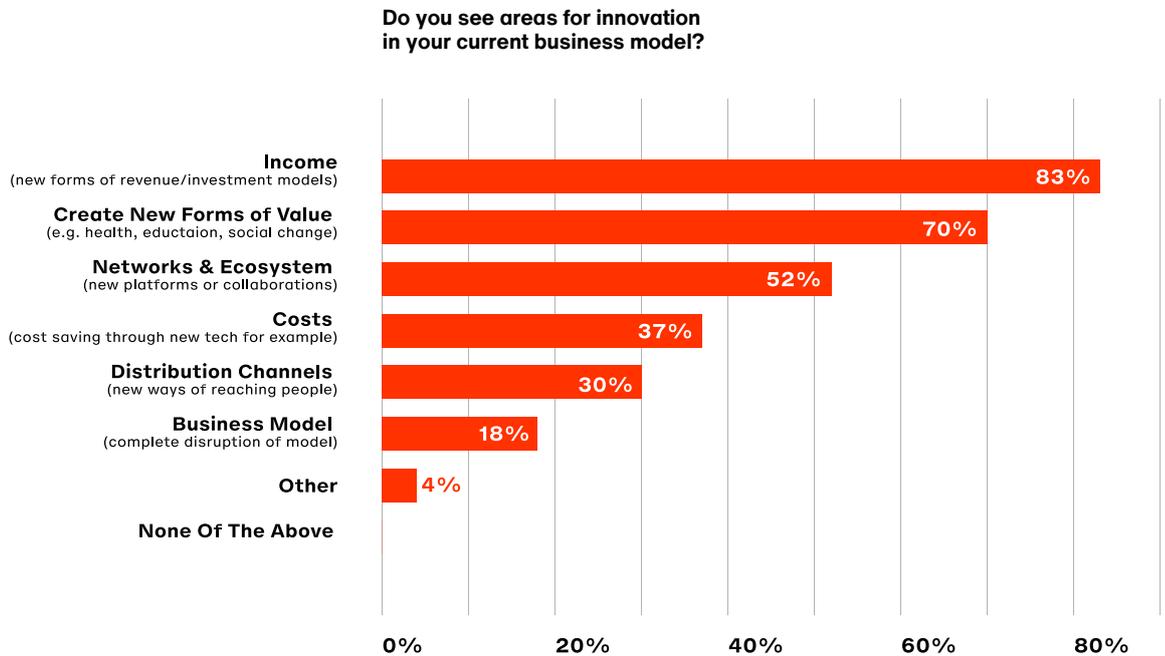
In terms of the main challenges to business model innovation, our respondents confirmed the continued salience of long identified factors, including resources & capacity (97%); funding structures (65%); skills and capabilities (54%); organisational structures (34%); and IT and tech (28%).

Perhaps more novel was the finding that over half the respondents (56%) identified the wider ecosystem and dependencies as an inhibitor of business model innovation. This underlines the observations made earlier in this paper about how performing arts organisations operate within a deeply interconnected value-creation ecosystem, and that weaknesses in one part of that ecosystem can have negative effects on another.

This insight from the survey data also highlights a feature of business model innovation that we have sought to explore in our case study analysis. Namely, that the development of new relationships and forms of knowledge exchange is vital to transformational business model innovation.<sup>71</sup>

**Fig 4. Respondent identified innovation areas in their current business model.**

**Source:**  
Arts Business Models  
Research: Sector  
Survey. N = 85



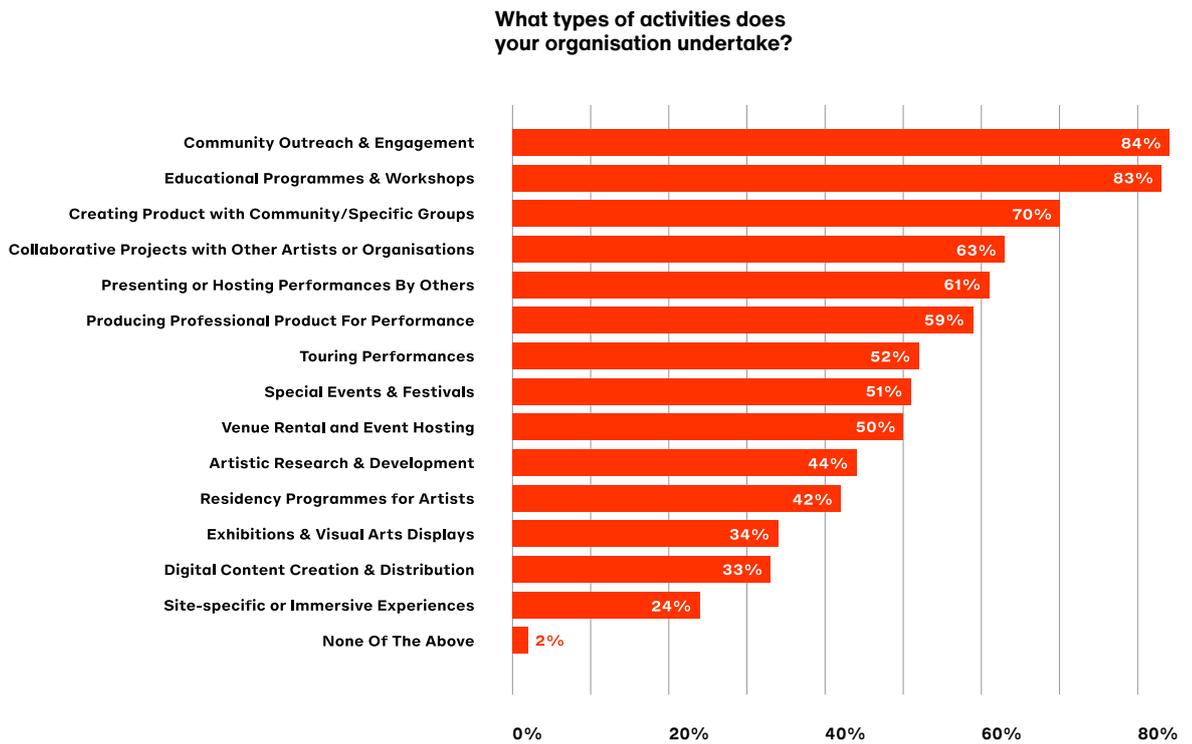
Research into business innovation consistently makes clear that platforms or healthy ecosystems that effectively connect peers, and expertise, are vital to collaborations that can create new ideas and value propositions. The survey respondents' identification of the wider ecosystem as an inhibitor of innovation suggests that many performing arts organisations are not finding it straightforward to identify and leverage the innovation potential of new relationships within and beyond the performing arts sector. This is an issue that needs to be addressed given that just over a half of the performing arts organisations who responded to our survey (52%) identified networks and ecosystems (new platforms or collaborations) as an important potential area for business model innovation (Fig. 4).

Unsurprisingly, the most commonly cited areas for ongoing innovation were income generation (new forms of revenue / investment models) by 83% of respondents, and creating new forms of value (e.g. health, education and social change) by 70% of respondents.

Only 18% of respondents saw the complete disruption of their business model as an area of distinct focus. Given the scale of the challenges facing the sector, this is a discouraging finding. Indeed, taken together the survey findings point to a performing arts sector that is highly motivated to deepen their business model innovation activities, but which is full of organisations that have not reached the level of resourcing and capability required to markedly accelerate more fundamental change. This is a theme explored in more detail in our case study analysis.

**Fig 5. The main types of activities that performing arts organisations are undertaking**

**Source:**  
Arts Business Models  
Research: Sector  
Survey. N = 110



## From cultural value to public value

The emphasis from respondents on the importance of new forms of value creation in business model innovation, embracing both cultural and wider public value (e.g. health, education and social change) (Fig. 4) was strongly underscored by the types and range of activities that performing arts organisations are now undertaking within their *'business as usual'* operations.

Fig. 5 features the self-reported categories of activities that the performing arts organisations who responded to our survey are currently undertaking. This data gives us a powerful insight into the activities that the majority of performing arts organisations are now engaging in.

One clear finding from our survey is the number of organisations who are now focussed on delivering social programmes, as organisations actively seek to create new forms of value by responding to the needs of their beneficiaries and communities.

Over 80% of respondents are undertaking community outreach and engagement, and are engaged in educational programmes and workshops. The large proportion of organisations undertaking collaborative projects (63% of respondents) and co-production activities with communities and specific groups (70%) demonstrates that performing arts organisations are responding to the needs and aspirations of their key beneficiaries, and are actively seeking to work and co-create with them. This desire for relevance, connection and civic contribution appears to be encouraging high levels of responsiveness across the performing arts. This, in turn, is consolidating the increasingly hybrid nature of performing arts business models, which have become firmly rooted in cultural, social, and commercial value.

These findings are aligned with recent research demonstrating that performing arts organisations have increasingly prioritised public value, engaging in activities that benefit communities, improve health, and foster civic engagement.<sup>72</sup> In response, we have seen the emergence of special purpose charitable agencies to support these shifts in value creation, for example in the areas of arts and culture social prescribing, and the development of place-based hubs to encourage new approaches to creative health.<sup>73</sup>

These examples serve to emphasise the incredible scale of the prize if the rate of business model innovation in the performing arts, and wider cultural sector, can be accelerated in the years ahead.

***‘Driven by the scale and quality of activity, the arts sector has an impact reaching way beyond its intrinsic value as a source of entertainment and stimulation. The sector contributes to the economy and to the lives of individuals—their health and education, for example—and helps improve the fabric of entire communities. It does so not only because of the efforts of individuals in the sector—artists, teachers, funders, venue owners, and audiences, for example—but also because of the strength of a series of connections between them, in a complex and dynamic ecosystem.’***<sup>74</sup>

Jonathan Deakin,  
Tom Meakin,  
Tunde Olanrewaju,  
and Van Nguyen  
McKinsey

### **Understanding hybrid business models to fashion systemic solutions**

In the next chapter we present the prevailing business models in the performing arts that are helping to drive this complex and dynamic ecosystem of value creation.

Our analysis has already demonstrated that we urgently need a business model innovation tide that lifts *‘all ships.’* Here, we examine how prevailing business models are used by performing arts organisations, and how the challenges each of these business models are facing - singularly and collectively - can best be addressed by changes in funding, investment, sector leadership and support, and decisive coordinated action from all the key stakeholders.

04.

# Identifying prevailing business models

# Building the models

Performing arts organisations vary widely in how they operate, which can make it challenging for policymakers and funders to determine which interventions are best suited to specific parts of the sector. To address this, it is necessary to develop refined methods of categorising these organisations to better understand their unique value propositions. While acknowledging the complexity and diversity of business models within the sector, in this chapter we aim to - for the first time - create a framework of business model types that can inform future funding and policy decisions, and help organisations better understand their role within the broader sector ecosystem.



As outlined in Chapter 3, a review of the literature surfaces a range of business model logics and organisational characteristics currently prevalent in the performing arts sector.

To frame distinct performing arts business models, we mapped these characteristics onto the business model canvas tool - an alternative to a traditional business plan invented by Alex Osterwalder, a Swiss business theorist and entrepreneur, which conceptualises a complex business model on a single page.<sup>75</sup>

This produced five models which are not aiming to be exact representations of every model that exists across the performing arts sector, but rather represent dominant business model characteristics that cluster in certain types of organisations.

The intention behind this exercise was to build a shared language that transcends commonalities in 'product' and instead examines alignments in value creation, assets and resources which are the determining factors for unlocking innovation.

Our case study interviews confirmed that organisations see themselves in these five business models, although those with more complex structures could often identify both a primary business model type and a secondary business model that is also directly relevant to them in achieving their primary purposes.

The version of the Business Model Canvas used in the research was adapted to fit the language of the cultural sector, recognising the hard-wired logics of cultural and social purpose that lie at the heart of the social business models prevalent across the performing arts. Our focus was on exploring the sustainability of these current models, and uncovering triggers for innovation to better support all of the different models and ensure that charitable purpose and commercial mission could powerfully co-exist.

To achieve this, within the business model canvas we discussed **Beneficiaries** rather than **Customers** to ensure the nature of the transactions that exist between an arts organisation and its customer/audience/participant base could be fully captured. We also used **Reach** as opposed to **Channels** to better encompass the range of ways arts organisations approach interactions with those they form relationships with.

We retained the use of the term **Value Creation**, despite identifying that this is not a term that is frequently used in the sector. One of the distinct themes that emerged through the literature review was a need for arts organisations to be able to better articulate how they create a myriad of values - from social to financial. Therefore, this heading - which in its use in the business model canvas encourages organisations to identify how they solve a problem or fulfill a need - felt highly relevant to the business models in the sector.

Beyond these changes, the canvas was used in its original form to map common characteristics identified in the research and create a series of prevailing models. It was also used to present these models to sector leaders during case study sessions and to form the basis of discussions about potential areas for innovation.

Our five prevailing models are set out on the following pages, each using the adapted Business Model Canvas template. Through case study interviews, we sought to test and validate the scope and detail of these five models. Additionally, we constructed our performing arts sector survey questions and analysis in such a way as to allow us to derive which respondents fell into which of the prevailing business models (See Appendix 1), which we report on below.

We wanted to be confident that the prevailing models proposed covered the breadth of organisations that make up the performing arts sector, as well as capturing the distinctive components that differentiate those models. So, to further confirm the appropriateness of the five business models across a wider range of performing arts organisations, we used ACE’s published data set on funded national portfolio organisations (NPOs) to examine whether the five models could be convincingly applied to all of the organisations that they fund. As indicated by the examples provided alongside each business model, we also considered the models’ appropriateness for a selection of organisations who are directly funded by the UK’s other national funders, as well as for a number of for-profit organisations.

### Our House: Presenting/producing houses with a strong focus on a singular artform, and ticket sales as a key revenue stream.

These are venues with high overheads and strong connection to a place. They produce and/or present work, mainly single artform, and can bring in revenue through ticket and ancillary sales, which they directly control. They have direct access to data and aim to build loyal audiences.

