

It is welcome and timely that the Culture, Welsh Language and Communications Committee have launched an Inquiry into the challenges of non-public funding of the arts in Wales. Welcome, because it is imperative that the Welsh Government understand the complexities of funding challenges for the subsidised sector and its fragility. Timely, because we are all under extreme pressure to ensure every penny matters, achieving good rates of return on our nation's economic, political and social impact.

However, it is of concern that the terminology used within the Background Information of this Inquiry, which open with the lines, "The vast majority of the Welsh Government's budget allocations for the arts are for the Arts Council of Wales". Whilst the sentence itself is technically accurate, it misleads the reader into believing that this budget allocation is "vast", when it is in fact incredibly lean and that any further proposed cuts would have a detrimental impact on the sector.

In addition, noting that a 3.5% increase in cash terms compared to the 2016-17 revised baseline, is also taken out of context as the government's budget allocation has been cut for several years now. The increase awarded in this financial year only represents a partial reversal of crucial baseline funds.

Arts funding cuts from Welsh government (most recently £1.5m in 2016/17), local authorities (£56m has been cut from UK local authorities arts funding since 2009 – The Stage, February 2016) and the decrease in National Lottery funds (£18m decrease in funding for the arts – Arts Professional, November 2016) and Grant-in-Aid reductions are of huge concern for the whole sector. To that end, the full funding landscape needs to be understood by the Committee and not scrutinised in isolation to questions around earned income, philanthropy and investment alone.

Whilst non-public funding will assist with the diversification of income and build financial resilience, Wales faces very specific challenges to securing such funds in comparison to its peer organisations throughout the UK. It is also worth noting that all subsidised arts organisations need to scrutinise ethical and reputational risk considerations before engaging or accepting financial support from particular funding sources. The Committee must also be mindful not to compare arts

organisations to each other, as there are a number of fundamental variations to an organisation's financial model (arts venues (receiving houses, producing houses), producing theatre companies (with buildings or without buildings) or organisations located in one place or working across the nation), where an organisation is within its business growth (start-up or established) and its opportunities to secure alternative funds.

The non-public funding landscape in which we work in Wales;

Individuals

- There are limited pockets of wealth in Wales; as we also know much of Wales remains one of the poorest areas of the UK (with our local authorities eligible for the highest levels of intervention of the EU structural funds – another future financial concern for our nation with the implications of leaving the EU; and with 1 in 4 people living below the poverty line).
- The Community Foundation in Wales published a report in 2014 detailing that Wales has the lowest % of household giving to charity at just 25.1%. This compares to 29.5% in Scotland; 46.2% in Northern Ireland and 30% in England, with the median donation in Wales being £7.32 as opposed to £10 in England. Given this and the bullet point above, one has to be realistic on the levels of donations that can be achieved by an arts organisation within Wales – as well as factoring in the costs associated with managing these initiatives. Not to mention the competition on individuals to donate to other charities of UK significance, who also have large campaign budgets (cancer, children's, animal charities all securing the majority of these funds).
- With regards to High Net Worth Individuals, The Barclays Prosperity Map ranks Wales 11 out of 12 in the UK regions in terms of prosperity and calculates that Wales has 12,000 millionaires (and only 5 billionaires – none of whom now live in Wales), compared to 191,000 in London or 48,000 in Scotland. In 2008/9 Coutts identified 201 donations of at least £1m in the UK, totalling over £1.5billion – not a single one was from Wales, the only region in the British mainland not to feature.
- Total individual donations throughout the UK is between £7–£9bn per annum. This is broken down to only 2.6% per annum in Wales (£350m).

Corporate

- There is only one FTSE 100 company based in Wales (Admiral Insurance Group), leading Wales to being frequently referred to as an economy of SME's (200,000 active in Wales).
- The combined turnover of the Wales Top 300 businesses in Wales is only £31.2 billion – compared to Scotland's £184.61 billion.
- Corporates are demanding more benefits from their arts sponsorship and in the case of one financial services company based in Cardiff, it has reduced its local CSR spend from £250k to £10k.

Trusts and Foundations/Other Statutory Funding

- Since the financial crisis the number of Trust and Foundation applications submitted by arts organisations has dramatically increased, making the competition a lot harder. In addition, a Foundation's level of funds is dependent on how well its shares are performing, which has also been under pressure since the recession and the exit from the EU – resulting in less funds available to award.
- Leaving the EU will also preclude Wales from a number of European Cultural Funds that were once available to them, not to mention increase costs to our arts organisations for touring or artist exchange (NoFit State recently reported to the Creative Industries Federation that for the same European tour of Bianco it cost £46k more to mount the production in New York due to visas, carnets etc). This in turn will impact the sector's capability of increasing Earned Income through touring fees and box office income.

