



The Culture, Communications, Welsh Language, Sport, and International Relations Committee is concerned about the impact of the increasing costs on the sectors within its portfolio. It will be conducting a short inquiry looking into these impacts, and what support is needed, before making recommendations to the Welsh and UK Governments. The Committee is specifically interested in issues that are particular to or more acute in your sector than society in general.

The Committee would like to know:

- What impacts has increasing costs living had on your organisation and sector so far?

Internally:

Hafren is managed by NPTC Group of Colleges and pays a percentage of the Newtown College (North Powys) utility charges e.g. Gas, Electricity and Water/Sewage. None of the costs have been charged to Hafren's cost centre account yet. We are expecting the first quarter of higher charges from October 2022. During the Covid closure, NPTC Group of Colleges invested in Hafren to purchase and install a £250,000 Air Handling system. This is to filter and circulate air in our large auditorium for customer comfort and hygiene. Without this system we doubted if customers would have the confidence to return to indoor performances. This new system is additional to our existing heating system, and obviously takes more energy to operate. During Covid-19 closure, the gas boilers were replaced with the latest efficient systems, to reduce running costs and be more energy efficient. Hafren also invested in energy efficient lighting – both in general and for performances e.g. LED replacements. Again, the hoped for negation of small inflationary increases are now eradicated.

Whilst we will be more energy efficient, any savings will be wiped out and more by the increased costs of energy.

Hafren has managed to absorb the rise in prices for our Front of House service points – Bar, Coffee Shop and Ice Cream. Now that costs continue to rise, we are forced to raise prices, albeit, it doesn't

cover the rise. This important secondary income of sales has supported the core of the organisation, but with reduced audiences and fewer purchasing at higher prices, this income line will also fall.

Externally:

Customers have been reducing their outgoings considerably, knowing that utility charges are going to rise in the near future. Disposable income spend has already drastically reduced by putting money away for future utility bills, whilst having to accommodate substantially higher fuel/travel and food costs. Tickets are selling at a much slower rate, most putting off early purchasing until they know what their financial situation is. Audience behaviour around ticket-buying had radically changed, which was contributing to the impact onto our income. Purchasing of tickets is now made later into the show's announcement. This behaviour can affect how that show, band or artist's tour does – it might close early due to slow ticket sales, or they plan to run a shorter, more local tour.

Pre-Covid, customers bought tickets, on average, 4 – 6 weeks in advance. Now we are seeing the most purchases for a performance during the week of the performance. This has resulted in the necessity of more marketing and publicity activity, as we don't know if potential customers are simply waiting to see if they can afford tickets, or if they might have to isolate at short notice due to Covid-19 or if they are not aware of the performance.

Large increases in fuel costs have had an immediate impact on Hafren, which is rurally situated in Newtown, Montgomeryshire. Hafren's catchment area is around 500 sq miles. There is limited public transport, even for local customers. Public transport routes have been cut and the operation times reduced. As theatre is generally a night-time economy, having a public transport system which closes down after 8pm, means that customers have to drive to us. Car ownership is high in Mid Wales.

Touring – many companies that visited as regular contributors to our programme have seen the impact of steeply rising transport and accommodation costs limit the length and coverage of their tour. Some companies are now not able tour very far from their production bases (usually in Cardiff, Swansea and Newport) as their budgets simply cannot cover these additional costs. This leaves the residents of Mid Wales without Welsh-made productions.

The cost of living crisis started back in February with the enormous rise in fuel pump prices and food costs, then in April there were large increases in Council Tax, all while public service delivery dropped. This follows on from Brexit and then Covid-19. An extraordinary series of events.

Hafren was already in a weakened state, coming out of Pandemic Restrictions. Now we face one of the most difficult financial situations in our economy. The cost-of-living emergency threatens to decimate this part of the sector and harm the ecosystem that the UK's entertainment industry relies on.

Emotionally, the public are drained, while the relentless media coverage on how bad the situation will actually be, is leading to a general spiral of decline in the UK's mental health.

- What impacts do you predict increasing costs will have on your organisation and sector? To what extent will these impacts be irreversible (e.g. venues closing, rather than a temporary restriction in activities)?

I hope we're a resilient sector, we've shown we can survive the extraordinary impact of the pandemic, but there's a limit. It feels like death by 1,000 cuts.

All the theatres and venues that have managed to survive, out of extraordinary hard work, won't have any more reserves to call on, and nor will we have any cost savings we can make without making any really serious changes to our businesses and premises.

I am determined that the rise in heating costs will not result in job losses, but it is not realistic for Hafren or any other theatre to increase ticket prices amid a cost-of-living crisis.

The cultural sector is in a critical situation as we try to rebuild after the pandemic. The government is being quite vocal about how it is offering support for households, but no consideration is being given to the charitable and voluntary sector which run public buildings. It is extremely unlikely that energy prices will return to 2021 levels, so the impact that we are feeling will be irreversible. Temporary measures will prove pointless.

We offer free after-school, and holiday arts activities for many children who face considerable hardship and multiple levels of deprivation. Already, families are telling us that our offer is the only thing their children get to do out of school as they can't afford anything else. I imagine this demand will significantly increase this winter, as families try to save energy themselves, so the onus on us to continue to deliver a warm, safe, creative environment for children and families at this time of need, is even greater.