- Examples include:**  
 Belgrade Theatre  
 (headquartered in Coventry)  
 The New Wolsey Theatre  
 (headquartered in Ipswich)  
 Eden Court  
 (headquartered in Inverness)  
 Lyric Hammersmith  
 (headquartered in London)

Partnerships	Activities	Value Creation	Relationships	Beneficiaries
Funders/supporters Sponsors Co-producers & presenters Communities/Schools Local Authority and stakeholders Suppliers	R&D and Producing product Programming product Outreach Marketing Operational delivery Venue management Running retail spaces	Artform innovation & creative expression Representation of diverse stories and narratives Connections through outreach Artist development & career progression Offering access to culture, ideas and talent	Changing audiences First time experiences Some long-term loyalty Trusted third space Trusted delivery partner Data driven	Audiences for live work Artists/Associates Schools/Young People/Community groups Producing/Presenting Partners Funders/Supporters Retail customers
	Resources		Reach	
	The Venue Public spaces e.g. box office/café/bar Specialist staff team Office base Pipeline product Appropriate IT systems		In venue and some off-site interactions (workshops/outreach) Website Ticketing systems Social Media presence Press coverage Loyalty schemes	
Cost Structure		Revenue Streams		
Artistic/Programme Costs Staffing Overhead Building Overhead Cost of Sales		Ticket Sales Space Utilisation Licensing / Royalties Trading income Statutory Funding Fundraising		

**Big Tent: Multi artform community venues, mainly presenting houses but some have a commissioning/producing focus.**

Otherwise similar to Our House, Big Tent leans more toward presenting and being multi artform. Big Tent organisations can be community centres as well as performance venues, with multi-purpose spaces at their disposal. Revenue comes from ticket sales and space hires. Audiences may vary more than those interacting with Our House, due to programme variety.

- Examples include:**  
 HOME Manchester (headquartered in Manchester)  
 The Albany (headquartered in London)  
 Southbank Centre (headquartered in London)  
 Aberystwyth Arts Centre (headquartered in Aberystwyth)  
 Tramway (headquartered in Glasgow)

Partnerships	Activities	Value Creation	Relationships	Beneficiaries
Funders/supporters Sponsors Co-producers & presenters Communities/Schools Local Authority and stakeholders Suppliers	R&D and Producing product Programming product Outreach Marketing Operational delivery Venue management Running retail spaces	Broad offer/'something for everyone' programmes Artistic innovation & expression Multiple spaces for creativity and community cohesion Representation of diverse stories and narratives Connections through outreach Artist development & career progression Offering access to culture, ideas and talent	Repeat audiences First time experiences 'Bucket list' moments Long term loyalty Trusted third space Trusted delivery partner Data driven	Audiences for live work Artists/Associates Schools/Young People/Communities Producing/Presenting Partners Funders/Supporters Retail customers
	Resources		Reach	
	The Venue Public spaces e.g. box office/café/bar Specialist staff team Office base Pipeline product Appropriate IT systems		In venue and some off-site interactions (workshops/outreach) Website Ticketing systems Social Media presence Press coverage Loyalty schemes	
Cost Structure		Revenue Streams		
Artistic/Programme Costs Staffing Overhead Building Overhead Cost of Sales		Ticket Sales Space Utilisation Licensing / Royalties Trading income Statutory Funding Fundraising		

**Footloose: Primary focus on producing and presenting work. Commonly tour/present across a range of venues.**

This model is focussed on production and distribution and, whilst organisations may own or run spaces, it's not their primary focus. Footloose organisations create and distribute product and run connected activities related to that product. They may be focussed on touring or festival models. Footloose organisations are mutually reliant on venue-based models (e.g. Big Tent, Our House): they can bring new audiences to the venue, and in return need the venue's capabilities to drive sales.

- Examples include:**  
 National Theatre of Scotland (headquartered in Glasgow)  
 Hofesh Shechter Company (headquartered in London)  
 Wise Children (headquartered in Bristol)  
 Norfolk & Norwich Festival (headquartered in Norfolk and Norwich)  
 Fierce Festival (headquartered in Birmingham)

Partnerships	Activities	Value Creation	Relationships	Beneficiaries
Funders/supporters Sponsors Co-producers & presenters Community Stakeholders Local Authority and stakeholders Suppliers	Producing product Presenting product Artist Development Marketing & Comms	Artistic innovation & expression Distribution of produced live performance Associated outreach and artist development Creating access to culture and new ideas Animating places and communities Supporting new audiences for venues	First time experiences Unique experiences Brand loyalty Conversion to venue visits	Venue Audiences Artists/Associates Producing/Presenting Partners Funders/Supporters
	Resources Producing capacity Talent Making space Office base		Reach Live performances Streaming platforms Website Ticketing systems Social Media / Press	
Cost Structure		Revenue Streams		
Artistic/Programme Delivery Staffing Overhead Ensemble where permanent Equipment/Office Overhead Cost of Sales High variable costs when touring/delivering		Licensing / Royalties Performance Fees Ticket income (splits vs) Statutory Funding Fundraising		

## The Social: Socially-focussed specialist organisations using performing arts to deliver social change.

An emerging trend of the last decade, reflected in our survey results in Chapter 3, is the increase in organisations in the subsidised sector who fit this model. This model bears similarities to Footloose, but the core focus of these organisations is on a stated social impact, for example working specifically with a marginalised group such as people experiencing homelessness or young carers. The model is distinct in that its mission is socially driven and utilises the performing arts to achieve that change. These organisations often have a broader funding base as they straddle sectors, but have fewer assets to enable additional income generation.

### Examples include:

Cardboard Citizens  
(headquartered in London)

Frozen Light  
(headquartered in Norwich)

Clean Break  
(headquartered in London)

Aesop's Touring  
Theatre Company  
(headquartered in Woking)

 Partnerships	 Activities	 Value Creation	 Relationships	 Beneficiaries
Funders/supporters Strategic partners – cross sector Community Groups	R&D Engagement delivery Relationship management Training Marketing product	Artistic activity for social purpose Addressing a specific social need	Measurable social/personal change Deep engagement and long lasting loyalty	Audiences Communities Artists/Associates Delivery/Strategic Partners Funders/Supporters
	 Resources		 Reach	
	Specialist expertise Making and engagement spaces Partnerships and contacts Office base		Live Engagement Activity Streaming platforms Website Social Media	
 Cost Structure		 Revenue Streams		
Programme Delivery Staffing Overhead Equipment/Office Overhead Cost of Sales		Delivery Fees Service Level Agreements Statutory Funding Fundraising		

**Digi-enabled: Secondary model with income generation potential derived from digital activity stemming for the core business.**

Our qualitative and quantitative analysis did not identify any organisations - at this time - for whom Digi-enabled was a primary model, but its importance is undoubtedly growing. This model has specific resource and skills requirements which mean it tends to operate quite distinctly from its parent model. Whilst this model's value creation is still found in creating access to creative ideas, it is a very different type of access in that it's less likely to be experienced collectively.

**Examples include:**

NT Live  
(headquartered in London)

Rambert+  
(headquartered in London)

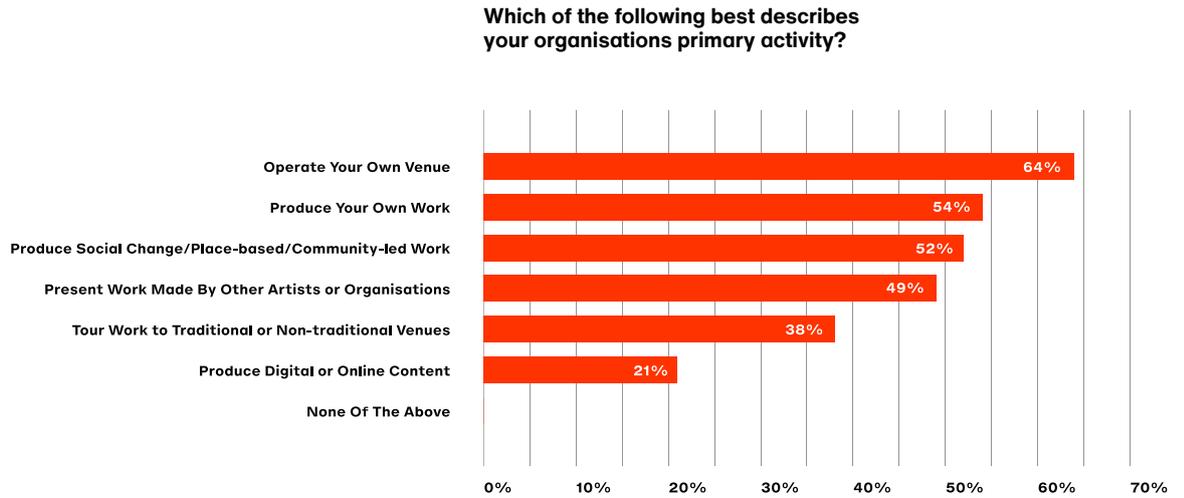
Globe Player  
(headquartered in London)

 Partnerships	 Activities	 Value Creation	 Relationships	 Beneficiaries
Funders/supporters Co-producers/presenters Communities/Schools Local Authority and stakeholders	Producing content Capturing content Marketing content Broadcast content	Digital/Tech focussed artistic practice  Digital broadcasting of live work  Creating access to new ideas and ease of access	First time experiences Long term loyalty  Conversion to venue visits	Online Audiences Artists/Associates Producing/Presenting Partners Funders/Supporters
	 Resources		 Reach	
	Pipeline product Advanced IT systems Specialist skills base Film and broadcast capabilities		Digital platforms (broadcast) Venue (digital practice) Website Ticketing systems	
 Cost Structure		 Revenue Streams		
Content creation, capture and distribution Staffing Overhead Equipment/Office Overhead Cost of Sales		Licensing / Royalties Advertising Tickets (for live) Statutory Funding Fundraising		

**Fig 6. Exploring the primary activity of performing arts organisations**

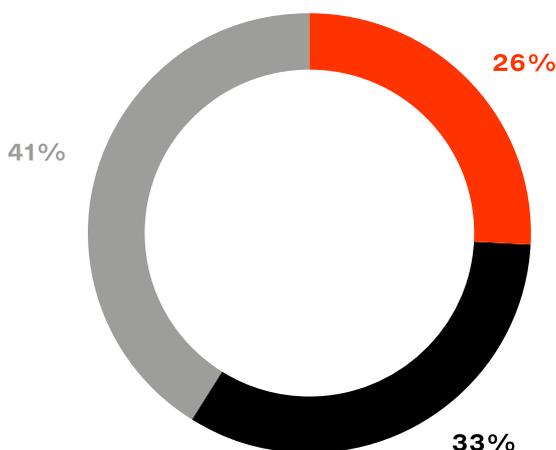
**Note:**  
52% selected 'Produce Social Change/Place-Based/Community-led work'. These respondents were asked to estimate how much this activity represented of their overall work. Only 33% said this work represented the majority of their activity. The median split reported was 50%.

**Source:**  
Arts Business Models Research: Sector Survey. N = 94



**How much of your overall organisational activity does your social/place/community work represent?**

- Majority is Social/Place/Community Work
- Both (Please Estimate % of Social Work)
- Majority is Professional Performance



**Validating the models through the survey data.**

We distributed and collected 118 responses to a survey we conducted which aimed to give detailed information about the business models used by different performing arts organisations (see Appendix 1). We asked respondents about their business activities to help us to determine which prevailing business model was closest to that of their organisation. Respondents were first asked: 'Which of the following best describes your organisation's primary activity?'

Respondents could select multiple options. The options provided were:

- Operate your own venue;
- Produce your own work;
- Tour work to traditional or non-traditional venues;
- Present work made by other artists or organisations;
- Produce digital or online content;
- Produce social change/place-based/community-led work;
- None of the above.

We found that all organisations who responded to our survey were prioritising at least one of the activities we included, and that over half of respondents were prioritising social/community led work (Fig 6).

**Fig 7. The interplay between core activities across the survey respondents**

Which of the following best describes your organisations primary activity?

**Insight:**

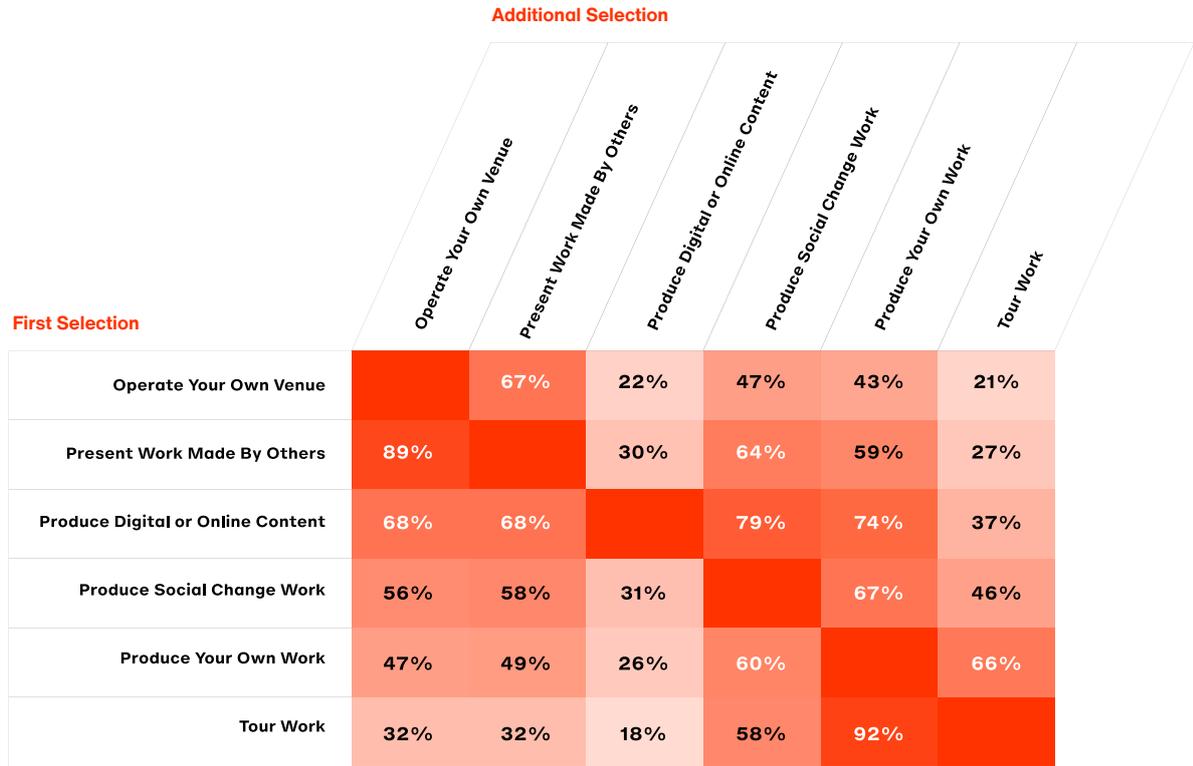
Respondents were asked from a short list, which of the following best described their 'primary activity'. Respondents could select more than one option. This figure plots the percentage of respondents that selected an 'additional selection' based on their 'first selection'.

For example, 89% of respondents that selected their primary activity as 'Present work made by others' also selected 'Operate your own venue' as a primary activity.

No respondent selected 'produce digital or online content' without selecting at least one other option.

