

Cynulliad Cenedlaethol Cymru / National Assembly for Wales
Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / The Culture, Welsh Language and Communications Committee
Cyllid Celfyddydau nad yw'n Gyhoeddus / Non-public Funding of the Arts
CWLC(5) ART21
Ymateb gan Cwmnïau Cenedlaethol Cymru / Evidence from National Companies of Wales

NATIONAL COMPANIES OF WALES

The eight organisations are those designated as national companies by the Arts Council of Wales, and in receipt of ACW funding. They include the following:

BBC National Orchestra of Wales
Ffilm Cymru Wales
Literature Wales
National Dance Company Wales
National Theatre Wales
Theatr Genedlaethol Cymru
Wales Millennium Centre
Welsh National Opera

Some of the eight organisations have submitted individual responses to this call for submissions; others will only be represented here.

Since March 2017, the companies have sought to work together even more collaboratively, and are starting to look towards a future delivery around five areas of focus:

- To develop diverse and inclusive audiences
- To develop sector skills and continue professional development including the development of adaptive business models
- To develop international profile and market opportunities
- To develop communications and collective messaging
- To underpin these other four with data and research

This early stage collaboration is driven by the potential for devising and delivering more joined up opportunities, at scale and with even greater impact; it is 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 and diverse.

We want to highlight a range of issues related to increasing non-public funds for the arts and culture in Wales, and we have detailed these in sections below.

PUBLIC FUNDING OF THE ARTS AND CULTURE IN WALES

We welcome the committee's inquiry into this area of focus, and look forward to its findings in due course. We would also like to stress that, underlying this need for increased and more diverse sources of non-public funds, there is a strong base of public investment which helps us return an even higher yield from those public funds. Without this level of public investment, we cannot hope to leverage further monies which support outreach, education and learning, community engagement, artist and sector development, as well as world-class production, touring and promotion.

Over the last five to ten years especially, we have all looked to make savings and efficiencies, as well as to increase and diversify our income (including but not limited to traded services, ticket sales, philanthropy and donations, crowdfunding, CSR/ sponsorship, investment, and charitable trusts and foundations). To put those savings and efficiencies in context: arts funding cuts from Welsh government most recently total £1.5m in 2016/17; local authorities have cut £56m from UK arts funding since 2009 (The Stage, Feb16); and there is an £18m decrease in funding for the arts from National Lottery funds (Arts Professional, Nov16). It is worth noting therefore that whilst there was a 3.5% increase in cash terms compared to the 2016-17 revised baseline, the longer term view is in the context of reductions in funding over several years prior, and that the increase awarded in this financial year only represents a partial reversal of crucial baseline funds.

As a specific example of this, since 2010/11, NDCWales' ACW core grant has fallen in cash terms by 5%, or by around 21% in real terms. Despite this, the company has become busier, delivers work to more diverse audiences and its turnover has increased by around 45% as a result of maximising other forms of income. However, its reliance on the ACW core grant is as strong as ever as without this, other funders would not have the confidence to invest in the long term.

Another example would be Literature Wales, which since 2011/12 has increased the income it raises from other sources. In 2011/12 the ACW revenue grant

represented 74% of LW's income. By 2015/16, this had reduced to 61%. In this period, the additional funding and income LW receives beyond its core grant has increased 122% (an additional £204,779 in 2011/12 and an additional £366,595 in 2015/16). LW's turnover has increased 20% in the same period (£1,070,194 in 2011/12 to £1,209,476 in 2015/16).

THE PICTURE IN WALES and THE UK

As companies resident in Wales, who also tour and co-produce work elsewhere, we see the levels of non-public funding in Wales as lower than in comparison to the rest of the UK. This is drawn from knowledge of those of us who are funded in Wales in addition to other/ UK funds (eg BBC NOW and WNO); and also from those of us connected into and affiliated with our sectors across the UK (eg membership of UK Theatre, Association of British Orchestras).

