

12 July 2024

Delyth Jewell MS
Chair
Culture, Communications, Welsh Language,
Sport and International Relations Committee

Dear Delyth Jewell MS

Re: Update from Arts Council of Wales following general scrutiny

Thank you for your letter of 24 June and for the opportunity to provide a further update, below, to the Committee on the areas you have highlighted.

Strategic approach to the arts

Our new 10-year Strategic Framework introduces a revised vision:

‘the arts is part of the daily lives of the people of Wales, connecting us to each other, integral to our wellbeing, and inspiring us for generations to come’

This reflects our long-term commitment to sustain and develop creative activity that enriches the lives of its makers, participants and audiences locally, nationally, and globally, now and for future generations. The Strategic Framework was approved by our Council in March 2024, and we are currently awaiting its approval from Welsh Government prior to its launch and publication.

The Strategic Framework is underpinned by our 6 published principles that we consulted on as part of our Investment Review 2023 and that will provide a longer-term view of our key objectives. These are: Creativity, Equality and Engagement, Welsh Language, Climate Justice, Develop Talent and Transform.

Work to address these principles is shared across 3 goals that derive from our Royal Charter, the Wellbeing of the Future Generations Act and our long-term vision for the arts:

- **Develop**

Develop and improve the knowledge, understanding and sustainable practice of the arts.

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Swyddfeydd Lleol/Local Offices:
Caerdydd/Cardiff, Bae Colwyn/Colwyn Bay, Caerfyrddin/Carmarthen
Rhif Elusen Gofrestredig/Registered Charity Number: 1034245

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.

- **Connect**

Making connections to improve the opportunity for the people of Wales to experience and enjoy the arts.

- **Promote**

Collaborating with partners to promote a Wales of vibrant culture and a thriving Welsh Language.

Through these we have identified key tasks that will provide support for the Sector, now and for the future, capturing the legacy of work and its longer-term impact.

Unlike its predecessor, *'For the Benefit of All'*, which was fixed for its 5-year period, in consideration of its 10-year remit, the Strategic Framework is designed to give a high-level overview, allowing it to be flexed and adjusted through periodic reviews. This approach allows us to respond to any future developments and changes in the cultural landscape, ensuring our published commitments and direction of travel remain fit for purpose.

Alongside this work, colleagues have been developing a suite of supporting plans, including annual operational plans, and longer-term plans that focus on equalities, Welsh Language, climate justice and international priorities that complement the Strategic Framework and provide more detail on the key actions we will undertake across our 6 published principles to drive forward the areas of focus and activity outlined in the Strategic Framework. We will be happy to share a copy with you once it has been approved by Welsh Government.

Following its appropriate approvals the Strategic Framework will be launched in a number of engaging ways and supported by a programme of communications. Periodic updates will be supported reporting of its progress, including through published case studies.

Review of English-language theatre

1. We first published our commitments resulting from the Investment Review in September 2023 in our [Investment Review 2023 Report and Decisions](#). This including a commitment to undertake a review of English-language theatre in Wales. However, as outlined in the Report, we were not in a position to confirm final awards and allocations until we had received confirmation of our own settlement for 2024-25. We received confirmation of a 10.5% reduction in our 2024-25 budget from Welsh Government on 20th December 2023, and Council confirmed its revised allocations, including the budget set aside for its identified strategic commitments, in February 2024. This reduction necessitated a reprofiling of our own expenditure, a programme of Voluntary Redundancies and a re-structure at senior level, which had to be completed by the end of March 2023. Following that, we published commitments in April 2024, on a reduced budget and with reduced capacity. Over recent weeks we have published tendering opportunities, through a full

open call process via Sell2Wales, for English -language theatre, traditional music and dance reviews to progress our published commitments in these areas.

2. We anticipate awarding contracts to our preferred provider by week commencing 22nd July, with the final version of the report to be received by the end of November. Following its consideration by our Council, work on implementation of its recommendations will begin in Q4 2024-25 and through to early 2025-26.
3. A copy of the Review's terms of Reference is attached.

Investment Review

Organisations that were successful in their application to the Investment Review received confirmation of their award for 2024-25 in February 2024, following confirmation of our own settlement from Welsh Government.

We will be undertaking evaluations of our own process and arrangements for delivering the Investment Review and examining the outcomes in consideration of our published objectives for the Investment Review. Both evaluations will be undertaken by our internal audit service providers as part of the agreed annual programme of internal audit activity and resulting audit reports will be shared with our Audit and Risk Assurance Committee and Council for consideration.

The 10.5% reduction in our own settlement necessitated a 2.5% reduction across the conditional offers made to these organisations in September 2023. Therefore, following confirmation of 2024-25 allocations, Officers have been agreeing revised proposals with each of the 81 successful organisations as part of their individual Funding Agreements. Both Funding Agreement templates and their associated reporting and monitoring procedures have been revised to reflect our new Strategic Framework and 6 principles that underpin our work going forward.