**Source:**

Arts Business Models Research: Sector Survey. Labels adapted for clarity. N = 94



Survey responses also gave us a clear sense of the inter-relationship between the core activities within each of the models (Fig 7.). This grid shows the percentage of respondents who selected a specific primary activity (listed vertically) along with the additional activities they reported engaging in (listed horizontally). Cells where the same activity appears in both the column and the row are excluded, because they represent self-reported primary activities, not co-occurring activities.

This process allowed us to use the survey data to undertake a very clear model identification process, with an individual organisation's business model classification determined by respondents' primary activities and refined using secondary questions. For instance, organisations reporting that they 'operate their own venue' are classified as either 'Big Tent' or 'Our House,' depending on the proportion of their activities devoted to presenting their own work.

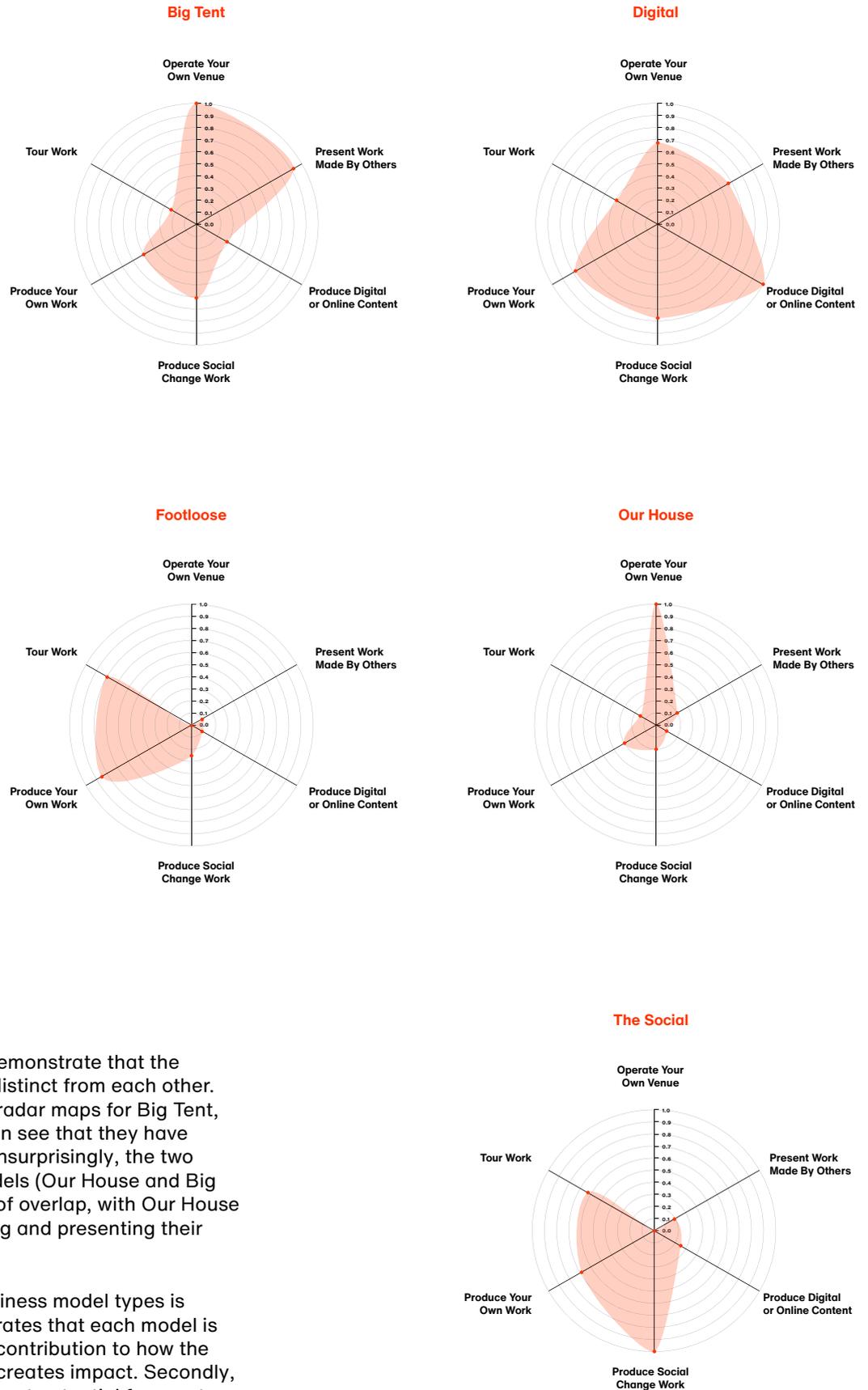
The survey analysis demonstrated that these business model types are highly effective categorisation devices, with respondent data making it easy to distinguish which organisations fitted into which business model type.

**Fig 8. Radar maps by business model type**

**Insight:**  
 Respondents were classified into one of four business model categories. 'Digital' is a complementary category. See Appendix 1.4 for methodology

This figure plots the percentage of respondents by business model type that indicated they were undertaking one of the 'primary activities' listed in the survey.

**Source:**  
 Arts Business Models Research: Sector Survey. Labels adapted for clarity. N = 94



The radar maps above (Fig 8.) demonstrate that the business models are genuinely distinct from each other. For example, if we compare the radar maps for Big Tent, The Social and Footloose, we can see that they have very different activity profiles. Unsurprisingly, the two predominantly venue based models (Our House and Big Tent) show the greatest degree of overlap, with Our House much more focused on producing and presenting their own work.

The distinctive nature of the business model types is significant. Firstly, this demonstrates that each model is making a singular value adding contribution to how the overall performing arts ecology creates impact. Secondly, it underlines that there is significant potential for greater collaboration and resource sharing across the models, which we explore further in the case studies.

**Fig 9. Disposition to digital: the overall relationship of each primary model to digital-enabled as a secondary model**

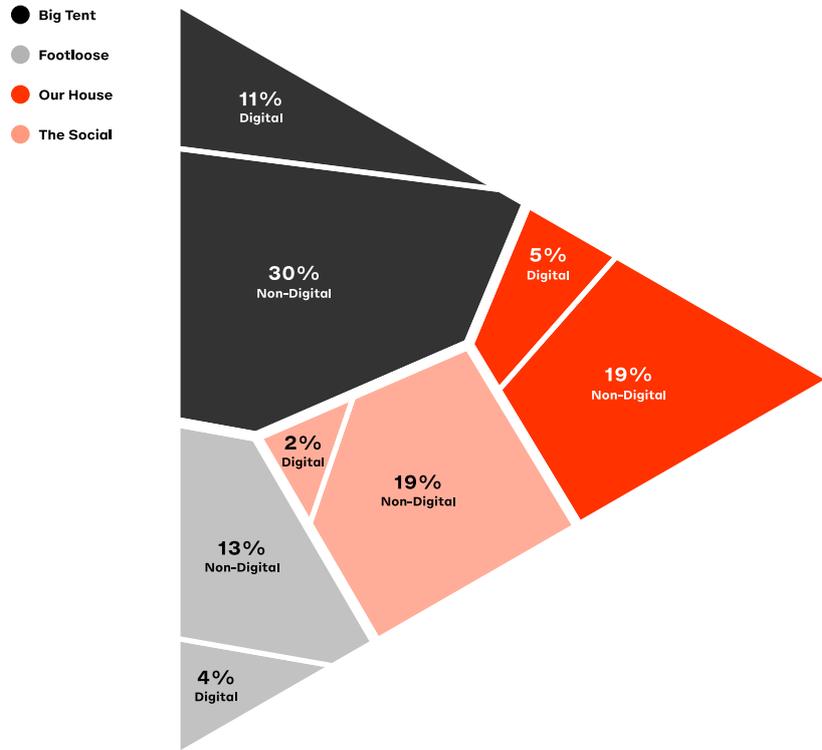
**Insight:**

Respondents were classified into one of four business model categories. See Appendix 1.4 for methodology.

This figure plots the percentage of respondents by business model. It splits the business models into two types, based on those that reported a significant proportion of their activity also involved producing 'digital or online content'.

**Source:**

Arts Business Models Research: Sector Survey. N = 94



**Fig 10. Survey results showing business model confidence by inferred business model**

**Insight:**

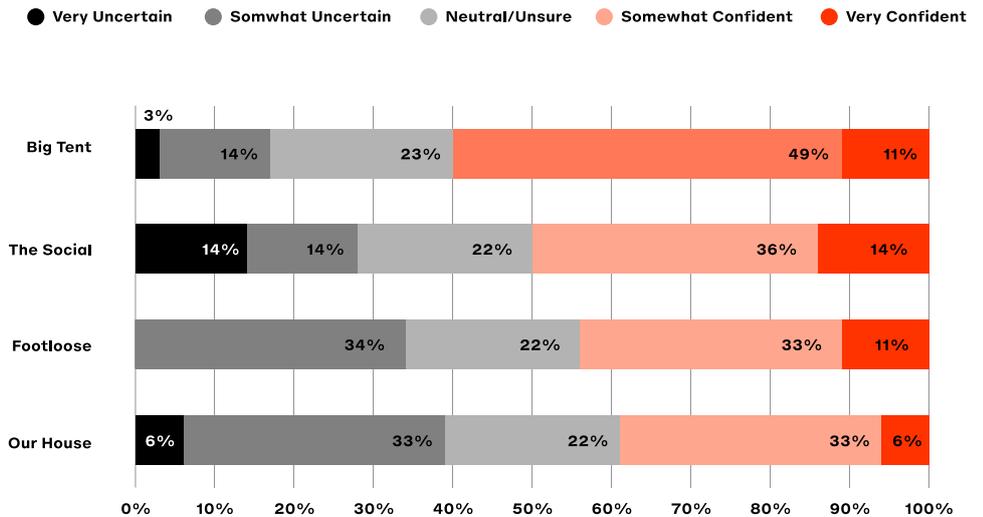
Respondents were classified into one of four business model categories. See Appendix 1.4 for methodology. Respondents were also asked to rate their level of confidence in their business model.

This figure plots the split in those responses by the assigned business model. 'Big Tent' organisations were the least likely to report a low level of confidence in their business model, whereas 'Our House' were the most likely.

**Source:**

Arts Business Models Research: Sector Survey. N = 94

**How would you rate your confidence in your current business model?**



The findings of our survey also confirmed that, currently, digital is not a stand-alone primary business model in the performing arts sector, but can be a powerful secondary model across all models. As Fig 9 shows, whilst digital is emerging as a secondary business model in all types of organisations, Footloose touring organisations are the least likely to view digital as a secondary business model at this time (e.g. only 2% of Footloose organisations have digital as a discernible secondary model as compared to say Big Tent organisations of whom 11% have digital as a secondary business model).

Our survey also asked questions about organisations' confidence levels in their primary business model. In Fig 10, we report on the confidence levels of performing arts organisations who sit within each of the four main business models, including all those organisations in each of these models for whom digital is a discernible secondary model.

The findings are sobering. Performing arts organisations were asked to report their confidence on a five point scale from very uncertain to very confident. Of the four primary business models, the percentage of respondents reporting that they were either 'Very Uncertain', 'Somewhat Uncertain', or 'Neutral / Unsure' about their business model were: 61% for Our House; 56% for Footloose; 50% for The Social; and 40% for Big Tent.

In terms of those primary business models respondents who felt 'Very Confident' about their business model, the breakdown was: only 6% for Our House; 11% for Footloose; 14% for The Social; and 11% for Big Tent. Put simply, despite a clear drive to innovate (apparent in the data presented in Chapter 3), many in the sector are clearly experiencing a marked lack of confidence.

### Case study insight: **Rambert Plus (Footloose/Digi-enabled)**

Rambert is a leading contemporary dance company headquartered in London. It gave its first performance in 1926, and in 2026 will become Britain's first dance company to become 100 years old. Rambert has long experimented with different business models. For example, alongside a successful touring portfolio, the company has raised £19.6 million to create a purpose-built home on London's South Bank (this opened in 2013).

Rambert was exploring growing an online business before the Covid-19 pandemic, and these efforts accelerated during lockdown. This led to the creation of the Rambert Home Studio platform. This platform not only provided digital performance content during Covid-19 but also helped gather audience data as tickets were sold via the venues to access their live streams. The platform gained nearly 30,000 users in lockdown, although numbers dropped significantly in the subsequent years.

Learning from the development of Rambert Home Studio, Rambert then launched Rambert Plus, an evolved model focussed on online dance classes. For a small monthly fee, anyone can become a "class subscriber" and choose from hundreds of on-demand, online dance classes with Rambert dancers. Whilst this platform has had good sign-up levels, business model challenges remain. Rambert leadership recognise a need to improve levels of user retention, but struggle to put resources into initiatives that might help to achieve this as staff are also managing regular duties including business-critical work related to touring productions like *Peaky Blinders*. Limited resources and lack of access to working capital mean it is difficult for Rambert to scale up Rambert Plus to a place where it becomes self-sustaining.

For more about Rambert read the full case study. [Link here](#)

### Animating the models.

In order to bring the prevailing models to life, a series of case studies were conducted. A large sample of organisations from all 5 models were longlisted by the project team and then shortlisted by a steering group. Invitations were sent to 24 organisations. 16 responded agreeing to take part, and ultimately 12 in-depth interviews took place with organisations representing all five prevailing models.

During each interview the same structure was followed:

- **Project Overview:**  
Introduction to the NT Research Project, its rationale and approach.
- **Consultation Plan:**  
The sector consultation including online surveys and interviews.
- **Timeline:**  
Key dates and proposed sharing sessions.
- **Business Models:**  
Overview of the five prevailing models identified in the research.
- **Discussion:**  
The model, key risks/opportunities, resources and governance.

Our adapted Business Model Canvas was used to discuss the building blocks of a business and how and where innovation might take place. The following section outlines the headline findings from those interviews, and is underpinned by the quantitative survey data. Full case study writes up are available as web assets on the National Theatre website.

## Headlines from the interviews.

### 1. Broad agreement with the proposed prevailing models

Overall, there was strong agreement with the 5 models. All the interviewees acknowledged that their organisations had a dominant model and many articulated how they interact with, or use, others. All agreed with their assigned model with caveats about the aspects of other models. There was a lot of enthusiasm for the Business Model Canvas, which some had used before, but was for most a new discovery.

### 2. 'Digital' is scale dependant and capacity heavy at development phase

There was consensus that there needs to be scale in order to monetise digital activity in relation to streaming and broadcast. Where a clear income generation potential was identified, the skill sets within the organisations were seen as a barrier to growth. A lack of access to working capital in cultural organisations was seen as limiting innovation potential.

### 3. Capital is a critical need

Under-investment in buildings is a significant drain on resources. There are many causes for this under-investment, including a decline in overall funding available to non-profits, the legacy of Covid-19, and inflationary increases in cost (these are further explored in Chapter 2). Maintenance costs are also increasing, putting further strain on many models. This is particularly the case for venues, but also those with studios and offices who are having to divert resources from other areas. In the Our House and Big Tent models, capital is fundamental to achieving real innovation both by increasing capacity but also adapting spaces to capitalise on emerging technologies and operational efficiencies.

