

3 December 2021

Dear Finance Committee members,

Thank you for the opportunity to respond to the consultation on Welsh Government's Draft Budget 2022/23.

The Arts Council of Wales was established by Royal Charter in 1994. We're a Welsh Government Sponsored Body funded largely by grant-in-aid from the Welsh Government. We're also a registered charity subject to Charity Law and one of the four Distributors in Wales of money to "Good Causes" from the National Lottery.

In 2021/22 the Arts Council received 'core' funding of **£32.4m** from the Welsh Government which supports a portfolio of companies through core funding. We also distribute near **£17m** of National Lottery grants for small and large projects to companies and individual creative practitioners.

Our mission is to make the arts central to the lives and well-being of the people of Wales. Our Corporate Plan, "For the Benefit of All" sets out three priorities which underpin all aspects of its work:

- i. Promoting Equalities as the foundation of a clear commitment to reach more widely and deeply into all communities across Wales.
- ii. Strengthening the Capability and Resilience of the sector, enabling creative talent to thrive.
- iii. Enabling the Arts Council to work more effectively, collaborating more imaginatively with like-minded partners across Wales.

The planning, delivery and monitoring of the Arts Council's activities are undertaken within the framework of the Wellbeing of Future Generations legislation and the Welsh Government's Programme for Government and our responses to this consultation reflect this and our role as a major funder of the arts in Wales.

We welcome Welsh Government commitment to a new culture strategy that prioritises the financial sustainability of cultural institutions. This will be key to the implementation of a strategy that wants to reflect Wales' diversity, a thriving Welsh language, the arts, culture and heritage sectors. We look forward to working closely with Welsh Government, and the Senedd's scrutiny committees to deliver this ambition.

We appreciate that this draft budget consultation is in the context of unprecedented challenges. Covid-19, EU Exit and climate emergency have all exacerbated social injustices.

The arts have proven, during the pandemic, their worth for the wellbeing of individuals and communities in Wales. We are committed to working with Welsh Government to support a green recovery of the arts and a sustainable cultural sector during and after the pandemic.

The full impact on the arts and on public finances of EU exit is yet to be realised, especially in terms of the replacement funding for the Structural Funds and Creative Europe as well as the cost associated with the new barriers on the movement of creative workers and art works. We will continue to nurture cultural relations that support our arts sector to engage sustainably in Europe and internationally in partnership with our sister agencies in the UK four nations and in Ireland which supports the hugely important creative economy of Wales and the UK.

## 1. What, in your opinion, has been the impact of the Welsh Government's 2021-22 budget including funding related to COVID-19?

Arts organisations and creative individuals have been adversely affected by the Covid-19 pandemic, some quite significantly. It's now clear that the arts will be one of the last sectors to re-emerge fully from 'lockdown', social distancing restrictions and those on domestic and international touring.

Our sector is largely made up of charities, community interest companies, social enterprises, and freelancers. Charitable organisations and individual creatives generally carry no sizeable reserves and, even when operating in normal circumstances, do not set out to make large profits. Any profit that is made is generally re-invested back into enhancing delivery and extending the impact of arts programmes. The sector is a key employer for Wales and not only culture, but significant economic activity in Wales.

At the start of the pandemic existing funds were re-purposed to provide urgent financial support. We worked closely with Welsh Government to deliver two rounds of Cultural Recovery Fund emergency support. So far, the Arts Council has distributed over **£30m** of Covid-related emergency support through:

- Urgent Response Fund for Individuals
- Stabilisation Fund for Organisations
- Stabilisation Fund for Individuals
- Cultural Recovery Fund 1 and 2 for Organisations (Revenue)
- Cultural Recovery Fund 1 for Organisations (Capital)

The Cultural Recovery Fund was fundamental to the survival of the sector and without its support a number of high-profile organisations and companies based in Wales could not have survived.

## 2. How do you think Welsh Government priorities for 2022-23 should change to respond to COVID-19?

The Cultural Recovery Fund has been a lifeline for arts organisations, artists and freelancers. Without it, it is likely that a large number of organisations nor freelance creative practitioners would not be operating today. Indeed many have left the sector.

Current difficulties are exacerbated for those arts organisations (venues in particular) who rely heavily on earned income from ticket sales, hires, shops and cafes for their fixed costs. In pre-pandemic life, this was prioritised as it reduced reliance on public funding. We applauded organisations like Chapter, Galeri in Caernarfon and Wales Millennium Centre for their success in operating with a low dependency on public funding. But with around 80% of their income coming from commercial activities, an otherwise stable business model has become more fragile.

Venues and companies face new pressures since the end of UK Government's Furlough scheme in September. Organisations now need to look at how they either increase their income levels back to pre-pandemic levels or reduce costs in order to balance the books. Social distancing, the threat of new variants on public confidence, limited audience numbers and difficult recruitment are new challenges that the sector faces. The introduction of Covid-passports for some organisations will bear an additional cost burden. Further restrictions should be supported by further investment.

