

25 January 2023

Delyth Jewell MS

Committee Chair

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

Dear Delyth

Re: Scrutiny of the Welsh Government's Draft Budget 2023-24

Thank you for your letter of 19 January regarding the above. I trust the following information will provide further clarification on the matters raised.

Following Welsh Government's review of its budgets for arms lengths bodies, we were advised in December of a 1.1% reduction to our overall baseline budget. This has meant that our Revenue budget available for supporting the Arts Council of Wales as an organisation, our strategic programmes and our Arts Portfolio of Wales (APW) organisations has reduced to £31,572,000. The impact of this reduction has been heightened through the current increasing rates of inflation we are all experiencing.

We acknowledge that, alongside this, we have been awarded additional funding for some areas in the new financial year, however these are earmarked for specific reasons or key projects, this includes £500,000 to support the sector in 2023/24. Similarly, we were informed in December 2022 of an additional £500,000 for 2022/23 to be distributed directly to the sector before 31 March 2023.

Whilst our Capital budget does remain at £400,000, a significant portion of this (£300,000) is ringfenced for allocation to the Wales Millennium Centre.

At the time our previous Interim CEO, Michael Elliott, attended Committee and highlighted the level of additional investment the Sector would, require, we had, at the same time, conducted our own general survey of the Sector on the impact of the current costs of living and had analysed the feedback received in response.

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Rydym yn croesawu gohebiaeth yn y Gymraeg a'r Saesneg, ni fydd gohebu drwy gyfrwng y Gymraeg yn arwain at oedi.
We welcome correspondences in Welsh and English, corresponding in Welsh will not lead to a delay.

We had almost 500 responses to the survey, with contributions including those from APW and other arts organisations, and individuals employed within the Sector as well members of the general public. Respondents represented 20 out of the 22 Local authorities.

The responses provided deeper insight into the true impact of the current cost of living crisis on a Sector that, as one of the last to emerge from the restrictions of the recent Covid pandemic, was still very much in recovery mode as it sought new ways and initiatives to regain its previous levels of activity and audience levels.

Feedback highlighted some key areas of significant concern and further consideration. These included:

- **Rising energy costs** - 56% of all organisations responded they were Very or Extremely worried about the impact of the increase in energy costs, with only 1% responding they were not worried. 36% of organisations responded their energy costs were incorporated in their lease agreements, so these too would see a corresponding increase. Approximately 18% of all organisations responding predicted their energy costs could double in the future. Almost 75% of the APWs who responded signalled that they would not be able to sustain the predicted increased energy costs for more than 1 year. Some respondents to our Survey called for a bridge-grant from the Arts Council to cover increased energy costs to April 2024.
- **Generated income** - In the month leading up to the Survey, over a half (56%) of organisations have seen an impact on their income due to the cost of living. Ticket Sales, (39%) Café/Bar turnover (19%) and Room and venue hire (18%) were highlighted as being significantly impacted.
- **Fair pay** – Respondents noted organisations were struggling to pay staff / freelancers in line with inflation, and, as such, were struggling to retain freelancers / practitioners who cannot afford to do the work / pay travel costs at their current rates. 40% of the organisations who responded stated they were struggling to fill vacancies on the current salaries. Salaried staff were working longer hours and facing cost of living challenges themselves.
- **Travel / transport** – the reported impact of this was twofold. Not only were the organisations themselves reporting the impact of the increased travel costs on their own staff and operations, there was evidence of ticket cancellations also citing this as a reason, particularly where block bookings were made by large groups.
- Other impacts reported by organisations were increases in cost of Petrol/Food/Drink. Donations to organisations have been impacted, material costs have increased as well as an increase in artists and technical fees. Organisations were also starting to see some decreases in attendances to their activities and general footfall, which would impact on income generated through, for example, the sale of consumables and gifts as well general ticket sales.

Organisations are clearly struggling with the combined effects of stand-still or reduced grant funding, and consequently, there is also a gap now starting to appear in the skills for the sector

as vacancies go unfilled and current skilled and experienced staff migrate to more stable environments.

Audience and participants are understandably prioritising their own living cost increases over ticket costs for attending arts performances and events. 90% of all individuals responding to the survey would consider themselves to be an arts attender or participant, and 70% of these signalled they planned to attend or participate less in arts activities due to the impact of the cost of living crisis.

Lottery income is wholly dependent on ticket sales and therefore we are only provided with projected figures as a basis on which to work. We acknowledge we have received an additional £1.5million of Lottery Income this year through increased ticket sales due to a number of rollovers, however similar increases or sustaining income at this level for future years cannot be relied upon, particularly if current costs of living continue to rise. Coupled with the additional £500,000 for 2022/23 and £500,000 for 2023/24, we have total funding available of £2.5m over the 2 financial years to provide cost of living support.

Whilst we welcome the additional funding received from Welsh Government for specific expenditure the combined impact of the above key points puts significant financial pressures on the Sector, including our existing APWs. In consideration of the increased costs and income reduction being reported, we predicted the figure of £5-10million as necessary to support the Sector over the next financial year. Whilst there is without doubt, the need for critical support to the Sector during this current time and our Investment Review period, we acknowledge the additional £2.5 million referenced will go some way to address this need.

However, we also appreciate the current situation is volatile, particularly with many of our partners, including Local Authorities, also experiencing significant budget reductions at a time of facing escalating costs, and it is likely to be some time before the situation stabilises and improves. Therefore, any additional funding that may be made available for the Sector will be welcomed.

We thank the Committee's continued consideration of this matter.

Yours sincerely



Dafydd Rhys
Chief Executive