### Case study insight: Curve (Our House)

Curve is a theatre based in the heart of Leicester's Cultural Quarter. Opened in 2008, over one million people a year now engage with Curve through performances and projects locally, as well as across the UK and internationally.

Curve sold 251,230 tickets from 2023-2024 and had an annual turnover of £14.8 million.

Curve is also a registered charity with funding supporting their work with people of all ages and backgrounds, enabling them to access, participate in and learn from the arts, nurturing new and emerging talent and creating theatrical experiences. The City of Leicester has levels of poverty above and beyond that of the national average. Within this context, in 2023-2024 Curve facilitated 14,200 people to take part in free or low cost activity, ran programmes with local schools and universities, and provided hands-on experience of the theatre industry for 5-18 year olds through the development of **Curve Young Community Companies** (with 37% of those attending receiving a bursary or free place).<sup>76</sup> To support this activity they received £2.25 million in public funding (15.2% of total income).

One of the most significant challenges undermining Curve's business models is a need for capital investment. Although relatively young, maintaining and upgrading its facilities is increasingly costly as the organisation - and building - ages. Financing capital projects is challenging, but a decline in quality of facilities could reduce the unique appeal of Curve's modern, flexible space.

Capital investment would also create opportunities for growth. Curve's model is centered on ticket sales, and so boosting seating capacity could greatly increase revenue potential for the organisation. Greater capacity would allow the organisation to lower the average cost per ticket whilst also increasing profits. Additionally, a larger capacity could attract bigger productions and events, improving the venue's reputation, bringing more culture to Leicester, and attracting bigger audiences.

For more about Curve read the full case study. [Link here](#)

### Case study insight: **Cambridge Junction (Big Tent)**

Cambridge Junction is a venue in the South West of Cambridge which showcases theatre, music, comedy and the arts in all of their forms. Alongside a core programme of performances, Cambridge Junction works intensively with local communities through a range of interventions, and each year engages over 5000 young people in programmes that develop skills and improve wellbeing. The organisation is a charity and social enterprise, and is driven by its mission to remove barriers so everyone can take part in creative opportunities

One opportunity to transform Cambridge Junction's business model is through improvements to their IT infrastructure. The company's systems are being well maintained by an external IT provider, but staff are still relying on personal laptops. Whilst cloud solutions like SharePoint and Teams are being utilised to support flexible working and collaboration, these are not always being used coherently and effectively across teams.

The team recognise that a lack of integrated IT infrastructure and data analysis capabilities means decision-making is not as efficient as it could be. Systems like Spektrix (for ticketing and customer relationship management (CRM) and Illuminate (for audience data collection) are used but are not fully effective due to skill gaps in the organisation and data being distributed across different platforms. Greater investment in infrastructure, alongside staff training, has the potential to unlock the benefits of comprehensive data analysis and inform decision making. Those running the organisation also recognise that in the future there may be opportunities to develop new revenue streams by providing tech-driven immersive experiences, but that the limitations of their IT infrastructure and skillsets could be a barrier to doing so.

For more about Cambridge Junction read the full case study. [Link here](#)

#### 4. IT Infrastructure & Digital Skills investment is lacking investment and strategy

Though not always stated explicitly, the implication from the interviewees' descriptions of IT provision pointed to a lack of capacity and capability in performing arts organisations. Some organisations interviewed had purchased hardware using Cultural Recovery Funding (e.g. laptops to allow home working) but lacked the financial capacity to maintain and upgrade equipment at the rate required. There was little sense of the baseline standards businesses should adhere to in their approach to software, systems or maintenance.

A general fear of Artificial Intelligence (AI) was expressed, not least because of the risks the technology may pose to artists. This, in turn, may be limiting exploration of its potential benefits, including the development of partnerships with sectors who are more advanced in their utilisation of new technologies.

In total, 9 of the 12 interviewees referenced a lack of data capabilities within their teams with many specifically mentioning their lack of ability to collect, cross reference, and analyse data in a way that can support the articulation of social impact, reach and progress. Data collections systems were often seen as part of a funding requirement, rather than a tool for continuous improvement and self-evaluation.

Approach to IT infrastructure inevitably varied across models. For those in The Social and Footloose models, data sources are harder to access, and participants are often not predisposed to digital engagement with surveys and forms. Venue based models have a greater potential to warehouse and maximise audience data sets, although not all are doing so. One respondent from a Big Tent organisation pointed out that a sophisticated approach to data in venue based organisations could produce insights that would benefit the entire sector.

## 5. Governance focus and skills sets vary across the models

The case studies reveal that governance priorities and skill sets vary significantly across different organisational models. In many organisations, executives and boards face the dual challenge of generating high social value while addressing intense financial pressures. For some boards, a desire for financial stability has understandably resulted in a cautious approach to risk and innovation. Conversely, others recognise the importance of strategic investment and decision-making to achieve long-term goals.

Larger organisations interviewed were more likely to have business focussed boards with specialist skills in areas like commercial investment, whereas in smaller organisations board members were more likely to be local, with roles closely connected to the organisations' main outputs (e.g. artists, sector leaders).

Participants in the case studies generally reflected on their own boards' qualities rather than commenting on the governance approaches of other organisations. However, by taking them together, the interviews highlighted significant differences in board engagement, structure, and membership across the surveyed organisations.

### Case study insight: Middle Child (Footloose)

Middle Child is a company which creates gig theatre (meaning performances combine original, live music with new writing). Operating in Hull, the fourth most deprived local authority in England, affordability and accessibility are central to the ethos of charity.<sup>77</sup> Their commitment to these missions is reflected in their low-cost tickets and the delivery of programmes like **Reverb**, an artist development programme which provides opportunities for Hull-based artists across disciplines in the city.

The leadership of Middle Child have recognised that there is increasing competition for funding to pursue social impacts - and, specifically, an increase in the number of organisations adopting community-focussed models. They suggest the reason behind this increase may be that organisations are trying to respond to funders' preferences.

*'It feels like we're delivering public services at times. And broadly, I really like Let's Create. I think it's been positive in many ways. But one of the challenges we've faced is that everyone is doing the same thing now. Everyone is engaging in community outreach, participatory work, and looking at the NPOs, we all use the same language and address the same issues and communities. Now suddenly everyone is attempting to do the same thing.'*

Middle Child warns that this convergence creates risks. The pressure to meet funders' expectations can push organisations towards unsustainable practices or lead to duplication of outreach efforts, weakening organisations' unique contributions. They argue that arts organisations should be encouraged in their delivery of diverse social impacts to address the UK's wide array of challenges effectively.

For more about Middle Child read the full case study. [Link here](#)

### Case study insight: Battersea Arts Centre (Big Tent)

Housed in a historic town hall building in Battersea, South London, Battersea Arts Centre (BAC) is a venue which showcases theatre and performance, and provides a home for community activities and programmes. BAC is a charity and its mission is particularly focussed on supporting young people including through: **Beatbox and Dance Academies**; a **Young Producers programme**; and **The Agency** (a creative entrepreneurship programme enabling young people from underserved areas to generate social change projects based on the needs they identify in their communities). BAC also has facilities and programmes aimed at the wider community (including a **community hub** and **garden**), and directly supports emerging artists.

BAC has recognised it needs to grow its output in order to build a more sustainable funding and supporter base. Its leadership team understands that in order to truly scale they need to embrace the idea of resource-sharing and find ways to facilitate mutual exchange of assets with other organisations.

For example, when considering their **Academy** programme (which offers free-to-access skills development for young people who otherwise have little access to creative activity), BAC have the space and capacity to double output, but to produce sessions themselves requires a heavy investment in people and skills, at a time when BAC cannot afford to increase overhead costs.

Other companies already have those skills but have a lack of space. A logical step would, therefore, be to form a partnership with one of these organisations and to deliver the programme together. This would give the partner access to space, brand association and venue data, and allow BAC to deliver a high quality product and - most importantly - to have greater impact.

BAC leadership recognise that in order for such a partnership - and, indeed, mergers of any type - to be successful, it is important that it comes from this sort of clearly aligned strategic need rather than as a result of an urgent funding imperative.

For more about Battersea Arts Centre read the full case study. [Link here](#)

## 6. Resource sharing, mergers, and the perceived associated risks

Despite recognising shared challenges and dependencies, most of those interviewed did not mention existing shared services or opportunities to collaborate or merge with other organisations to achieve efficiencies or enhance impact.

This is despite the fact that our research suggests that prevailing models are differentiated enough to be able to support each other's success. For instance, The Social and Footloose models could leverage the assets of venue-based models. Similarly, venue based organisations facing rising expenses might benefit from learning from The Social's low-cost strategies for increasing footfall and fostering relationships.

Mergers, when mentioned, were generally viewed as emergency measures, often initiated by funders. A common reluctance from non-profits to disclose risks to funders further limits the likelihood of innovation through resource sharing or mergers. To encourage progress, our findings suggest that a shift in narrative is needed - one that emphasises differentiation while recognising the value of shared unique assets. Funders can play a critical role in fostering this change, as demonstrated in the case studies of Middle Child and Battersea Arts Centre.

05.

# Business model innovation potential across the models

# Business model innovation potential across the models

The case studies reveal that most innovation thinking is concentrated within the sections of our Business Model Canvas which refer to **Cost Structures, Activities, and Resources**, with very little activity occurring outside of these areas.

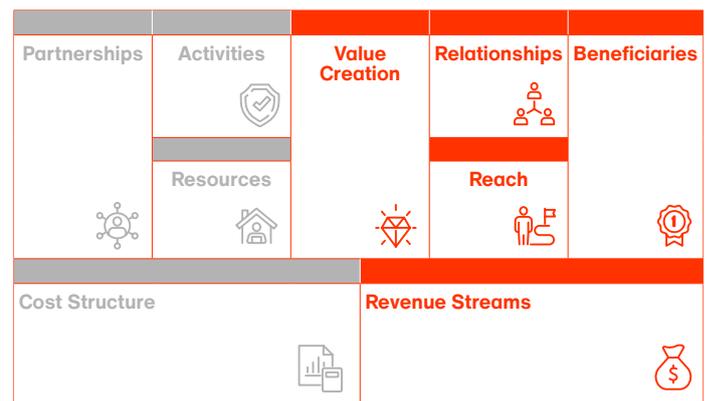
Innovation is taking place here:



Across all case studies, we found that the primary strategy to mitigate inflationary pressures and income limitations has been reducing costs, such as staffing and building overheads. While these measures have helped, few organisations have managed to reduce costs sufficiently. Many have restructured their activities and staffing resources to align with funding requirements and demonstrate strong social impact. However, interviewees consistently expressed that these shifts are unsustainable in the long term.

Throughout the case studies, there was notable evidence of organisations rethinking the value they create for their beneficiaries: many were looking to explore new value propositions but found funding such changes a significant barrier.

Rather than here:



As discussed in Chapter 3, few performing arts organisations identified the innovation potential of building relationships with organisations inside and outside of the sector. Partnerships with other performing arts organisations, in particular, were rarely considered as a way to enhance value propositions or strengthen offerings for beneficiaries.

Additionally, interviewees largely perceived mergers as a last-resort measure to be used during crises, reflecting their experience of high-profile examples from the sector. The overwhelming focus for non-profits on satisfying key funder expectations - and without explicit funder support for initiatives like mergers, such actions are unlikely to become a priority in leadership strategies of these types of organisations.

Using the Business Model Canvas helped us to segment the models and isolate potential innovation activity. From here we could explore how performing arts organisations are innovating and in what part of the business models innovation is taking place. Our analysis is summarised in the table below:

Business Model Canvas Segments	Potential Innovation Activity	Case Study Evidence
Revenue Streams Activities	<b>New Revenue Models:</b> Exploring new ways of generating revenue that either aligns with, or does not distract from, the core mission of the organisation.	Many interviewees had previously considered business model innovation only through this lens. Merchandise, licensing, pricing strategies, training packages were all referenced as important approaches: for example, Curve referenced ticket pricing as a key area of growth, ensuring the market value of their product is fully recognised in their higher tier price bands alongside maintaining accessible affordable tickets for all shows.
Value Creation Activities	<b>Value Proposition Innovation:</b> Developing innovative output that delivers new value or unique benefits.	Some interviewees had experimented with this approach to innovation. Rambert's online classes are a particularly strong example of innovation in value creation and activities. Their classes offer a unique benefit that aligns with the organisation's mission and differentiates Rambert in the market. However, a lack of capacity and capital are preventing significant growth.
Cost Structures Resources	<b>Cost Structure Innovation:</b> Identifying cost saving opportunities that can reduce the overhead and ongoing project costs. Using new technologies to increase efficiency and utilising assets more productively.	Cost cutting was a high priority for many organisations, but few organisations recognised the innovation potential of efficiencies/revenue driven by new technologies. Battersea Arts Centre referred to this area as an innovation priority where it is seen as a pathway to releasing capacity into under-resourced growth areas for the business.
Reach Relationships	<b>Distribution Channel Innovation:</b> New channels or new ways of using existing ones to reach customer segments.	Most organisations interviewed admitted that their distribution channels had not been a priority for innovation efforts. For instance, organisations were using the same communication channels for all audience types. Technological skill gaps may be one factor inhibiting this area of business model innovation.
Partnerships Resources Value Creation	<b>Network and Ecology Innovation:</b> Platforms or ecosystems that connect peers and create more value through collaboration, resource sharing and new models from mergers and acquisitions.	Several interviews highlighted that shared resource initiatives rarely extend beyond back-office services. While organisations recognised the potential of a more cohesive approach, non-profits suggested that achieving this outside of the commercial sector would require significant support from policymakers. This is due, in part, to concerns about how such initiatives might be perceived by funders.

# Reaching recommendations

**Through our research we have identified and explored five distinct business models prevalent in the performing arts and assessed their potential for innovation.**

Taken in summary, the findings from our case studies, supported by new survey data, and analysis of existing academic and grey literature, help us to identify the types of interventions that could drive impactful change across the performing arts ecosystem. These interventions aim to foster a wave of business model innovation that could benefit the entire sector.

The research advisory group, comprising sector experts, funders, government representatives, and members of the business community, provided additional thoughts on a set of proposals, drawn from our analysis.

In this table, we show the relationship between the challenges identified in our research and our recommendations, and highlight which parts of the sector they will most impact, as well as the transformed state we hope that they might bring about.