Hafren, along with many theatres delivers a wider range of services to local communities than simply putting on plays. In recent years, Hafren has stepped in to deliver what used to be statutory services. So, if Hafren has to close because we can't afford the energy bills, then we're going to have a very real impact on people's lives. The threats to all venues are very real and deeply worrying.

Despite the amazing effort from staff at venues and theatres to continue to entertain and educate during the pandemic, it is a sad fact that since the end of the pandemic, we have seen more venue closures than during the pandemic. While so much talk is of a post-pandemic world, it's pertinent to reiterate that coronavirus is still very much here. A recent comment from Welsh National Opera "Covid is still happening. We've had to drop one performance because of illness – we didn't have enough staff from one department able to rig the lighting truss safely. There are times you have to make that call."

A report released by Night Time Industries Association earlier this year highlighted the impact on the night-time economy and home leisure sectors during the pandemic. There was an estimated loss of 589,000 jobs in the out-of-home leisure sector, which is activities outside of what is considered regular work hours of 9am to 5pm, such as theatre and cinema. The international Cinema chain, Cineworld has recently filed for bankruptcy in the US, and is looking for investment to restructure its business model.

Statistics released by the Night Time Industries Association show that between March 30, 2020, and June 30, 2021, the loss of revenue was calculated at £136 billion across the whole cultural out-of-home economy - equivalent to 80% of its annual value in 2019.

The impact of Covid-19 restrictions has left the industry in a weakened state, with a number of venues closing permanently during lockdowns. Now the cost-of-living emergency threatens to decimate this part of the sector and harm the ecosystem that the UK's entertainment industry relies on.

- What interventions would you like to see from the Welsh and UK Governments?

I would like to see immediate support for arts organisations, as well as longer term solutions including a move towards funding for retrofitting to create sustainable, insulated buildings and greener energy usage.

Eye-watering energy bills are being reported by theatres across the country. There is no way that the costs being quoted can be sustainable over anything like the long term.

The usual pattern would be for these costs to be handed down the food chain, from theatre operator to producer and then to customer in the form of contra charges and then ticket-price increases. However, producers are struggling to make money as it is, with some deciding not to produce work as a result while theatres and venue programmers are trying to push down the buy in cost to present a programme that is affordable to their audiences, while also tackling their own energy bills.

Meanwhile, audiences are facing their own energy-price hikes at home and audiences were hardly flooding back to theatres even before the worst of these increases had been felt. So, this strikes me as a risky strategy that could result in both fewer shows and smaller audiences.

Waiting it out is also not an option. While there may be some help on the horizon from government for both businesses and individuals, this is only likely to be a short-term fix. Medium to long-term, very few people are predicting that energy prices are likely to return to pre-2022 levels; individuals and businesses alike are going to have to get used to paying more for our energy. Short term loans for cover over the next 18 months of operation would be completely pointless as many arts organisations might not survive that distance, those that do, having to pay back a loan would only add to the financial burden.

There might be a few things that theatres could do to mitigate costs – for example, could collective purchasing or switching be an option for the sector as a whole? – but, generally, the main lever that theatres have to keep a lid on costs is by controlling energy consumption.

Indeed, while short-term grants to help theatres cover these bills might seem like an attractive quick fix, a more sensible longer-term solution would be for funders to invest in helping theatre buildings and productions to become more sustainable.

The Theatres Trust offers grants in association with the Wolfson Foundation to help theatres improve their sustainability. This scheme could be expanded and Arts Council Wales (and its equivalents in the other devolved nations) could have a greater role in helping all theatres –

including those in the commercial sector that are often some of the least energy-efficient buildings in our sector – to become greener and, by extension, cheaper to run.

Commercial rents and Rates in many parts of the country are already unsustainable and, add to that the uncapped commercial energy prices and inflation more generally, it's easy to see the threats faced by venues/theatre, but in particular those in a rural location. These are systemic issues that the government must address to protect some of the UK's most widely used and community-based performing arts venues and, moreover, ensure the well-being of the country at large.

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- To what extent do the impacts you describe fall differently on people with protected characteristics and people of a lower socioeconomic status?

As mentioned earlier, we offer free after-school, and holiday arts activities for many children who face considerable hardship and multiple levels of deprivation. Already, families are telling us that our offer is the only thing their children get to do out of school as they can't afford anything else. I imagine this demand will significantly increase this winter, as families try to save energy themselves.

Hafren delivers creative solutions for older people, working alongside agencies such as Age Cymru and Alzheimers UK. Combatting loneliness and isolation in a rural context is a vital part of Hafren's work and takes pressure off an already overloaded council Adult Social Services. The post Covid effects on this group of older people has been particularly pronounced on both the person living with Dementia and their carer/s. Having lost social connectivity, being particularly vulnerable to Covid-19, it's been vitally important to re-engage in a consistent manner.

The onus on us to continue to deliver a warm, safe, creative environment for children, families and all our audiences at this time of need, is even greater. People with protected characteristics are included in all our work, and often represent the most vulnerable in society. They also make up a significant proportion of the people included in lower socioeconomic groups.