Earned Income

- Survey data from the Audience Agency identifies that from a total population of 3,087,338 (2011 Census), a total of 1,319,178 are active Cultural Attenders. For NTW only 10.6% of this total attend Plays/Drama (139,833), who spend an average ticket price for theatre at £9.73 (2016/17 Audience Insight).
- Given the above statistics, the nation's geographic challenges and with 1 in 4 people living below the poverty line in Wales arts organisations need to be realistic around ticket price sensitivities, particularly the subsidised sector which strives to diversify and develop arts engagement by providing accessible ticket prices.

Examples of Best Practice;

- A number of small arts organisations have been successful in generating funds from the public through Crowd Funding mechanisms. However, the levels of money are small (less than £5k) and does not build a resilient/sustainable financial model*, as it only funds a specific short-term project – they also require a lot of time to create and manage. However, Crowd Funding is definitely complimentary to the income generation mix.

**Note: If long-term financial resilience is not supported and nurtured within the arts then full diversification of the sector is less likely to be achieved, making it more likely that only “the privileged few” would be able to make or experience work. This is one of the many reasons why investment is essential.*

- Throughout the UK, corporates tend to predominantly support arts venues who can provide year-round benefits packages to their staff from tickets, room hire and naming rights to spaces within the public realm. However, a good example of a more innovative approach is the Travelex Season at the National Theatre of Great Britain, where the company sponsors the subsidy of tickets. A great initiative that attempts to address the encouragement of diversifying its audiences within a socio-economic capacity.
- Other innovations or best practice comes from new technical functionality from creating contactless donations functionality, using VR to enable stakeholders to engage with work or real time updates (Greenpeace being the most technically advanced charity). Award recognition tends to acknowledge innovative communication campaigns which ignite a public's imagination and engagement, but the principles/mechanisms of giving is essentially unchanged.

Some examples of NTW's success to increase non-public funding and its distribution include;

- Since its inception, NTW has leveraged over £1.7 million from trusts and foundations based outside of Wales. All of which has been spent within Wales and has also paid for a number of jobs for individuals throughout Wales, not just in Cardiff where the office is based. A recent independent consultation has confirmed that NTW is punching above its weight with regards to this rate of return, particularly in relation to the company's lean overhead business model and level of core ACW grant compared to other similar arts organisations throughout the UK.

- In addition, the company has secured a number of UK grants (i.e. London 2012 Cultural Olympiad, The Space and 1418 NOW), totalling over half a million in additional funding support for artistic activity throughout Wales – from Connors Quay to Laugharne and to Usk. All of which was spent on the local economy and employment, creating significant cultural experiences for Wales to be proud of.
- Out of the 50 productions NTW has created since its inception, 15 (30%) have been co-productions with other national and internationally significant cultural organisations and festivals, resulting in NTW securing co-production funds from organisations outside of Wales. In addition, these productions have attracted audiences throughout Wales, the UK and globally – all contributing to the local economy with regards to accommodation, food and transport costs.

Some Examples of how working together to ensure the arts sector in Wales is leading in its field, include;

- The National Companies of Wales (as defined by the Arts Council of Wales) are currently researching whether a ‘collective National heft’ can attract funds within and outside of Wales to benefit the nation’s arts sector, such as developing the nation’s international profile and market opportunities. The project is in early discussions, but they are bold and ambitious and will require the support and advocacy from Welsh Government to ensure they are as successful as they could be. The group are also researching how to collectively diversify the nation’s Cultural Attenders, making them more inclusive.
- Support from Welsh Government to enable a National/International messaging campaign to advocate for its extraordinary Welsh arts organisations will provide invaluable endorsement and national pride. Alongside highlighting how the arts are intrinsic to the success of the Wellbeing of Future Generations Act, the Creative Learning Through the Arts and the Government’s new 2018 curriculum which includes the Expressive Arts, will all contribute to creating a positive picture for potential funders to support and audiences to engage.
- Central Government to remove barriers to giving such as changes to tax benefits, as per the United States of America, where donations receive 100% tax exemption would provide greater financial support for the arts.