We found 7 challenges facing performing arts organisations	These challenges block organisations from innovating their business models	All types of organisation are affected, some severely					We make 7 recommendations to unblock innovation	Projected transformed state by 2028
		Our House	Big Tent	Digi-enabled	Footloose	Social		
1. Low investment in IT infrastructure and skills	<ul style="list-style-type: none"> <li>Cannot realise the potential of new technologies</li> <li>Potential for cost efficiencies is unrealised</li> <li>No skills to realise data-driven innovation</li> </ul>						1. Tech Roadmap for performing arts sector	<ul style="list-style-type: none"> <li>Organisations have improved infrastructure and capabilities</li> <li>New projects created to engage young people, foster connections with different communities and reach broader audiences</li> <li>Tech-based efficiencies found</li> <li>Lower cost or free joint procurement of technology</li> <li>New training opportunities for the workforce</li> <li>New products better serve customers and participants</li> </ul>
2. All obvious routes to grow income and cut costs have been exhausted	<ul style="list-style-type: none"> <li>Rising overheads outstrip revenue creation</li> <li>Lack of innovation deters investors and philanthropists</li> </ul>						2. Sector Playbooks to unlock income and savings	<ul style="list-style-type: none"> <li>Improved business practice around many areas of cost saving and revenue practice (e.g. shared services, mergers)</li> <li>Benefits to commercial and non-profit organisations</li> </ul>
3. Urgent capital investment is needed	<ul style="list-style-type: none"> <li>Missed opportunity to earn income from building-based amenities and services</li> <li>Rising maintenance costs suck up organisational resource and capacity</li> <li>Buildings are unsustainable, risking reduced appeal, usage and income</li> </ul>						3. Leveraged Capital Fund	<ul style="list-style-type: none"> <li>Performing arts sector infrastructure is more stable after maintenance and upgrades</li> <li>Government investment and convening power has helped unlock philanthropic funds</li> <li>UK infrastructure is recognised as the most environmentally sustainable in the world</li> <li>Capital upgrades have driven local placemaking, social capital, tourism and soft power</li> </ul>
4. Unequal access to talent to drive innovation	<ul style="list-style-type: none"> <li>Smaller organisations and those outside major business centres have less access to business and tech expertise</li> <li>Boards and executive teams cannot access the full range of skills and capacity needed to deliver change</li> </ul>						4. Tech and Financial Advisor Network	<ul style="list-style-type: none"> <li>Step change in the skills and experience on boards of trustees</li> <li>Fresh talent drives innovation and business development, increasing revenues and social impact</li> </ul>



We found 7 challenges facing performing arts organisations	These challenges block organisations from innovating their business models	All types of organisation are affected, some severely					We make 7 recommendations to unblock innovation	Projected transformed state by 2028
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<p><b>5.</b> Recent budget cuts by local authorities have deepened the impact of cumulative reductions in funding</p>	<ul style="list-style-type: none"> <li>Historic funding models - particularly local government funding - can no longer support core operations</li> <li>Organisations struggle to pivot to meet new, and sometimes unexpected, challenges</li> <li>Reserves levels have fallen, risking insolvency</li> <li>Trustees become increasingly risk-averse in their approach to financial management</li> </ul>						<p><b>5.</b> Urgent Stabilisation Fund</p> <ul style="list-style-type: none"> <li>✓ Key local cultural infrastructure is retained</li> <li>✓ Performing arts organisations have deepened their role as ‘anchor’ institutions for civic and place-based regeneration</li> </ul>	
<p><b>6.</b> Lack of funding to facilitate experimentation and change</p>	<ul style="list-style-type: none"> <li>Lack of experimentation across the sector</li> <li>Little opportunity to develop new revenue streams</li> <li>Low incentive to drive change, so business models continue to stagnate</li> </ul>						<p><b>6.</b> Arts Business Model Innovation Fund</p> <ul style="list-style-type: none"> <li>✓ Higher levels of experimentation, development of new revenue streams and movement between business models</li> <li>✓ Greater ability to drive social change in areas like health and education; boosted income; increased use of alternative finance</li> <li>✓ Organisations who were not seen as investment-ready have been able to pilot initiatives, collect evidence, and unlock investment</li> </ul>	
<p><b>7.</b> Cash flow issues constrain risk-taking</p>	<ul style="list-style-type: none"> <li>Commercial and non-profit organisations are becoming more risk averse</li> <li>Production output may drop due to cash flow risks and lack of working capital</li> </ul>						<p><b>7.</b> HMRC Service Level Agreement</p> <ul style="list-style-type: none"> <li>✓ Sector has reduced cash flow issues, as they have greater security on timelines for tax reliefs</li> <li>✓ Treasury-led work with financial providers and the cultural sector has broadened the range of cash flow financing available to the performing arts</li> <li>✓ Increase in product investment and agile business model development</li> </ul>	

- **Critical Impact On Business Model Threatening Future Sustainability And Operational Uncertainty**
- **Major Impact On Business Sustainability And Creating Major Risks In Need Of Additional Capacity And Resource**
- **Moderate Impact On Business Model Creating Ongoing Organisational Risks That Drain Day To Day Resources**
- **Unlikely To Have A Direct Impact On The Organisations Ability To Deliver**

## Assessing business model impact and risk:

### Methodology:

Having identified the components of the business models and cross-referencing them with the identified challenges facing the sector, we are able to assess the potential scale of impact each challenge has on each model.

07.

# Conclusions and recommendations in full

# Conclusions and recommendations in full

The challenges described in this paper are long-term and structural, impacting the entire performing arts system. That is why the solutions also must be long-term and led by policymakers, funders, and by the sector itself.

As detailed in the previous chapter, we have developed recommendations to directly respond to our findings, aiming to address the factors which are constraining the business models of performing arts organisations by:

- **Ensuring performing arts organisations are equipped to address technological gaps;**
- **Supporting new hybrid value models to flourish, unlocking social and economic value;**
- **Ensuring adequate levels of sustainable capital investment;**
- **Addressing cash flow issues;**
- **And unlocking barriers to innovation.**

## Sector-led

### 1. Tech Roadmap for adoption & efficiencies

We propose that the sector develop a roadmap with benchmarks to provide performing arts organisations' leadership and boards with clear indicators of what 'good' looks like in terms of tech adoption. This will enable tech-driven efficiencies across all the identified business models. The roadmap should also help to identify opportunities for the sector - as a whole - to work with technology companies to procure for free or at a discounted cost, and support the creation of bespoke training opportunities and products.

### 2. Trailblazing Sector-authored Playbooks to unlock revenue and support cost-saving

We recommend the first of these trailblazer sector-led playbooks should be into shared services - collating best practice and providing evidenced benchmarks for success. It should uncover the potential benefits of a variety of sharing models - from shared procurement, to co-production and joint social programmes, to mergers of functions - and it would be driven by an ambition to unlock new opportunities for income generation and to reduce operating costs through more efficient joint working.

This would be followed by other targeted sector-written playbooks, aiming to identify and unlock opportunities for revenue generation across the sector, for example by sharing data and best practice related to ticketing strategies. Private sector funders may need to support the sector to ensure the development of these playbooks is properly resourced.

## Partner-led

### 3. Historic Leveraged Capital Fund for sustainable infrastructure

The current need for investment in bricks-and-mortar is undermining revenue creation. To address this the government has rightly committed capital investment to support the UK's arts infrastructure. We propose that there is a generational opportunity to transform this investment into a leveraged capital scheme, aimed to appeal to a new generation of benefactors and corporates, which would bring in a philanthropic match to the government expenditure. The government, alongside sector leaders, could use their convening power to target new kinds of philanthropists to support this fund, specifically those interested in supporting organisations to prioritise sustainable approaches (both in terms of carbon footprint and financial sustainability). A percentage of this fund could be reserved and invested to support maintenance costs over the next two decades.

This fund could support:

- Feasibility work and practical and peer support for planning, implementation and management of capital projects aimed at decarbonisation/retrofit;
- Capital grants structured as a match fund to attract additional philanthropy into the sector;
- Catalytic grants to attract investment capital motivated by environmental outcome metrics into a structured vehicle which can provide long-term repayable finance to support projects expected to deliver cash savings to organisations over the medium term.

### 4. Pro Bono tech & Financial Advisor Network

We propose that tech companies, accountancy firms and other relevant organisations should support the creation of a bank of tech and financial strategists. Individuals from these organisations should be encouraged to volunteer time to work with small performing arts companies around the country, providing bespoke advice (level 1) or sitting on the board (level 2). This proposal could be an extension of work already being undertaken by organisations in the sector, as well as initiatives within relevant companies like KPMG's Governance for Better Programme.

## Policy-led

### 5. Urgent Stabilisation Fund for cultural organisations

We recommend that revenue and capital funds must be found to support those parts of the cultural infrastructure which are important to a local area or region but are now in severe distress as a result of the current crisis in local government funding. Longer term, stabilisation of the funding environment (including funding through local government) is essential to ensure publicly funded organisations can continue to deliver public good.

### 6. Arts Business Model Innovation Fund

We propose establishing a two-stage business model innovation fund to support experimentation, the development of new revenue streams, and transitions between business models. This fund would be backed by the Arts Councils and relevant Government departments, including DCMS and MHCLG. It would provide seed funding to organisations around the country seeking to explore new areas of work, whether they are looking to achieve specific social goals (e.g. improving local health or education outcomes), diversify commercial income, or start providing a shared service with another organisation.

The initial seed funding phase should encourage organisations to take bold risks. However, to secure follow-on funding, organisations must demonstrate that their business model can deliver a sustainable revenue stream. For business models tied to social value outcomes, the seed funding stage would allow organisations to build relationships with relevant partners. For example, if an organisation wants to target health outcomes, the pilot phase might involve building partnerships with the Department of Health and Social Care, a local NHS trust, or health-focused philanthropists. The pilot period should also be used by organisations to collect appropriate evidence and data to demonstrate their commercial viability and/or social impact, allowing them to subsequently unlock other types of investment, including commercial and social impact investment.

### 7. Sector-HMRC Service Level Agreement

We recommend that a service level agreement between the sector and the HMRC should be created to reduce the financial vulnerability of performing arts organisations as a result of cash flow challenges. It would do this by providing an agreement around timelines for the processing of orchestra and theatre tax credit claims (including providing additional resources to the HMRC to manage applications), as well as a commitment to work with financial providers to support the development of cash flow finance mechanisms for the sector.

By fostering technological advancements, promoting sector-led collaborations, and unlocking business model transformation, these recommendations aim to enhance the resilience, sustainability, and innovation of the performing arts.

By doing so, we expect they will be able to amplify the sector's significant contributions to social impact, which include proven benefits relating to health and education (further detailed in Chapter 2).<sup>78</sup>

Additionally, they would help to position the performing arts as a catalyst for economic growth, cultural diplomacy, and regional revitalisation, directly supporting the government's goals of social equity, community empowerment, and global competitiveness. Together, we hope that these steps can secure the performing arts' future while delivering wide-ranging public benefits.

# Endnotes

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# Appendix 1: Methodology

## 1.1 Purpose of the research

The purpose of this research was to explore and understand the business models of performing arts organisations in the UK. This involved analysing data including that relating to Arts Council England’s National Portfolio Organisations (NPOs) for the years 2018/19, 2021/22, and 2022/23, alongside results from a survey distributed to organisations within the sector. Case study interviews were also undertaken with a limited set of invited organisations to explore concepts and test the application of research findings.

## 1.2 Data sources

### Arts Council England (ACE) NPO data

The NPO data was sourced from ACE and covered three years; 2018/19, 2021/22, and 2022/23. To focus specifically on performing arts organisations, a classification system was developed using the “Main Discipline” field provided in the dataset. The disciplines considered representative of performing arts were “Dance,” “Theatre,” “Music,” and “Combined Arts.” Other disciplines, such as “Literature,” “Museums,” “Visual Arts,” and “Not Discipline Specific,” were excluded as they were deemed not typical of performing arts organisations. Additionally, organisations that did not deliver “performances,” as indicated by their self-selected “delivery types” in the dataset, were excluded. The question used to classify “delivery type” was asked by ACE within the annual survey, with a set list of options:

*“[Please] select which of the following your organisation used to show/deliver work between 1 April and 31 March”*

This classification reduced the sample sizes across the years as follows:

For multi year analysis, only variables that were consistently available across all three years were included, ensuring comparability over time.

We recognise that by using ACE data we excluded performing arts organisations based in Scotland, Wales and Northern Ireland from some parts of our analysis. For this reason, wherever possible, we endeavoured to manually check that the experiences of performing arts organisations in other parts of the UK were likely to be in line with those covered by the ACE dataset.

**Figure 1. Filtered NPO Data – ‘Performing Arts’ Classification**

Year	Aggregate N	Filtered N
2018/19	620	451
2021/22	614	428
2022/23	615	438

## Survey data

A bespoke survey was developed by the research team in collaboration with the National Theatre's research advisory committee. It was hosted on the Culture Counts platform and made available to respondents between 16 August and 4 October 2024. To improve retention, the survey design was revised on 9 September 2024, reordering questions to prioritise sections deemed most valuable for the study. The survey was divided into three sections:

- 1. Activities and types of work delivered by the organisation.**
- 2. Business models and financial structures.**
- 3. Key metrics such as staffing and income.**

Respondents could choose to remain anonymous but were encouraged to identify their organisation for data cleaning purposes. The survey included the following notice:

*“Providing your name helps us use public data to significantly improve our research (e.g., cross-referencing with the Arts Council England open dataset or public accounts data). Your responses will remain anonymous. Your organisation will not be identifiable to anyone other than the three independent researchers of this project.”*

In total, 118 responses were recorded, with 69 respondents fully completing the survey. Incomplete responses were included in analysis on a per-question basis, except where cross-analysis (e.g., income segmentation) required full data. The report includes notes on the n counts and analysis methods for each chart, where appropriate.

The survey was shared through social media channels and promoted by the research team and the National Theatre. Self-selection bias is acknowledged due to the opt-in nature of the survey and noted where appropriate in the analysis within this report. Respondents came from across the United Kingdom.

## Case study interviews

See Chapter 4 for details of how the case study organisations were selected, approached and researched.

### 1.3 Analytical framework

#### Quantitative Analysis:

Both the NPO data and survey responses were analysed quantitatively. Analysis was performed in Python, and no weighting adjustments were applied, as the findings are intended to compare models rather than present a representative picture of the entire performing arts sector. Comparative analysis was conducted on filtered NPO data across the three years, with additional contextual notes provided to account for potential inconsistencies due to changes in policy, cohort composition, and the impact of Covid-19 on 2021/22 data.

#### Qualitative analysis:

Where applicable, open-text survey responses were reviewed and coded for thematic insights. These were used to complement quantitative findings. In addition to the survey data, qualitative analysis was conducted through case study interviews with a select group of organisations. Interviews informed the development of the business model classification framework. Interviews were semi-structured, allowing participants to discuss their operations, challenges, and strategic approaches in-depth.