Out of the 12 UK nations and regions, Wales is ranked 10th in terms of overall wealth, with 23% of people living in poverty (ONS, *Economic Indicators*, 2016); in 2014 the average Gross Disposable Household Income in Wales was £15k pa, 82.5% of the average (ONS, *Economic Indicators*, 2016); Wales has 6.7% of UK VAT registered Businesses (ONS, *Business Activity Size and Location*, 2016). All of these mean that there is a lower potential for new avenues of private funding, than in Scotland or England. It is a challenge which has only increased over the last few years given the UK economic picture, and the outlook is not improving.

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. Only 2% of people in the UK give to the arts, compared to 20% to religious organisations, and 10% to overseas aid, (Charities Aid Foundation 'UK Giving 2017'). Given this, 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). We recognize that there is more that might be done in terms of potential individual support, as a long-term requirement to demonstrate how important arts/culture is as charitable cause.

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.

As one example in this area, NDCWales has recently launched an individual giving scheme with annual subscription amounts of £30 – £120 for an individual. This is linked to twice yearly events where additional funds are raised. In this financial year, the amount expected to be raised totals around £21,000. Given time and investment this figure could rise, but it is not expected to be a major part of the Company's income – and certainly unlikely to rival the importance of Trusts and Foundations, or earned income.

Overall therefore, our sense is that there are fewer sources of private funds (corporate and individual) in Wales.

NON-PUBLIC FUNDING STREAMS

Whilst non-public funding will assist with the diversification of income and build financial resilience, as we have already laid out, Wales faces very specific challenges to securing such funds in comparison to its peer organisations throughout the UK.

Earned income can be derived from several sources for an arts organisation – box office, fees paid by venues/promoters, hiring out equipment and spaces, earning fees for expert services and delivery, merchandising, delivering engagement and learning projects, and so on.

Compared to other parts of the UK, the fees which can be earned in Wales are low; for instance, Welsh venues pay around 40% less than in other parts of the UK, and around a third of fees paid by overseas venues. Studio hire rates are around 50% of comparator rates in, for instance, the West Midlands, which reduces the amount earned by hiring out facilities. The low level of fees paid in Wales reflect the relative size of venue catchment areas, where the number of available arts attenders is relatively low compared to elsewhere in the UK, both due to population density, and to demographics. To match this, ticket prices vary across Wales – from rates in Cardiff which are comparable to any major UK town or city, to places such as Caernarfon, Newtown and Milford Haven where ticket prices are, by necessity, around a third less. These venues report a highly price sensitive audience, limiting

the amount they can earn at the box office, and accordingly the amount they can pay for a performance by a visiting company. Some of the national producing and touring companies, such as Theatr Genedlaethol Cymru, now struggle to secure fees from even some of the larger arts venues, and have to rely on box office splits, where the risk (in terms of income and loss) is almost entirely placed on the producing companies (as opposed to the venue).

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, be that sponsorship or other donations. 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.

We eight, and only relatively few others (eg Royal Welsh College of Music and Drama, Theatr Clwyd, Amgueddfa Cymru), are able to operate effectively at a scale to potentially develop and attract this sort of private funding from corporates and other large donors. We need to be mindful of who we are approaching, when and how, so as not to over-ask against these potential pots, and in overt competition against each other. Likewise, to be successful we are likely to need very large-scale and innovative projects/ programmes which have ambitious outcomes and impacts. We would also note that income generation from philanthropy, investment and/or trading activities in itself takes expertise, resource (cash and people), and time. Some of our organisations are engaged with ACW's organisational development programme, Resilience, to build capacity, skills and knowledge in developing these opportunities further.

We would note especially that the competition for charitable trusts and foundations' income is higher than ever before. Since the reduction in core arts grants across the UK, arts organisations' operations focused on raising funds from these sources has increased significantly leading to lower success rates, and smaller grants being awarded. This is likely to become ever more competitive in the future, with a continuing decline in success rates, making it more expensive to

raise each pound, and realistically putting major grants out of the reach of smaller organisations.