Taking on board feedback received during early workshops prior to the Investment Review application window, as well as feedback received since this time, we have recognised a clear desire from the sector for us to think differently, step back, and to consider the types of relationships we want to have with our funded organisations. These considerations include a more mature relationship with our multi-year funded organisations that is built on trust, honesty and accountability, it also needs to be flexible and proportionate to be reflective of organisations' individual capacities and resources, but that is also a mutual listening and feedback relationship that celebrates success and shares learning. The focus on quality will be paramount, both artistic delivery and organisational quality. The Funding Agreement will be a collaborative document, and organisations will be required to self-report their own progress against the agreed targets and areas of activity and expenditure, that officers will then discuss with them and provide feedback. We will however continue to receive information on financial matters and business plans and as a distributor of public money we will monitor public value and the health of organisations providing reports to Council through the Audit and Risk Committee.

We have established an internal Monitoring Processes Group to progress this work.

Health of the Sector

The current financial climate and its ongoing impact on an already pressurised sector following the wake of the pandemic is of grave concern.

Our provisional budget of £30.429m for 2024/25 is the lowest since 2007/08. For example, in 2010 we received 35 million in Grant in Aid which means that, in real terms, we have received a 37% cut since then. 92% of the funding we receive is distributed all over Wales to organisations and creative individuals which means that the impact of the cut affects communities the length and breadth of the country.

We have taken a number of steps to evaluate and help mitigate, where possible, the impact of the cut in our funding. In September 2022, we surveyed our funded organisations on the impact of the current cost of living crisis and its resulting effect on organisations' ability to safeguard employment in the sector. Of the 77 organisations that responded 56% noted then that they were very worried about increased energy costs, and a similar figure noted that they had seen a drop in income related directly to the cost-of-living crisis. 53% noted that they would need to reduce their planned programme of work in response. Individuals working within the sector, too, noted significant concerns, with 57% of respondents in this category signalling they were unsure whether they would be able to continue working within the sector, on their current incomes.

We will be undertaking a similar survey over the course of the next few weeks. However, through our continued communication and relationships, organisations continue to cite capacity issues and do not have the necessary resource to fulfil requirements.

Organisations continue to work against the backdrop of increasing costs and audiences that are feeling the effects of their own cost of living increases, meaning that many are reporting a shift in buying patterns. This has resulted in some organisations experiencing cash flow issues.

Other areas of impact result from the reduction in funding received by key partners and stakeholders, including Local Authorities and Higher Education institutes, both of which are having to scale back their offer of how they may support the sector within their own areas, including through partnership working and career pathways.

We offered some support to ease financial pressures with Cost-of-Living top up grants for existing projects as well as Business Development Grants of up to £50k per application. Welsh Government has also provided some ringfenced funding as part of a strategic initiative to avoid job losses in the arts sector and to give the organisations time to improve their financial situation in 2024/25.

We routinely monitor and report on the organisations in receipt of multi-year funding agreements, assessing a number of areas including financial stability, resilience, governance and operations. Monitoring arrangements are through a variety of approaches, including

scrutiny of financial information, business plans and board papers, regular Lead Officer contact, Lottery project monitoring, and 6 monthly surveys. This data is compiled and reported to our Executive Leadership Team, our Audit and Risk Assurance Committee and Council.

Following the 10.5% cut to our own funding from Welsh Government for 2024-25, we reprofiled our own internal resources. As a result, we managed to limit the cut to the sector to a 2.5% reduction on our initial conditional multi-year funding offers to all of the 81 organisations successful in the Investment Review.

Whilst organisations were grateful for this, in consideration of the above and the reduced funding offers we have had to make through our Investment Review process, organisations have had to review and revise their own business plans to scale back their proposed activity accordingly. Officers are currently in discussions with the organisations to agree revised Funding Agreements.

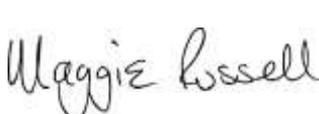
We have recently commissioned an Economic Impact Assessment of our work across the Sector. This not only considers the impact of our direct investment to the Sector through our grant awards and through employment of our own staff and our contracting of third parties, but also wider considerations including the indirect contribution made to supporting third parties including those who rely on the sector for their own livelihoods, including through employment or ancillary services. The Report is expected in September.

Under the Sustainable Development Principle, our corporate commitments consider their long-term impacts. However, it cannot go unsaid that, whilst we will continue to use every opportunity to advocate for support for the arts and the sector, we are facing significant financial challenges and, as a result, are having to make short term decisions in working towards our mission for the arts to be part of the daily lives of the people of Wales, connecting us to each other, reaching, reflecting and enriching all communities across Wales, now and for future generations.

We trust you will find this update useful and would welcome the opportunity to provide an annual update on key aspects of our work to the Committee if you feel this would be helpful.

In the meantime, please do let us know if you require further detail regarding any of the above.

Yours sincerely



Maggie Russell
Chair



Dafydd Rhys
Chief Executive

Encl: English Language Theatre Review – Terms of Reference