The qualitative insights gathered from interviews were used to test and validate our initial hypothesis about the different prevailing business models within the performing arts sector. This hypothesis was tested and refined through the quantitative survey data, enabling a structured exploration of business models at scale. This iterative process sought to ensure that the business model classifications were grounded in real-world experiences and validated by a broader dataset.

## 1.4 Business model classification

To analyse the business models of performing arts organisations, a classification system was developed to utilise survey data collected. The classification aimed to categorise organisations according to their primary activity and the nature of their work. Four primary business model types were identified, along with a fifth secondary category for organisations producing digital work. This system was constructed using responses to one primary question and three secondary questions, with a total of 94 survey respondents providing data for this section.

Respondents were first asked: *“Which of the following best describes your organisation’s primary activity?”*

Respondents could select multiple options. The options provided were:

- **Operate your own venue**
- **Produce your own work**
- **Tour work to traditional or non-traditional venues**
- **Present work made by other artists or organisations**
- **Produce digital or online content**
- **Produce social change/place-based /community-led work**
- **None of the above**

Organisations selecting “Operate your own venue” were further divided based on whether they primarily presented their own work or the work of others. Similarly, organisations focussed on community-led work were identified by responses to specific secondary questions.

### Secondary questions

While most categorisations were based on the primary activity question, some secondary questions helped refine the classifications:

- **Venue operators:**  
Respondents indicating they “Operate your own venue” were split into two groups:
  - Venue operators primarily presenting their own work or exclusively operating a venue.
  - Venue operators primarily presenting work by others.

This classification was done through a secondary question:

*Does your organisation primarily present your own work or the work of others?*

- **Social/place-based organisations:**  
Given that many organisations are believed to undertake social/place-based/community-led work, a refinement question was asked to determine if this type of work represented the majority of their overall activity. This was identified through the question:

*“How much of your overall organisational activity does your social/place/community work represent?”*

- **Digital work producers:**  
Respondents producing digital or online content were grouped into a secondary category for analysis. Digital content could involve live broadcasts, original productions, or other forms of digital work. Organisations in any primary category could also be tagged as digital producers, depending on their reported activities.

Respondents who provided insufficient data were marked as “Uncategorised” and excluded from the main analysis. No respondent who responded to the primary activities question did not subsequently fit into the classification system. 94 respondents provided sufficient data to categorise. Respondents who choose not to provide information about their revenue data or business model confidence were excluded from subsequent analysis where appropriate, but are still included in the overall business model groupings analysis.

## Business model types

Based on survey responses, organisations were classified into four primary business models, with an additional secondary category for organisations producing digital content. These categories were designed to reflect the diverse ways in which organisations operate within the performing arts sector:

### 1. Big Tent:

Organisations that operate their own venue and primarily present work created by other artists or organisations. These venues typically function as spaces for external productions and performances rather than focusing on their own creative work.

### 2. Our House:

Organisations that operate their own venue and primarily produce and present their own work. These venues are often integral to the organisation's creative output, serving as both a production and presentation space.

### 3. Footloose:

Organisations that do not operate a venue but instead tour or present work to/in traditional or non-traditional spaces. These organisations rely on partnerships with external venues or use unconventional locations to present their performances.

### 4. The Social:

Organisations that focus on community-led, place-based, or social change activities, and do so without operating their own venue. These organisations are believed to prioritise engagement and co-creation processes over the final performance or product, often working closely with local communities.

### 5. Digital work (secondary category):

This category was applied to organisations that produce digital content, including live broadcasts of stage productions, original digital productions, or other forms of online engagement. Digital work producers could belong to any of the primary business model types and were tagged as digital producers if a significant proportion of their activity involved digital content production.

Additional descriptions for each of the business models are provided in the report. The classifications presented here are for summary purposes only, as they relate to the classification mechanism.

## Testing against ACE's funded NPO portfolio data.

Having derived the five business model types, we then tested the models against ACE's published list of funded organisations, using our existing sector knowledge of the missions and activities of these performing arts NPOs (and where required some additional desk based enquiry) to confirm that the five models 'fitted' in a comprehensive way the current cohort of publicly funded performing arts organisations.

## 1.5 Key considerations & limitations

### 'Performing Arts' classification system:

The classification of performing arts organisations relied on the ACE NPO dataset's self-reported "Main Discipline" and "Delivery Types" fields. While consistent with the dataset's structure, this may exclude organisations whose work does not fit neatly into predefined categories.

### Survey bias:

As an opt-in survey, responses are subject to self-selection bias. Organisations with specific interests or capacities may have been more likely to participate.

### Changes in NPO cohorts:

The NPO cohort changed between 2018/19 and 2022/23 due to shifts in funding policy and new organisations joining the portfolio. Comparisons between these years must be interpreted with caution, as they may reflect structural differences beyond performance trends.

### Covid-19 impact:

The Covid-19 pandemic had significant effects on performing arts activities in 2021/22, influencing trends in both financial data and organisational activity. These impacts were not explicitly controlled for in the analysis but are noted as a potential source of variation.

### Survey revisions:

Adjustments to the survey after its launch, while intended to improve data quality, may have introduced minor inconsistencies in responses across the collection period.

### 'Arts Centre' model classification:

The variable nature of activities that arts centres deliver creates complexity in the business model classification system, as it is an exclusive classification system, with only 'digital' as a secondary category. This suggests that respondents who deliver a wide variety of activities, such as arts centres, will be more difficult to classify, than smaller or more-focussed organisations. Analysis that explores the primary activity responses of each business model category is provided in the report to address this.

# Appendix 2: Selected Bibliography

This bibliography includes sources that informed the research and context of Chapter 3 of this paper, including works that are not directly cited in the text. While detailed citations are provided in the endnotes for specific references, the bibliography acknowledges works that were particularly informative or may be useful for further research. We hope this bibliography can become a resource for readers who might want to delve deeper into the topic of performing arts business models.

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# National Theatre

**Commissioned by:**  
The National Theatre,  
21st January 2025

Authored by:

**Erskine Analysis**  
Eliza Easton

**Intelligence Agency**  
John Knell  
Amy Vaughan (Fringe Consulting)  
Jordan Gibbs (Culture Counts)

The Royal National Theatre is  
a registered charity no.224223.

Registered Office:  
Upper Ground, London SE1 9PX

# Agenda Item 2.3

Canolfan Merched y Wawr

Stryd yr Efail

Aberystwyth

SY23 1JH

Telephone: 01970-624501

E-mail: [post@cymdeithas.cymru](mailto:post@cymdeithas.cymru)

13 January 2025

Dear Mr Drakeford

I write on behalf of Cymdeithas yr Iaith Gymraeg's Learners' Committee to draw your attention to the continued and increasing popularity of the Welsh language course on Duolingo, which currently has 760,000 active learners[1]. Over 3 million people have started the course since 2016[2].

The course was developed by a team of Welsh language lecturers and teachers on an entirely voluntary basis between 2015 and 2021. As a unique and highly innovative resource, the Welsh language course on Duolingo has transformed the experience of learning the language for a range of audiences, including:

- a) school pupils [3] [4]
- b) adults who are learning Welsh [5]
- c) international learners [6]
- d) people who are learning Welsh in the workplace [7]
- e) the Welsh-speaking diaspora [8]

Unfortunately, the continued development of Duolingo's Welsh language course was paused at the end of 2023, among tens of other minority language courses, as Duolingo sought to focus on its main courses. At the time, only content equivalent to levels A1, A2 and some elements of B1 according to the CEFR scale had been added to the Welsh language course on Duolingo. Our aim was to create a course that would echo the Welsh Government's primary objective, namely for basic fluency or level B2.

It now appears that Duolingo has recommenced development of some minority language courses; for example, the Norwegian course has been upgraded to include speaking exercises and more comprehensive notes on grammar.

Cymdeithas yr Iaith Gymraeg's Learners' Committee, and hundreds of thousands of other learners, would be very grateful if the Welsh Government were able to use its current links with Duolingo (mentioned by Jeremy Miles in November 2023 [9] ) to urge Duolingo to allow the original contributors to complete the Welsh course.

I look forward to hearing from you.

Yours sincerely

Richard Morse

Cymdeithas yr Iaith Gymraeg's Learners' Officer

Copy sent to: Dona Lewis, Chief Executive of the National Centre for Learning Welsh

#### References

1. Duolingo; courses for English speakers
2. Duolingo; the number of individuals registered for the Welsh language course reaches 3 million
3. Duolingo; Welsh in schools 1
4. Duolingo; Welsh in schools 2
5. Duolingo; Adults learning Welsh
6. Duolingo; international learners
7. Duolingo; Staff learning Welsh
8. Duolingo; The Welsh-speaking diaspora – Siân Phillips
9. Duolingo; letter from Jeremy Miles



Llywodraeth Cymru  
Welsh Government

Delyth Jewell MS

Chair, Culture, Communications, Welsh Language, Sport, and International Relations  
Committee

[SeneddCulture@senedd.wales](mailto:SeneddCulture@senedd.wales)

28 January 2025

Dear Delyth,

I am writing in response to your letter of 23 December, which requested further information following my attendance at the Committee for the Scrutiny of the First Minister on 13 December 2024.

The answers to each of your questions have been set out in the annex to this letter.

Yours sincerely,

**Eluned Morgan**

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

[Gohebiaeth.Eluned.Morgan@llyw.cymru](mailto:Gohebiaeth.Eluned.Morgan@llyw.cymru)  
[Correspondence.Eluned.Morgan@gov.wales](mailto:Correspondence.Eluned.Morgan@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

## **Annex A - Response**

### International Strategy and Delivery Plan

As we approach five years since publication of the International Strategy, I have asked my officials to prepare a Delivery Plan which will set out our key priorities for the coming year. It will set out where we can have the maximum impact on the global stage. I plan to share this with the Committee in the coming weeks.

In addition to sharing the document, I would be happy to request that officials provide the Committee with a technical briefing prior to the release of the Delivery Plan.

### Progress against the actions supporting the International Strategy and accompanying action plans

As I have previously explained, the world has changed dramatically since the launch of the International Strategy. We have faced significant geopolitical shifts, a global pandemic, and a war in Europe. These events have necessitated a flexible and adaptive approach from both the Government and the Strategy itself. Consequently, some of the actions outlined in the 2020 document are no longer relevant or feasible and we have progressed in areas that were not identified five years ago such as sports diplomacy and also gender equality in sub-Saharan Africa. These women's empowerment projects have delivered life-changing impacts: providing better livelihoods for women, promoting gender integration to fight the effects of climate change, challenging FGM practices, gender based violence, period dignity barriers, and helping girls to complete their education.

Inward investment is not mentioned in detail in the International Strategy; however, since its publication, inward investment results show that there have been more than 215 investment projects from foreign-owned companies, which have created, retained and/or safeguarded more than 20,000 jobs. In 2020, the number of foreign-owned companies in Wales was 1,315, whereas the latest figures available (2023) show that Wales is home to more than 1,480 foreign-owned companies, employing almost 175,000 people and demonstrating a confidence in Wales as a place to do business.

As I mentioned during my appearance before the Committee, my priority is for officials to focus on delivering tangible outcomes rather than reviewing or rewriting existing strategies. Instead, we will provide a comprehensive overview that clearly demonstrates progress against the international strategy's three core objectives.

The measurable economic outputs of the International Strategy will be reported as usual. Inward investment results will be published annually by the Department for Business and Trade, while export statistics will be released quarterly by HMRC. In addition to these measurable outputs, our annual report provides information on the areas which are difficult to measure, in particular by highlighting the success of certain initiatives through the use of case studies.

Raising Wales' profile and positioning it as a globally responsible nation are, by their nature, difficult to measure. Nonetheless, we will prioritise promoting Welsh soft power, as it enhances Wales' reputation, builds goodwill, and creates valuable opportunities, with long-term benefits outweighing these challenges. We have a very important year ahead as we celebrate and build links between Wales and Japan but also mark 'first ever moments' including the Women's Football Team playing at the European Championships in Switzerland and the hosting of an investment summit in Wales.

The Committee will be aware that five Action Plans underpin the International Strategy, and officials will continue to report on these Action Plans, as they have done to date through our Annual Report.

### Delivering the International Strategy across government

In addition to the International Relations and Trade Directorate, the main directorates responsible for delivering against the ambitions in the Strategy are:

- Business & Regions
- Communities and Equalities
- Culture, Sport & Tourism
- Circular Economy
- Education
- Energy & Climate Change
- Health
- Marketing & Brand
- Sustainable Futures
- Welsh Language Policy

### Priorities for the Trade and Cooperation Agreement (TCA) review

The initial priorities set out in the letter of the 20 June included:

- The need for a veterinary and plant health (SPS) agreement.
- Addressing issues relating to mobility of workers and provision of services.
- The need for improved arrangements on the Mutual Recognition of Professional Qualifications.
- Exploring options to re-join EU programmes such as Erasmus and Creative Europe.

In addition to these priorities, we have also identified several additional areas where discussions could focus, including:

- Ensuring retention of EU Data Adequacy for Welsh businesses trading with the EU.
- Seeking Mutual Recognition Agreements (MRAs), particularly on conformity assessments to reduce trade friction.
- Addressing export issues around Live Bivalve Molluscs (LBMs)
- Discussions around rules of origin to enable businesses to use increased supply chains and trade tariff free.
- Effective electricity trading arrangements.

The Cabinet Secretary for Economy, Energy and Planning and I have met with the UK Government and set out the Welsh Government's priorities.

### Welsh Government technical briefing about the TCA implementation review

The EU and UK have not yet agreed the terms of references for the implementation review of the TCA and no negotiations have taken place. Therefore, at this point in time, there is very little we can brief the Committee on.

Expectations are that the review of the TCA will primarily focus on a review of the implementation of the existing agreement; as such, expectations are that significant changes being made to the text of the agreement are unlikely. I will ensure that my officials provide you with the technical briefing, based on the terms of references for the review, once they are known.

### Evaluation of the 'Wales in France' year.

The evaluation of the Wales in France was always intended as an internal document to inform and continue to improve our approach to the in year campaigns, but I have asked my officials to cover the findings of the report as part of the technical briefing to the Committee on the Delivery Plan.

### Engagement with the UK Government for 'Wales In' 2026

We are going through a period of increasing dialogue with the FCDO on range of international issues including our 'Wales and...' years. This relationship is important to align our international activity and explore how the FCDO can support the Welsh Government's international objectives. For instance, officials are actively engaged in discussions on the UK Government's Soft Power Council and International Education Strategy, ensuring that Welsh priorities are effectively represented in these workstreams.