Trusts and foundations' primary interest is in community benefit and impact; they are more likely to be interested in supporting new activity in unlikely places, than in supporting ongoing work with existing venues or groups. They are unlikely to support the creation of new work, or of touring. To be successful, bids must be deeply rooted in the organisation's core mission, and be innovative, exceptional value for money and able to demonstrate real and lasting impact. These funds are not easy to access, and require patience, expertise and the development of strong relationships based on mutual trust and understanding – not easy when you're based in Wales, far away from where many of these organisations are based and where trustees live and socialise.

With trusts and foundations, it would not be unusual for a substantive bid to take between 9–12 months of evidence gathering, staged applications, consultation etc before receiving a decision. This is something for which few organisations have the capacity, particularly if they are seeking to move into a new area of income generation from a range of other sources previously. It's also especially worth noting that these often exclude core running costs and prioritise new activity – rather than being available for core operational costs, or for substituting areas currently or previously covered by public funds.

Crowdfunding is often quoted as another potential area of income generation and fundraising. There can be a tendency to think it is an easy/ quick win, which it isn't and not repeatedly, but it does have value in testing ideas, raising awareness and seeing if there is a creative interest in the project, which can be very useful when building audiences. It is intensive in both time and resource, as communities of support have to be built, nurtured and communicated with. For example, Ffilm Cymru Wales is part of an international network of 40+ European film funds (cineregio), and none of the bodies observed significant sums coming from this source.

For some of us, there remain ongoing obstacles in terms of conflicting (and unclear) HMRC rules on VAT, Gift Aid, and sector tax reliefs which can cause problems for arts organisations across the UK.

There are some good practice examples which we would highlight however:

- National Dance Company Wales have taken part in international showcases like Tanzmesse in Germany, and as part of British Council Showcase at the Edinburgh Fringe to maximise international touring opportunities (also true of Theatr Genedlaethol Cymru and NTW as well)
- WNO have a successful traded service, Cardiff Theatrical Services, which designs and builds sets for the company but also for many other producing and touring organisations
- Theatr Genedlaethol Cymru continually raise funds from the hiring its comparatively significant technical resources to other organisations
- As a result of the ongoing implementation of Literature Wales' fundraising strategy, income confirmed from successful applications to private and third sector sources has risen from £50,500 in 2015/16, to £204,330 in 2016/17 – an increase of 304%. Also, following recent renovations and conservation works at Tŷ Newydd Writing Centre, Literature Wales secured a partnership with historic buildings holiday lettings agency Under the Thatch and renewed the site's wedding licence. During fallow periods, income from venue hire at Tŷ Newydd has risen from £815 in 14/15, to £8,085 in 2015/16, and a projected £23,097 in 2017/18.
- Since its inception, NTW has leveraged over £1.7 million from trusts and foundations based outside of Wales, all 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.

POSSIBLE AREAS FOR FUTURE FOCUS

We feel there is more that could be done to promote a collective value and sense of civic pride in supporting the arts and culture because they are important to the economic and cultural well-being of Wales. The current situation sees a more transactional approach to sponsorship, which makes it difficult to raise funds beyond the cost of delivering the actual benefits to the business. What messaging and profile-raising could be done to promote the responsibility of and value of

corporate support for the arts and culture, and could this be incentivised by a Government match-funding and/or future tax relief programme? General cross-government messaging (perhaps in partnership with the media and other partners) about the importance and value of the arts to our economy, well-being, creativity and education could be more consistently and publicly delivered.

The profile of the arts in Wales is relatively low in the corporate sector, and with individual donors of significant means. The Welsh Government might assist by helping to create a powerful and compelling brand for the arts and culture in Wales, targeted within Wales, in the wider UK and internationally, enabling competition on a level playing field for Wales-based arts companies to secure higher levels of investment.

Support from Welsh Government to enable a national/international messaging campaign to advocate for its extraordinary Welsh arts organisations and artists will provide invaluable endorsement and national pride. 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), and more within the Programme for Government, will contribute to creating a positive picture for potential funders to support and audiences to engage.