Artists not institutions create art. Freelance artists and creators are the ultimate "gig workers", moving from project to project to find the next pay-cheque. They do so without the protections routinely enjoyed by employees. Most creative freelancers have had 100% of their work cancelled. They're without income and without promise of work. And they're less likely to have savings to fall back on.

As the industry recovers after Covid-19, safeguards will be required to ensure that public funding for the arts organisations benefits the freelance workforce. All those involved in the arts must pull together to protect the precarious freelance workforce as recovery begins to take root. If we don't, we risk the diversity and success of the wider arts and creative industries.

Continual support into 2022-23 will be needed to ensure that the sector can thrive, contributing to the economy but also encouraging a rich cultural offering for a healthier, greener Wales that is globally connected. Real strategic investment is needed to ensure a sustainable and equitable recovery.

Areas of Wales blighted by poverty and economic disadvantage have been harshly affected by Covid-19. In 2021, Arts Council of Wales set out to "Re-set the Dial". The disproportionate impact of the Covid-19 virus on diverse communities and disabled people has been stark. We said *"A generous, fair-minded and tolerant society is instinctively inclusive. It values and respects the creativity of all its citizens. If we want Wales to be fair, prosperous and confident, improving the quality of life of people in all of its communities, then we must make the choices that enable this to happen. The arts help us to understand difference. They help us to express what's distinctive and singular, but also what unites and binds us together, helping us to explore and articulate our common humanity, our place in the world. Diversity strengthens and invigorates the arts."*

**3. How financially prepared is your organisation for the 2022-23 financial year, and how can the budget give you more certainty in planning and managing budgets given the ongoing volatility and uncertainty?**

The one-year funding settlement causes significant uncertainty each year and make strategic decisions very difficult.

For the past two years, our budget have been confirmed 3 months before the start of the financial year. This not only affects our ability to plan but also makes it difficult for the entire sector that we fund to plan in a sustainable way.

We, like the sector we help to sustain, have inflationary and pay cost pressures that we are unable to address without knowing our budget beyond the operational year. The inability to plan affects the freelancing back bone of the arts and the creative economy.

A long-standing Arts Council priority is to develop and support the Arts Portfolio Wales; a nation-wide network of high-quality arts organisations. The Arts Council directs a significant proportion of the grant-in-aid it receives from the Welsh Government (**£27.08m**) to providing 'core' revenue funding to these 67 key organisations. They play a leading role in the delivery of the strategic priorities of the Arts Council and the Welsh Government.

The portfolio is renewed every five years through an open-to-application process called the Arts Investment Review. The next review begins in Autumn 2022, with funding arrangement for a new Portfolio coming into effect from April 2024.

Budget insecurity and fluctuation not only affects Arts Council's inability as the nation's leading grant giving organisation, but also has huge knock-on implications to significant, high-profile organisations in Wales. A list of the current portfolio is attached all of whom are affected, to varying degrees, by the current budget timetable.

The Investment Review is an opportunity to re-set the dial.

We would welcome a move towards a long term approach that would enable us and the companies we fund to plan strategically. We appreciate the opportunity to comment on the draft budget, and hope that there will be a move to multi-annual funding agreements will come from this process.

4. Given the ongoing uncertainty and rapidly changing funding environment do you think there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability?

No, we agree with the level of scrutiny.

5. Does the Fiscal Framework adequately reflect the impact of the public health emergency in Wales compared to other UK countries and do you support increasing the annual and/or overall limits, £150 million and £1 billion respectively, to current Welsh Government capital borrowing within this Framework?

We support budgetary increases to Wales.

6. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID-19 situation and how these should be reflected in the 2022-23 budget?

How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.

The arts sector is a significant cultural and economic resource to the people of Wales and should be prioritised.

Confidence across the sector and with the public is beginning to return as restrictions lift, but the financial risks impacting on the sector remains a real and continuing concern. Further restrictions this winter will significantly impact the arts once again.

As theatres, arts centres, galleries and festivals are re-opening, continued uncertainty around further restrictions are challenging audience confidence and numbers. Return and recovery will depend in large part on the policies that Welsh Government and UK Government take and the further impact of further restrictions on the economy. A serious programme of investment to stimulate the UK out of recession would prompt a dynamic response from the arts and would encourage creativity and innovation. The alternative route, saving our way out of debt, will create a slower, more cautious environment with a high risk that organisations struggle to sustain their activities on a financially viable basis.

Risk is exacerbated because of uncertainties around the possibility of future “lockdowns” and their impact on income. Most organisations plan their programmes years in advance and have to make contractual commitments. Normally, insurance is a route to mitigate the impact of unforeseen issues, but Covid has changed this. The sector has repeatedly called for some form of government-backed insurance scheme to provide a vital financial safety net, should it be needed. Progress on this is urgently needed.

The imminent investment Review will no doubt lead to changes in our portfolio investments that supports a diverse and bilingual Wales. Equalities and widening engagement in the arts across Wales will continue to be a priority. We have extended our “Creative Steps” programme to provide new funds for the development of the skills and capability of new creative talent amongst Deaf and Disabled artists and artists from Black Asian Minority Ethnic backgrounds and artists of colour.

