

**Welsh Governments Culture, Communications, Welsh Language, Sport and International Relations Committee one day inquiry
Creu Cymru Evidence September 2022**

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

There are obvious financial implications on theatres and performing companies with cost rises including inflation rises meaning additional costs for food and drink for example.

We are already seeing reports of theatre energy bills increasing – The Lowry in Salford (main house 1,730 seats, other theatre 466 seats) faces a £1 million energy bill for 2022/23 and Theatre Royal Bury St Edmunds (360 seat venue) annual heating bill has increased from £35,000 a year to £82,000, which is a rise of 134%. We are expecting similar increases across Wales.

It's not just energy bills that are increasing, the cost of materials for sets has increased. Theatr Clwyd have reported that they are facing inflation rises on the cost of materials. For example, an 8ftx4ft MDF sheet has gone from £6.79 in July 2020 to £17 in January this year; plywood has increased from £29.98 a sheet in January to £43.75. All of this means the cost of a set has increased by between 30-40%.

Due to the current global economic climate, there are significant challenges across the supply chain impacting on theatres and performing companies' ability to operate and invest in their facilities and venues.

In addition, there are global shortages of raw materials including packaging and building supplies that drive up prices and make it increasingly difficult for operators to invest in (refurbishing) their facilities and (adapting) services.

Similarly, the pandemic, Brexit and the cost of living are having a major impact on what customers are spending on hospitality, which has historically been a substantial contributor towards our earned income and now is substantially altered.

St David's Hall noted that touring productions are visiting venues with less equipment, choosing to use more in house resources to save money. This puts additional pressure on in house staff and financial resources.

Theatr Genedlaethol Cymru have told us they are certainly seeing the effect of the increase in living costs on their budgets. Energy costs do not have a significant direct impact on them as they pay a service charge on their offices, so the landlord pays the energy bills, but it does have an impact on the cost of touring. The cost of vehicle fuel is obviously much higher, and the amount they pay for transport for their productions has risen significantly.

Accommodation costs for cast and crew on tour have increased and a number of people have indicated that they feel that the mileage rate set by HMRC (45p per mile) is no longer really sufficient.

They have also seen a significant increase in the cost of materials. The cost of creating sets is higher (whilst of course trying to reuse materials in accordance with the Theatre Green Book) and the availability of materials is also a problem. They have to order materials so much more in advance now.

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)?

The sector - coming out of Covid, under Brexit and with the climate and the cost of living crisis- is incredibly fragile. Freelancers have left the sector, especially those most impacted by Covid closures (eg stage managers, choreographers), and those able to move into other sectors/industries have also left (eg marketing, technical). It's harder and harder to find crews, creative teams, employees through recruitment for these reasons. Touring costs are significant, with even leading national companies pulling out of tours because of increased costs. Pay is not able to keep up with cost of living, and we are seeing an overlap of real living wage levels into our middle grades now.

There is of course a risk of theatres closing, some are already considering presenting a reduced programme of events. This obviously impacts income, wages for staff, secondary spend and offer to the communities they serve impacting wellbeing and leisure activity.

Whilst the sector is supportive, the increase to the National Living Wage puts additional pressure on the payroll expenditure of theatres and performing arts companies as the rate of pay for lower paid roles is increasing at a faster rate than the pay increases across organisations as a whole. This has been an ongoing challenge for several years but is now impacting more acutely in terms of recruitment and retention, specifically for roles with senior responsibilities where there is little reflection of the level of accountability within the pay. This is resulting in the gradual and continual erosion of the differential between different job roles.

The 6.6% increase in April 2022, with a further prediction of a rise of 10.7% in 2023 is far above the level of pay awards possible, with 19% of members paying on the National Living Wage/National Minimum Wage increases as pay awards in 2021, and of those who gave pay awards, most gave 1-3% increases.

Most pay rates for theatres and performing arts companies are based on local authority rates and grading models, thus it is not sustainable to pay staff who score lower at the same rate as others, particularly where qualifications are an essential requirement. This, therefore, has the effect of creating artificial wage inflation for roles currently being paid above the National Living Wage rate, further adding to the financial pressures.

In addition, this year the National Insurance contributions have also increased, adding further significant pressure.

Theatr Genedlaethol Cymru said they are acutely aware that there is great pressure on people to pay for their higher living costs and therefore they have also been re-examining ticket prices. They try to avoid lowering ticket prices in general but they work with venues to try to offer as many opportunities as possible to see their productions, and discounts on the ticket price for people who

may not be able to afford a theatre ticket by now. This is likely to have an impact on their ticket income.

They are also concerned about how the cost increases will impact their relationship with venues. Their tours are mainly based on box office splits so they as the production company are bearing the majority of the financial risk. Some venues already charge them contras for costs such as technical staff and marketing and there is a chance this will extend to energy costs in future.

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

The sector is financially fragile - lots of late bookings, lack of public confidence and cash, high numbers of no-shows so no secondary income on bars etc, illness in teams, roles hard to fill. CRF3 finished in March 22 and was very welcome but this summer into autumn/winter will be incredibly difficult for all. So far Welsh Government has invested £102m in keeping the sector going – we are suggesting that more new and additional funds are required to shore up those who are most fragile and struggling including freelancers, smaller project funded companies, venues and more.

To enable theatres and arts organisations to continue to provide a service to the communities of Wales that is fair and equal, and in order for us to continue the vital work of For the Benefit of All, and delivering our Cultural Contracts, we may need additional support to help bridge this period of uncertainty. The Arts can do so much to help communities recover and move forward from the trials of the last 18 months, and we would hope to see the Arts Council of Wales and the wider sector being supported by Welsh Government and working in partnership together.

Many theatres in Wales are preparing to be 'warm spaces' such as RCT Theatres where they will be open to the public as a space to keep warm during the day this winter. There could be grants or funds available to these vital public spaces to support this action and their communities.

Community transport systems such as theatre bus schemes could be an option to help more rural communities faced with poor transport systems and rising fuel costs travel to performances. These could be coordinated by the venues or run by volunteers but funded by Welsh Government. This also helps encourage audiences to use sustainable methods of transport.

It would be an absolute tragedy if we had spent the last few years battling to keep our theatres open only to find unmanageable energy bills that threaten to close us again.

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

The main concern is audience development. If costs are going up for theatres there is a risk that ticket prices will increase, putting additional barriers into people attending.

We have also been told of the impact of poor transport systems around our more rural venues is having on whether someone can travel to a performance. There are no public bus services to venues such as Theatr Hafren or the Ucheldre Centre in Anglesey past 7pm. Given most performances start and finish after that time audiences have no choice but to drive to the venues. There is a concern that the increase in fuel costs will add an additional barrier to audience attendance.

*Yn Gosod y Llwyfan I'r Celfyddydau Perfformio yng Nghymru
Setting the Stage for the Performing Arts in Wales*

Audience confidence is still a challenge. TRG Arts 'Covid 19 Sector Benchmarking' report noted that theatre revenue was down 18% May-June 2022 compared to the same period pre-pandemic. Further reports by insights organisation Indigo in their 'Missing Audience' report (March 2023) state that:

37% of audiences are attending less regularly than pre-Covid.

22% still haven't revisited the theatre.

The main reason for not attending was 'I'm avoiding interacting with crowds of people'.

These are national UK figures. We know that these figures may even be worse in Wales as the sector was so much later than England to reopen.

Figures from the Audience Agency 'Audience Finder' show that for the period of January-July 2019 there were 2.11m worth of tickets sold in Wales. For the same period this year it was 1.36m.