

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

The impact on arts organisations of increasing energy costs, general inflation and the costs of specialist materials, production and services is compounding the complications presented by Brexit and post pandemic changes in the pattern of audience attendances and participant engagement. Meanwhile, artists, makers and creative freelancers are either having to increase their fees or are moving to more secure employment in other sectors.

Based on evidence provided to date to ACW from a significant number of its funded

organisations, projected increases in energy costs are ranging between 200% and 300% for electricity and up to 600% for gas.

The costs of making productions in theatre and other sectors are 20-40% more than a year ago and the profitability of catering services that often fund so much else in theatres and venues is being hit by rising food and drink costs and the difficulty of passing on these costs to customers. Construction costs are also rising dramatically affecting building projects, and venues yet to open or re-open have the additional challenge of not being able to predict their future energy or operating costs with any certainty.

Audience attendances are 60% to 80% of pre-pandemic levels, bookings are last minute and there is growing evidence of increased price resistance with a greater take up of concessionary tickets and discount offers. Meanwhile, community arts organisations and venues are reporting on the basic needs of food and shelter of their participants and users and how this is impacting on how they respond and deliver their activities and services in and to our most deprived communities. The "rural premium" also undoubtedly adds to the impact on the arts and communities in many parts of Wales.

Touring companies are challenged by the increasing costs of fuel, logistics and accommodation and are seeking guarantees or fixed fees from theatres and venues. The increased costs and complexity of international touring and related fall in the demand for UK touring companies are also leaving their mark.

All the organisations we have canvassed remain committed to fair pay for their staff, artists and freelancers which is adding double digit increases to their people related costs.

The impact on Arts Council Wales is three-fold – how to respond to the looming crisis in the sector; build upon its and the Welsh Government's investment; and support the resilience and well-being of its staff.

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)?

Many organisations do not have the earned income to help absorb further losses of revenue and manage increasing costs and have very small contingency budgets or reserves. Even in good times, many parts of the arts sector live a fragile existence.

The impact of rising prices is being felt across all the income streams relied upon by the arts sector - public funding, fundraising, box office, and earned income.

There will undoubtedly be independent arts companies and venues that will face closure without increased support, if, as predicted, the economy is heading for a long period of recession. Those

ARTS COUNCIL WALES SUBMISSION TO THE SHORT INQUIRY INTO THE IMPACT OF INCREASING COSTS ON THE SECTORS WITHIN THE PORTFOLIO OF THE CULTURE, COMMUNICATIONS, WELSH LANGUAGE, SPORT, AND INTERNATIONAL RELATIONS COMMITTEE

maintained and supported as part of local authority provision or major universities may survive although will not be immune from significant change.

In the short term, we are receiving reports of action being planned or taken to raise prices; to reduce performances, exhibitions, community activity, touring, hours of operation, and workforce levels; to introduce new housekeeping regimes, pay as you can schemes, and pricing and payment schemes; and to seek longer term investment in improving energy efficiency and generation.

A comprehensive survey of the impact of increasing prices on individuals and organisations funded by ACW from both its grant in aid and Lottery programmes is underway on which we will report to the Committee's full inquiry.

Managing our current Investment Review for decisions on new multi-year funding agreements from 1 April 2024 will be challenging for both ACW and the organisations applying for support. Many organisations which may wish to apply face the challenge of survival in the interim.

ACW's grants programmes are not of a scale to meet this challenge and its own operational budgets and capped resource costs will be severely challenged as the price of services and consumables increase and it seeks to recruit, remunerate, and retain staff.

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

Some arts venues are already considering whether they can respond to the impact on individuals and communities by offering themselves as "warms hubs", but in many cases this will require them to find additional funds to provide this offer and related discounted food and beverages.

The crisis now facing the sector is as great as at any time over the last two years. The Cultural Recovery Fund provided a critical lifeline to the sector in Wales and the UK. Additional funding is now required to build upon that investment and ensure the longer-term sustainability of the arts infrastructure in Wales. Artists, makers, and freelancers will need support and security that universal basic income or similar schemes to survive the impact of the looming crisis.

The detail of the UK Government's economic and fiscal interventions to ameliorate the impact of the energy crisis on businesses, and their benefit to the arts sector, have yet to be fully understood, but seem unlikely to benefit the medium to long term sustainability of many arts organisations.

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

The loss of local arts projects and venues across Wales will disproportionately impact on people with protected characteristics and people of a lower economic status. It is these communities that we and our arts organisations are prioritising through accessible and targeted programmes and projects across Wales and it is these communities that will be hardest hit by the cost of living crisis.

In recent times, there has been an across the board increase in the employment of people with protected characteristics in our Arts Portfolio Wales and 30% of all ACW's National Lottery awards are made to projects that targeted D/deaf and disabled people and 30% also targeted culturally and ethnically diverse participants.

Well documented evidence suggests there is likely to be a marked impact on the health and well-being of individuals and communities across Wales if opportunities for participation in the arts are reduced, cannot be readily accessed, or become unaffordable.