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Senedd Cymru | Welsh Parliament

Pwyllgor Diwylliant, Cyfathrebu, y Gymraeg, Chwaraeon, a Chysylltiadau Rhyngwladol | Culture, Communications, Welsh Language, Sport, and International Relations Committee

Effaith costau cynyddol| Impact of increasing costs

Ymateb gan Celf a Busnes Cymru / Response from Arts and Business Cymru

Arts & Business Cymru Response: Senedd's Culture, Communications, Welsh Language, Sport and International Relations Committee Inquiry into the Impact of Increasing Costs within its Portfolio. This statement has been prepared in response to consultation with A&B Cymru's arts members.

The rising cost of living presents significant challenges for the cultural sector in Wales. These are not all unique to the arts but could collectively result in a major financial crisis for the sector. The institutions which produce, share and celebrate the culture of Wales are at undoubted risk, as is the work of many organisations who are striving to become more representative of the diverse communities of the nation.

Organisational Costs and Staffing

Like all sectors, arts organisations are facing the immediate impact of rising energy and supplier costs. These are unavoidable expenditures and include the costs of maintaining offices and venues, travel and income generating services such as bars and cafes.

While the introduction of a six-month cap on energy costs provides some immediate respite, there remains a lack of clarity on how this support will work. In addition, the short-term nature of this presents significant uncertainty beyond this period. The prospect of rising energy costs seen elsewhere in the cultural sector of up to 400% proposes a significant risk to financial sustainability.

The ability of cultural organisations to respond to these unprecedented increases will differ across the sector, depending on individual business models and the ability to secure income from a range of sources. An organisation securing a high portion of income through contracted work with a local authority will face different challenges to one which relies heavily on ticket sales – for example, contracts may not be renegotiable and ticket sales could drop as a result of a reduction in disposable income.

The impact of rising costs will acutely affect staff working in the sector, particularly those who earn the lowest salaries. Individuals working in the arts typically earn lower salaries than comparable roles in other sectors. The continued impact of the pandemic, combined with the rising cost of living on disposable income, means that the cultural sector will struggle to increase salaries to alleviate the impact on its workforce. In the long term, this could see sector workers seek employment in other more stable sectors.

Added to this, the increased cost of living may lead to previously hybrid workers returning to offices to reduce their cost of living. This will not only result in higher organisational running costs but could also have a negative impact on the environment through increased commuting.

Cultural Creation

The current climate will undoubtedly have a negative impact on the creation of culture. Freelancers will increasingly need to allocate a larger portion of their income to costs such as fuel and the organisations they are contracted by will face pressure to cut costs, potentially reducing the number of paid opportunities. Individuals engaging with the arts will also be impacted by rising travel costs. Equally the venues used to deliver to communities could seek to recover losses through increasing the price of venue hire.

The collective impact will jeopardise work to make the sector more inclusive and representative of the people of Wales. Rising costs will reduce the amount of funding available to engage those who have historically been excluded from participation as result of the barriers they have faced.

Loss of Income and Cultural Participation

The rising cost of living is and will continue to reduce the amount of disposable income of people in Wales. For many, cultural participations which incur any cost will be seen as an unjustifiable expenditure. This reduces the potential income through donations and ticket sales. The impact is particularly acute as many organisations recovering from the impact of COVID-19 will be relying on projected income from the Christmas season. The cultural sector's relationship with the private sector will also be tested. Established partnerships with businesses are at risk as rising costs have an impact on profitability and are likely to reduce their "non-essential" spend.

Conclusion

In short, the cultural sector faces unprecedented challenges. From rapid rises in energy costs, to the impact of the cost-of-living crisis on its workforce, to the decrease in disposable income and creation of new barriers to participation. This directly threatens the opportunity for the communities of Wales to create and participate in many forms of culture in the immediacy and in the future.