### Plans for 'Wales In' years including future locations

The evaluations of the "Wales in..." years play a significant role in shaping the planning and programming for future initiatives. Each year is different, and it remains a relatively new initiative. Over the past five years we have learned a great deal with the early years of Germany and Canada being impacted by the Covid-19 pandemic. With this context in mind, we are continuously learning and refining our approach each year, building on the successes achieved so far. Evaluations remain a crucial element of this process, helping us to adapt and improve over time. An example of how findings of evaluations have influenced plans for our now 'Wales and' years include the change from the word 'in' to using 'and' to highlight the relationship between both countries.

### Welsh Government Representative on Europe

The role of the European Representative is unique in nature and has been celebrated by other Devolved Nations, and wider international counterparts, as an innovative way in which to promote Wales' interests and engage with European institutions and networks. I am pleased to announce that Derek will continue in this role until January 2026.

**Culture, Communications, Welsh Language,  
Sport, and International Relations Committee**

The Rt Hon David Lammy MP  
Secretary of State for Foreign, Commonwealth  
and Development Affairs

29 January 2025

Dear Secretary of State,

On behalf of the Senedd's Culture, Communications, Welsh Language, Sport, and International Relations Committee, I am writing to you regarding the key role the British Council plays for Wales and for the UK.

The work of the British Council has never been more important as we face global challenges and political changes in an ever more uncertain world. The British Council works on behalf of the UK and the four nations and is deeply appreciated by the Committee and those working on Wales's connections overseas.

The organisation champions our world-leading cultural and educational institutions, boosting the UK's international reputation. In these efforts, devolution is a huge asset to the UK and it is invaluable to have an organisation that can represent the diversity of interests and priorities of the four nations effectively.

The British Council's work is essential to the international ambitions of Wales and our sectors here. There has been strong support for Wales's International Strategy, where the British Council has worked in partnership with Welsh Government to raise the profile of Wales on the world stage. This has seen them support the delivery of projects and priorities for Wales in countries such as India, France and Japan. They have supported the internationalisation of key festivals such as Hay, Greenman, Focus Wales and Artes Mundi, contributing their expertise, funding and partnership opportunities.

Members of the Committee also worked with the British Council to welcome international arts delegations to Wales from Ukraine, Hong Kong and Iraq in the last year, enabling politicians, policy makers and practitioners in Wales to learn from global best practice.

In education, Welsh higher and further education organisations use the British Council's global network and expertise in 100 countries, offering a huge advantage and window on the world for

Wales. That brokering and connecting role that the British Council is able to play, and the insight they provide is invaluable for the Welsh tertiary sector.

The British Council's education programmes and policy events supports international research collaborations, transnational education partnerships, market development for Welsh universities and policy exchange around common interests from climate change, leadership and governance to semiconductor research.

The Study UK campaign, run by the British Council on behalf of the UK Government, works closely with Study in Wales to promote international student recruitment to Wales. A recent campaign achieved 11.4 million impressions, demonstrating what can be achieved in partnership. The British Council's work with schools, young people and languages too supports Wales's new curriculum and the international resources, partnership opportunities and policy work help create informed citizens of Wales and the world.

The Committee was therefore concerned to see reports about the financial challenges the organisation faces during the recent appearance of the British Council's Chief Executive in front of the Foreign Affairs Select Committee in Westminster, and in the press. Any decision which results in the British Council having to restrict or reduce its operations overseas and the ability it has to serve the priorities of the devolved Governments would not only negatively affect Wales's place in the world, but the soft power of the UK.

I would be grateful for your assurances, therefore, that the Foreign, Commonwealth and Development Office is doing everything in its power to ensure that strategy dictates the future of the British Council and to make sure the organisation is supported towards a financially sustainable future.

Yours sincerely,



**Delyth Jewell MS**  
**Committee Chair**

cc: The Rt Hon Baroness Chapman of Darlington

Croesewir gohebiaeth yn Gymraeg neu Saesneg

We welcome correspondence in Welsh or English.

# **Revised timetable for consideration:** Legislative Consent Memorandum on the Data (Use and Access) Bill

January 2025

On 7 January 2025, the Business Committee agreed, in accordance with Standing Order 29.4(i), to invite the Culture, Communication, Welsh Language, Sport and International Relations Committee, the Economy, Trade, and Rural Affairs Committee, the Climate Change, Environment, and Infrastructure Committee, the Equality and Social Justice Committee and the Legislation, Justice and Constitution Committee to consider and report on the Legislative Consent Memorandum on the Data (Use and Access) Bill.

In accordance with Standing Order 29.4(ii), the Business Committee agreed that the committees should report to the Senedd by 7 March 2025.

On 28 January 2025, the Business Committee agreed to extend the reporting deadline until 14 March 2025.





Eich cyf/Your ref  
Ein cyf/Our ref

Delyth Jewell MS  
Chair Culture, Communication, Welsh Language, Sport  
and International Relations Committee  
Senedd Cymru

05 February 2025

Dear Delyth,

Further to the laying of a Legislative Consent Memorandum (LCM) on the Data (Use and Access) Bill ('the Bill') on 2 January, I attach a copy of our updated assessment in relation to any potential impact of the Bill on the Trade and Co-operation Agreement (TCA). I am copying this letter to each of the Committees to which the LCM has been referred.

The previous First Minister made a commitment regarding the sharing of assessments of the impact of UK Government Bills on the TCA in January 2024, when responding to the Committee's recommendations relating to the International Relations Annual Report 2022-23. The commitment stated that *'the Welsh Government LCMs on Bills that impact on the UK-EU Trade and Cooperation Agreement should set out our assessment of such an impact'*.

I would like to clarify how I intend to fulfil the commitment. The TCA is the UK's most important trade deal and as such, the Welsh Government always considers how draft legislation could impact on our existing international obligations. Many UK Government Bills will have no identifiable impact on the TCA, or on any of our international obligations. In these cases, we would not provide an assessment to the Senedd. Where a Bill has a clear impact on the obligations made in the TCA, an assessment will be provided to the Committee only in relation to the provisions which the Senedd is asked to consent to. Including the provisions that do not engage devolved matters within technical assessments of Bills would place an unreasonable burden on Welsh Government teams and duplicate work that the UK Government will have already carried out. Assessments will continue to be provided in writing, as a separate document to the LCM itself.

In cases where my officials are concerned that UK government policy is incompatible with the TCA, we will continue to raise these concerns directly with the UK government.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Correspondence.Rebecca.Evans@gov.wales](mailto:Correspondence.Rebecca.Evans@gov.wales)  
[Gohebiaeth.Rebecca.Evans@llyw.cymru](mailto:Gohebiaeth.Rebecca.Evans@llyw.cymru)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

However, it is ultimately for the UK government to ensure it has carried out its own due diligence and is compliant with any international obligations.

I trust that this approach will provide the Committee with the information required.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style with a clear, legible font.

**Rebecca Evans AS/MS**

Cabinet Secretary for Economy, Energy and Planning

Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio

cc. Chair, Economy, Trade and Rural Affairs Committee

Chair, Climate Change, Environment and Infrastructure Committee

Chair, Equality and Social Justice Committee

Chair, Legislation, Justice and Constitution Committee

## **Annex 1 - Trade and Co-Operation Agreement and the Data (Use and Access) Bill – Analysis**

### **Will the Bill impact the UK's compliance with data protection provisions in the TCA?**

1. Our view is that the UK Data (Use and Access) Bill ('the Bill'), will not have a direct or immediate impact on the UK's compliance with the Trade and Co-Operation Agreement (TCA), which is a Free Trade Agreement (FTA) between the UK and the EU.
2. Our view is that the changes to the UK data protection framework proposed by the Bill as drafted are unlikely to impact on the UK's compliance with the TCA, as its data protection provisions are generally broad and high level, except rules on data transfer relating to law and enforcement matters, which are more specific.
3. However, as with the previous UK Government's Data Protection and Digital Information (DPDI) Bill (which fell following the dissolution of Parliament), we are concerned that this Bill could signal the beginning of the UK's divergence from the data protection regime currently in place across the EU by diluting the protections provided by UK legislation set out in the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA). Regulatory divergence over the medium-to-long-term has the potential to undermine the data protection provisions in the TCA across a broad range of policy areas, including digital trade which is essential for public services and private businesses, and law and enforcement.

### **Why could the UK's divergence from the EU's data protection regime undermine the TCA?**

4. Data adequacy decisions<sup>1</sup> made by the EU about the UK confirm that the UK is recognised as having an equivalent level of protection for personal data as the EU, enabling personal data to flow freely between the EU and the UK, supporting public services and private businesses. The UK adequacy decisions also help to facilitate implementation of the TCA which includes a commitment by the EU and UK to uphold high levels of data protection standards.
5. Our view is that there a number of provisions within this Bill that potentially undermine the current data protection framework, and therefore may threaten relevant adequacy decisions.
6. The key concerns relate to:
  - provisions which will dilute a data subjects' rights, such as the dilution of protections around automated decision-making;
  - the addition of duties for the Information Commissioner which may impact upon the requirement for the Commissioner's complete independence, free of direct or indirect external influence;
  - the different standard of treatment of international data transfers compared to the EU, which may be an impediment to adequacy should this matter be litigated; and,
  - The totality of the Secretary of State's regulation-making powers result in a high degree of control around data protection with limited safeguards.

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<sup>1</sup> [Adequacy | ICO](#) – UK Information Commissioner's Office website

7. The potential loss of EU data adequacy is a key concern from a trade perspective. This would be a major threat for Welsh exporting businesses whose main overseas market continues to be the EU, and which rely on smooth data transfers with the EU, particularly multinationals with parent or sister companies based in EU countries. If the UK were to lose its data adequacy status, implementation of the safeguards required by the EU would mean additional administrative and reporting requirements for businesses, as they would be required to undertake additional, potentially costly, compliance activities.
8. From a broader perspective, the loss of data adequacy could also impact the delivery of those public services which rely on the flow of personal data from the EU, for example in education and local government. From a Health perspective the risks are even more significant, with the loss of data adequacy potentially affecting the Welsh NHS and impacting aspects of our cooperation with the EU on health.
9. The UK government has provided assurances that it sees no threat to the adequacy agreement by the Bill. However, we have no evidence to prove or disprove this. Welsh Ministers have requested that the UK government shares a copy of its risk assessment on this matter, but we have not had it. Officials also will continue to seek assurances from the UK government on this matter.
10. Officials will continue to monitor the potential impact of the Bill on EU data adequacy and the TCA as it continues its passage through Parliament.

Jack Sargeant AS/MS  
Y Gweinidog Diwylliant, Sgiliau a Phartneriaeth Gymdeithasol  
Minister for Culture, Skills and Social Partnership

Agenda Item 2.7



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
Ein cyf/Our ref JS PO 36 2025

Delyth Jewell  
Chair of the Culture, Communications, Welsh Language,  
Sport, and International Relations Committee  
Welsh Parliament  
Cardiff Bay, Cardiff, CF99 1SN

SeneddCulture@senedd.wales

3 February 2025

Dear Delyth,

Thank you for your letter following up on issues discussed during my appearance before the committee on 28 November 2024. I have addressed each of your questions below.

### **Broadcasting**

Over the last few months, I have been carefully considering our next steps following the Welsh Government's response to the Expert Panel on Broadcasting's report. Broadcasting is a complex area, and these next steps must be considered within the context of ongoing sector changes and a new UK Government with whom I hope positive conversations can progress. I will provide an update on next steps in due course.

The Welsh Government maintains the view that the current broadcasting and communications framework does not meet our needs. I am committed to ensuring a sustainable, vibrant and fit for purpose broadcasting and communication framework that delivers the media Wales needs.

### **Welsh National Opera**

All Welsh Government funding for the arts is channelled through the Arts Council of Wales (ACW). Under the arm's-length funding principle, it is for ACW to determine how that funding is allocated. The Welsh Government does not, and should not, intervene in those decisions.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Gohebiaeth.Jack.Sargeant@llyw.cymru](mailto:Gohebiaeth.Jack.Sargeant@llyw.cymru)  
[Correspondence.Jack.Sargeant@gov.wales](mailto:Correspondence.Jack.Sargeant@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Since assuming my portfolio responsibilities, I have held a series of meetings regarding the WNO including with ACW, Equity and the Musicians' Union, and the WNO. I have also met with the UK Government Minister of State for Creative Industries, Arts & Tourism and the Parliamentary Under-Secretary of State for Wales. We collectively recognise the value of the Welsh National Opera and its work and agreed we want to see a positive long-term future for the organisation.

I recently announced that I have provided additional revenue funding in the 2024-25 financial year to support organisational resilience in the arts sector via ACW. Sixty arts organisations will be receiving support from the £3.6m Resilience Fund, with ACW awarding £755k to the Welsh National Opera. I look forward to seeing the positive impact the Resilience Fund will deliver to arts organisations across Wales, and I will monitor the WNO's situation closely.

## **Sport**

Our term of government remit letter to Sport Wales sets out our expectation on several of our Programme for Government commitments to promote equal access to sports for everyone, to support young and talented athletes, and to support local sports clubs and community organisations.

To support Sport Wales in delivering on our ambitions, we have provided them with an allocation of £21.798m revenue and £10m capital in the draft Budget for 2025-26. The funding we have provided is targeted at reducing the impacts of deprivation and wider inequalities.

One example is the Be Active Wales Fund. It directly supports grassroots sports, offering grants from £300 to £50,000 to sports clubs and community organisations to support projects that promote equality, sustainability and innovation in sport. This helps clubs and organisations access support for equipment, coach education, training, pitch maintenance and a wide range of other interventions that directly support sport to take place. In addition to upskilling volunteers and helping with equipment costs, the fund also supports outreach aimed at people who are currently under-represented in sport and physical activity.

In relation to one of the Committee's previous recommendations around auditing sport and leisure facilities, we continue to work with local authorities, through the Chief Leisure Officers of Wales Group, to help us better understand provision of leisure facilities across Wales and understand where there may be gaps. This work has been complemented by data on the provision and use of school sports facilities, collected by Sport Wales through the School Sport Survey.

## **Video Games**

Growing the games industry is a strategic priority for the Welsh Government. During summer 2024, we saw two success stories which highlight both the strength of the games industry we already have in Wales and which highlighted the real potential to grow the industry.

Wales Interactive launched Sker Ritual and saw it reach top three on Steam, five on Xbox and ten on PlayStation worldwide achieving over one million downloads in the process. As a

studio, Wales Interactive reported that they have had over ten million downloads to date of their games since they were founded.

Last summer I also visited Rocket Science, who continue to grow rapidly, now employing 35 staff from their office on St Mary's Street, working on technical challenges for global games titles. I was impressed by their operation and their commitment to the Welsh games industry.

We are aware that the USW report indicates a proportionally low percentage of the games industry are based in Wales compared to the wider UK. However, the same report suggests a current **8%** growth rate of the industry in Wales. Over the coming years, we want to focus on growing further as we build a sustainable, internationally focussed industry which builds on the successes I have highlighted in summer 2024.