Our international team Wales Arts International is leading the UK Four Nations’ Arts Info Point initiative to help mitigate the negative impact of new barriers to European mobility on the sector. In collaboration with international networks, we are re-setting our approach to international work. At a time of a climate emergency the National funding body for the Arts has a duty to develop our own carbon zero plans and also to apply our commitment to our wellbeing goals as a globally responsible nation.

7. To what extent alleviating climate change should be prioritised in supporting economic recovery.

*"Culture is a powerful tool for fighting climate change," the Future Generations Commissioner for Wales Sophie Howe speaking at COP26.*

We see a real need for strategic investment in this area and think this is a real opportunity to invest in climate emergency potential of the arts that have social and economic benefits.

We are looking to develop a carbon management model similar to the Creative Carbon Scotland model that provides a scaffolding approach for the arts to manage its carbon reduction plan. This would allow us to meet our obligations to Welsh Government's Net Zero carbon Budget Plan and would include a sector wide strategy and a carbon management plan and scaffolding as well as a 10-year action plan for carbon reduction for Arts Council of Wales. Our sister agency in Scotland, Creative Scotland, is launching its 10 year Carbon Net Zero Plan in January 2022. The Wales model will be of course in the framework of the Wellbeing of Future Generations Act.

A catalyst internal agency within Arts Council in the first instance to prepare the strategy and develop support structures transferable for a one Wales public sector model. Resources will be shared with the sector as well and the model will be developed with partners like the Future Generations Commissioner and also Creative Wales as part of the Cultural Contract for public funding.

We would need additional investment from Welsh Government to support this initiative. This investment would enable us to ensure that we are helping to promote Wales as leading innovative nation when it comes to wellbeing.

**8. How resources should be prioritised to address the pressures felt in sectors that need to "catch-up", such as Health and Education.**

Welsh Government policies to reduce poverty and gender inequality.

Approach to preventative spending and how is this represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

As an organisation, we work collaboratively across the public sector and the benefit this brings deserve to be recognised. Not all Health and Education activities occur in isolation in their portfolios and our work in this area achieves a number of the objectives set out in this consultation. Often, spending money in the arts is a more efficient and innovative way of dealing with some of the problems in Health and Education.

For example, two key such initiatives that we would be our Creative Learning Through the Arts and our Arts and Health programmes.

Our [Creative Learning through the Arts](#) scheme uses the arts to support subjects as varied as maths, science, numeracy and citizenship in schools.

In 20/21, in response to a request from Welsh Government we developed a Creative Learning Recovery Fund that assisted learners to re-engage with their learning following the pandemic.

- We launched Cynefin: Black, Asian and minority ethnic Wales. We received a total of **61 applications**. **25 schools** have been awarded a grant and a further **18 schools** will join us from the autumn term onwards.

- Training is now complete for Creative Agents, School Coordinators and Creative Practitioners and all **84 Lead Creative Schools projects** are underway.
- Awarded **19 applications** to our enhanced offer for secondary schools.

Our Arts and Health programme focuses on the power of the arts for health and wellbeing and recognises that artists and clinicians working together can make a huge difference as it is great example of a preventative scheme, worthy of additional investment to 'save' additional cost in the NHS, particularly around mental health, isolation and loneliness.

In 20/21 we:

- Established and supported specialist arts co-ordinator posts in each Health Board.
- Continued to promote the benefit of arts in health as part of the Confederation's Cross Party Group meetings held online throughout the year.
- Managed the set-up of the Health, Arts, Research, People (HARP) funding programme.
- Implemented the Seed Fund (for Research and Development) – this selected 4 Health challenges to which **54 artists/arts organisations** responded, applying to be creative partners.
- Implemented the Nourish Fund (for large grants) with **20 expressions of interest** now progressing towards submitting a full application.
- Developed Cultural Cwtch – a website of creative resources to support NHS and social care staff's well-being throughout the pandemic and beyond.
- Developed a new Arts, Health and Well-being Lottery Fund for launch in the new financial year.
- Launched NHS Decides

Our other key focus is inequality and widening access for all and we need a real commitment in future budgets to drive this work and make real change in Wales. We have publicly recognised that, through all of our activity and work programmes, we are not currently reaching widely and deeply enough and are not representing all of the communities and groups in Wales, particularly those who are ethnically and culturally diverse, D/deaf, disabled or neurodivergent or regarded as potentially disadvantaged through poverty, language or geographical location. We are actively working to address this imbalance and have taken positive steps to progress this including:

- Strategic Equality Committee reporting directly to Council, working alongside Future Generations and Welsh language Committees
- Appointment of Agent for Change
- Widening Engagement Programme
- Active member of the Public Sector Equality Group
- Publication of annual Strategic Equality Committee report and Strategic Equality Action Plan

Thank you for the opportunity to feed into this process. If you would like to ask any further questions, please do not hesitate to contact me.

Kind regards,



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Acting Accounting Officer – Arts Council of Wales