The report also states that '*Wales based companies are in a strong position to make games with extensive public value, specifically where Welsh culture and language are concerned*' which is a statement we fully agree with and plan to build on as we grow a sustainable industry for the future in Wales.

## **Cultural Diplomacy**

The draft Priorities for Culture clearly recognise the importance of international relations, and the role culture should play in establishing, developing and deepening relationships with other countries which is expressed in draft ambition 12.

The Culture Arm's Length Bodies play an important role in projecting Wales to the world through: developing international cultural and research partnerships, their engagement in learning exchange programmes, making best use of digital technology, digitisation and digital events to enable world-wide engagement with Welsh culture, and engaging with Welsh diaspora.

The Culture ALB's have also funded several projects through the Culture, Heritage and Sport grant programmes, which focus on widening cultural interpretations to include a diverse range of cultures that shape Wales. These initiatives position Wales as an example on the global stage, showcasing it as a place that celebrates different cultures, values and welcomes all.

An example of this is the Welsh Women's Peace Petition which, in 1924, was taken to America by a delegation of Welsh women.

The petition had been preserved and exhibited by the National Museum of American History, in Washington DC. In 2023, with support from Welsh Government funding, the peace petition was returned to Wales to mark the centenary of a women-led, Welsh anti-war effort. Work is underway at the National Library of Wales to catalogue and digitise the petition, which was on display at Amgueddfa Cymru earlier this year.

The project shows the benefits of Wales' cultural institutions working with international partners. The Welsh Peace Memorial Declaration, accompanying the Memorial Petition, recounts the historic ties between Wales and America and appeals from the women of one proud nation to another to "hand down to the generations which come after us, the proud heritage of a warless world."

## Wales-Ireland

The First Minister is leading the work on the new Wales-Ireland Shared Statement. In October 2024, the First Minister travelled to Dublin and Cork for the fourth Ministerial Forum and met

with President Higgins and the Tánaiste, Micheál Martin. A future shared statement was discussed, with the caveat that details would have to be confirmed by the incoming Irish Government due to the general election in Ireland which took place in November 2024.

The 2021-2025 Ireland Wales Shared Statement has been a success in providing a framework for both governments and organisations across both countries to forge new relationships. A renewed 2025-2030 Shared Statement will aim to support continued delivery of the key themes identified and focus action plans on delivering on new areas across portfolio areas. A future shared statement, developed in partnership and agreement with the Irish Government, will span a wide number of portfolio areas covered by different ministers. We envisage these will include greater collaboration and joint work in areas such as offshore renewable energy opportunities in the Irish Sea and promoting national languages and policy exchanges in areas of education and curriculum development.

The future draft statement will be circulated across Cabinet for consideration.

Yours sincerely,

A handwritten signature in black ink that reads "JACK SARGEANT". The signature is written in a cursive style and is underlined with a single horizontal line.

**Jack Sargeant AS/MS**  
Minister for Culture, Skills and Social Partnership  
Y Gweinidog Diwylliant, Sgiliau a Phartneriaeth Gymdeithasol

Delyth Jewell MS  
Chair, Culture Communications, Welsh Language, Sport and  
International Relations Committee

3 February 2025

Dear Delyth,

### Amendments to the Agreement establishing the African Development Fund

As you are aware, the Legislation, Justice and Constitution Committee is responsible for monitoring the implementation of non-trade international agreements in the Sixth Senedd.

During our meeting on 6 January 2025, we considered the Amendments to the Agreement establishing the African Development Fund. The purpose of the agreement is to enable the African Development Fund (the 'Fund') to unlock greater volumes of financing in financial markets through the implementation of a 'Market Borrowing Option'. The amendments proposed by the agreement will allow the Fund to access international capital markets and raise non-concessional financing for the 37 poorest countries in Africa by leveraging its existing equity.

Although the agreement relates to reserved matters, including international relations and financial services and markets, we agreed to draw the agreement to the attention of your Committee, in light of its scrutiny of the Welsh Government's International Strategy which includes an action plan on Wales and Africa.

Our latest report, which was laid on 21 January 2025, is available [here](#).

Yours sincerely,

A handwritten signature in black ink that reads "Mike Hedges". The signature is written in a cursive style and is underlined with a single horizontal line.

Mike Hedges

Chair



Huw Irranca-Davies AS/MS  
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros  
Newid Hinsawdd a Materion Gwledig  
Deputy First Minister and Cabinet Secretary for Climate  
Change and Rural Affairs

Ein cyf/Our ref: PO/HIDCC/0058/25

Mike Hedges MS  
Chair  
Legislation, Justice and Constitution Committee  
Welsh Parliament  
Cardiff Bay  
Cardiff  
CF99 1SN

13 February 2025

Dear Mike,

Further to my letter of 2 December 2024, I represented the Welsh Government at the seventh meeting of the Inter-Ministerial Standing Committee on 3 December 2024. A communique regarding this meeting is expected to be published on the [UK Government website](#) in the normal way.

The meeting was chaired by the Chancellor of the Duchy of Lancaster and Minister for Intergovernmental Relations, the Rt Hon Pat McFadden MP.

The other attending ministers were:

From the UK Government: Minister of State for Trade Policy and Economic Security, the Rt Hon Douglas Alexander MP; Secretary of State for Wales, the Rt Hon Jo Stevens MP; and Secretary of State for Scotland, the Rt Hon Ian Murray MP.

From the Scottish Government: Deputy First Minister and Cabinet Secretary for Economy and Gaelic, Kate Forbes MSP.

From the Northern Ireland Executive: First Minister Michelle O'Neill MLA; and deputy First Minister Emma Little-Pengelly MLA.

The agenda enabled discussion of a range of issues including: resilience and the responses from each government to the Module 1 report of the UK Covid-19 Inquiry which focused on pre-pandemic planning; and the Common Frameworks Programme and the UK Internal Market Act (2020).

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Gohebiaeth.Huw.Irranca-Davies@llyw.cymru](mailto:Gohebiaeth.Huw.Irranca-Davies@llyw.cymru)  
[Correspondence.Huw.Irranca-Davies@gov.wales](mailto:Correspondence.Huw.Irranca-Davies@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

In relation to the discussion on resilience and each government's response to the first report of the UK Covid-19, I highlighted that it is important for this report and also future reports that we work together as governments across the UK. Whilst the Welsh Government broadly supports the recommendations in principle, I raised the importance of responses to the recommendations taking into account differences in the devolution settlements across our nations. In addition, the absence of Barnett consequential funding for civil contingency matters is a constraint on investment in this important agenda. I also outlined that the Welsh Government would like there to be strengthened cross-UK engagement on resilience at Ministerial level.

As part of the discussion relating to the Common Frameworks Programme, I highlighted that, where currently embedded, Common Frameworks are a positive example of effective intergovernmental working and have created space for innovation within devolved competencies. Regrettably, however, over recent years the Welsh Government's experience of the UK Internal Market Act (2020) is that it has undermined the purpose of Common Frameworks. Therefore, the interplay between the two must be placed at the centre of discussions on these issues.

In this context, the Committee also discussed the UK Internal Market Act (2020) and the plans for the statutory review in 2025. I emphasised our hope that this work will provide a platform for reform to address the serious constitutional issues with the Act. I highlighted the Welsh Government's focus on growth and the important role a well-functioning internal market can play, but made clear that the Act as it stands is not the right approach. I offered to work with the UK Government and other devolved governments on an approach to reforming governance of the UK internal market in a way which embraced devolution. I looked forward to working together on these issues as the Act undergoes statutory review in 2025.

An agenda item on the Sewel Convention and UK legislation was not discussed due to time constraints, and I therefore expect these issues to feature in future meetings.

The next Inter-Ministerial Standing Committee is expected to take place in early spring 2025, with chairing arrangements to be determined.

I have copied this letter to the First Minister, the Rt Hon Eluned Morgan MS, Cabinet Secretary for Finance and Welsh Language, the Rt Hon Mark Drakeford MS, Cabinet Secretary for Economy, Energy and Planning, Rebecca Evans MS, the Counsel General and Minister of Delivery, Julie James MS, and to the Chairs of the Finance Committee, the Economy, Trade and Rural Affairs Committee and the Culture, Communications, Welsh Language, Sport, and International Relations Committee.

Yours sincerely,



**Huw Irranca-Davies AS/MS**

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd  
a Materion Gwledig

Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

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Senedd Committees

21 January 2025

Dear Chair,

**Business Committee review of the Public Bill and Member Bill processes**

The Business Committee is reviewing the Senedd's processes relating to Public Bills and Member Bills. We would like to hear your views on what is working well and what could be improved.

Annexed to this letter are the terms of reference for our work and a list of the areas of focus for our initial evidence gathering we have identified to date. We would welcome your views on the matters within our terms of reference which are relevant to your work, including, but not necessarily limited to, the areas of focus. If there are other matters of relevance to our terms of reference that you would like to raise in your evidence, please do so.

We would be grateful if you could provide your written evidence **by Friday 28 March 2025**. You can either send your submission to [SeneddBusiness@senedd.wales](mailto:SeneddBusiness@senedd.wales) or respond to specific questions on each of the areas of focus set out in the [online form](#) available as part of our [open consultation](#).

To ensure that anyone who would like to share their views about the legislative processes is able to do so, we have also issued an [open consultation](#). We would be grateful if you could share the consultation with your stakeholders.

Yours sincerely,



The Rt Hon Elin Jones MS  
Chair of the Business Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg. We welcome correspondence in Welsh or English.

# Annex: terms of reference and areas of focus for the initial evidence gathering phase

## Public Bill process

### Terms of reference

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To explore options for improving the operation and effectiveness of the Senedd's scrutiny of Public Bills introduced in accordance with Standing Order 26, by reviewing experiences in the Sixth Senedd (and previous Seneddau where relevant), including:

- Relevant procedures, practices, conventions, culture and ways of working.
- The experience of legislating in a hybrid environment.

### Areas of focus for the initial evidence gathering phase

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- The overall effectiveness of the Senedd's consideration of Public Bills and opportunities for the public and stakeholders to contribute to the Senedd's scrutiny.
- The timetabling of Senedd scrutiny of Public Bills, including: the establishment of Bill timetables in accordance with SO26.7 (and the factors taken into account when timetables are established); and the timing of amendment tabling deadlines, the publication of Marshalled Lists/Groupings Lists and proceedings.
- The explanatory materials and information provided during the Public Bill scrutiny process, including: the requirements for Explanatory Memorandums specified in Standing Orders; the timing of written responses to Stage 1 committee reports; the provision and presentation of other information during scrutiny (such as Welsh Government-provided documents or Senedd Research publications); arrangements regarding explanatory text about the purpose and effect of amendments; and the availability, accessibility and clarity of the guidance available to Members and the public about the legislative process.
- How admissibility of amendments is assessed, and how amendments to Bills are debated and disposed of.
- How the Senedd is asked to agree to the financial consequences of Bills and amendments, including the movement of Financial Resolutions and whether it is sufficiently clear how 'significant' should be interpreted for the purposes of SO26.69-26.71.
- Whether the rules relating to the optional 'Further' amending stages are clear enough.



- The rules relating to emergency Bills.
- Whether the experience of legislating in a hybrid context, in which Members and others may participate virtually or in person, has had any impact on the Senedd's scrutiny of Public Bills.
- Any considerations for the Public Bill process arising from the increase from 60 to 96 Members in 2026 or the increase in the frequency of ordinary Senedd elections from every five years to every four years.

## Member Bill process

### Terms of reference

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To explore options for improving the operation and effectiveness of the Senedd's Member Bill process, by:

- Reviewing experiences in the Sixth Senedd (and previous Seneddau where relevant), including relevant procedures, practices, conventions, culture and ways of working prior to a Member Bill's introduction (including but not limited to the way in which Members are selected for the opportunity to propose a Bill, the process for gaining 'leave to proceed', and the level of information Members are required to provide at these stages).
- Identifying any potential implications for the Member Bill process arising from the increase in the number of Members of the Senedd.
- Identifying and, where appropriate, raising with relevant decision-makers including the Senedd Commission and the Independent Remuneration Board of the Senedd, issues relating to the resource and support available to Members during the Member Bill process.

### Areas of focus for the initial evidence gathering phase

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- The overall effectiveness of the Member Bill process.
- How Members are selected for the opportunity to propose a Bill.
- How Members are granted leave to introduce Bills.
- The rules about what can, or cannot, be included in a Member Bill, i.e. the 'scope' of such Bills.

- Any considerations for the Member Bill process arising from the increase from 60 to 96 Members in 2026 or the increase in the frequency of ordinary Senedd elections from every five years to every four years.
- The implications of the above for the support and resources available to Members wanting to propose Bills.



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Ein cyf/Our ref: MA/MDFWL/11132/24

Delyth Jewell MS  
Chair  
Culture, Communications, Welsh Language, Sport and International Relations Committee  
Senedd Cymru

28 January 2025

Dear Delyth,

In the same spirit as the former Minister for Education and Welsh Language, I am committed to working closely with the Committee as we continue to move forward with the programme of introducing Welsh Language Standards Regulations ('Regulations'). It is with that in mind that I am writing to inform the Committee of my intention to lay the following draft legislation before the Senedd today:

- The Welsh Language (Wales) Measure 2011 (Amendment of Schedule 6) Order 2025
- The Welsh Language Standards (No. 1, No. 2, No. 4, No. 6 and No. 7) Regulations (Amendment) Regulations 2025

The Order will add the following three bodies to Schedule 6 to the Welsh Language (Wales) Measure 2011:

- Adjudication Panel for Wales
- Boundary Commission for Wales
- Future Generations Commissioner for Wales

The Regulations will make Welsh Language Standards specifically applicable to 6 public bodies, and 1 category of persons:

- Adjudication Panel for Wales
- Boundary Commission for Wales
- Future Generations Commissioner for Wales
- Qualifications Wales
- Trustees of the National Heritage Memorial Fund
- Welsh Revenue Authority
- Special Health Authorities

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Correspondence.Mark.Drakeford@gov.wales](mailto:Correspondence.Mark.Drakeford@gov.wales)  
[Gohebiaeth.Mark.Drakeford@llyw.cymru](mailto:Gohebiaeth.Mark.Drakeford@llyw.cymru)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

A consultation was held on the policy proposals between 24 June and 7 October 2024. A summary report of the consultation responses will also be published on the Welsh Government website on the same day as the Order and Regulations are laid, and my intention is to hold a Plenary debate on these Regulations on 11 March 2025.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive style with a large initial 'M'.

**Mark Drakeford AS/MS**

Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg  
Cabinet Secretary for Finance and Welsh Language

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