

Agenda – Culture, Welsh Language and Communications Committee

Meeting Venue:	For further information contact:
Committee Room 2 – The Senedd	Steve George
Meeting date: 12 July 2018	Committee Clerk
Meeting time: 09.30	0300 200 6565
	SeneddCWLC@assembly.wales

- 1 Introductions, apologies, substitutions and declarations of interest**

- 2 Short inquiry into ‘Building an S4C for the future: An independent review by Eurnyn Ogwen Williams’: evidence session 1**
(09:30 – 10:30) (Pages 1 – 9)
Eurnyn Ogwen Williams, Chair, S4C independent review

Documents:

- [Building an S4C for the future: An independent review by Eurnyn Ogwen Williams](#)

- [UK Government response](#)

- 3 Film and major television production in Wales: evidence session 16**
(10:30 – 11:15) (Pages 10 – 38)
Dafydd Elis-Thomas AM, Minister for Culture, Tourism and Sport
Mick McGuire, Director, Business and Regions
Joedi Langley, Head of Creative Sector



4 The Welsh Government's relationship with Pinewood: evidence session 2

(11:15 – 12:00)

Dafydd Elis-Thomas AM, Minister for Culture, Tourism and Sport

Mick McGuire, Director, Business and Regions

Joedi Langley, Head of Creative Sector

Document:

- [Wales Audit Office report: The Welsh Government's relationship with Pinewood](#)

5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

Consideration of evidence (12:00 – 12:10)

6 Consideration of committee's forward work programme

(12:10 – 12:40)

(Pages 39 – 47)

7 Non-public funding of the arts – Welsh Government response: consideration of consultation responses

(12:40 – 13:00)

(Pages 48 – 73)

Agenda Item 2

Document is Restricted

Agenda Item 3

Document is Restricted

CULTURE, WELSH LANGUAGE AND COMMUNICATIONS COMMITTEE WRITTEN EVIDENCE – INQUIRY INTO FILM AND MAJOR TELEVISION PRODUCTION IN WALES

The purpose of this paper is to provide written evidence to the Culture, Welsh Language and Communications Committee on their inquiry into film and major television production in Wales. This paper gives an overview of what has been done to date to establish Wales as a centre of excellence for production.

1. Welsh Government's policy aims for funding film and major television production in Wales; why and how decisions are made in this area

Historic approach

In 2010 the creative industries was recognised as a priority sector for Welsh Government. Strategy and delivery of support for the sector focused on the provision of funding through grants, loans and commercial investments, with strategic priorities being:

- delivery of the Pinewood collaboration agreement, including the Media Investment Budget;
- bringing high value film and TV to Wales through Welsh Government financial incentives;
- funding high value digital media projects.

This was accompanied by logistical support for productions through the Wales Screen service, and a push to develop a range of studio facilities along the M4 corridor between Chepstow and Swansea.

In 2012 officials in the Creative Industries Sector team undertook an exercise to prioritise support across the various subsectors of the creative industries; as a result, the Sector Panel advised that government should focus support on those subsectors that were likely to generate the greatest economic impact on Wales and would provide the best opportunities for industry growth in Wales. These were identified at the time as screen (in particular high end TV) and digital media. The creative industries sector is much wider than film/TV and digital, but these were the areas which, at the time, we had opportunities to capitalise on and had the potential for greatest growth.

By 2013 the number of productions being produced in Wales (by Welsh producers and inward investors) was at a crucial tipping point. Experience with projects such as *Hinterland*, *Atlantis* and *Da Vinci's Demons* led to the introduction of bespoke mechanisms that could be implemented for a Welsh Government production fund to attract key investments to Wales, and also enable indigenous businesses in this area to expand production capability.

The main objective was to make it easier to lever additional private investment into Wales, delivering immediate economic benefits through production expenditure and also supporting Welsh businesses to develop and exploit their intellectual property in international markets.

The number of productions being produced in Wales at that time was significantly lower than it is now, meaning that many Welsh freelancers were travelling outside Wales for work. In addition, many of the indigenous companies in the sector at the time were reliant on S4C commissions. This production funding was instrumental in unlocking the potential in some of these companies and providing opportunities for the freelance community.

The importance of studio infrastructure was also considered to be crucial to the development of the film and TV industry in Wales. Dragon Studios was aspirational and too early in the growth of the sector to be a success. However, it became a key part of our strategy to develop studio infrastructure along the M4 corridor. This started with Bay Studios, which was home to three seasons of *Da Vinci's Demons*, and has continued through the development of Pinewood Studios Wales and Wolf Studios Wales.

Figures from 2016 demonstrate that the sector as a whole is flourishing:

- The total number of people in employment in the creative industries sector in Wales in 2016 was 48,600, a 52.4% rise from 2006.
- The number of enterprises active in the creative industries sector in Wales in 2016 was 5,705, a 43.3% increase on 2006 and a 5% increase on 2015.
- Total turnover of creative industries companies in Wales in 2016 was £1.73 billion. There was a 12.5% rise in turnover from the sector between 2006 and 2016.

The Pinewood deal had three key strands aimed at furthering our film and TV strategy:

- to further develop studio infrastructure along the M4 production corridor through the establishment of a professional studio facility at Wentloog run by a globally recognised brand;
- to establish a Media Investment Budget, an evergreen fund to invest in film & TV enabling Welsh Government to benefit from the commercial upside alongside the economic benefits;
- a sponsorship deal to promote Wales internationally across the Pinewood global network.

Having such a well known brand in Wales has been invaluable for the Welsh film and television sector. Pinewood has helped to elevate Wales as a premier production location and has given Wales a global advantage over other regions.

The auditor general for Wales has completed a facts based review into the Welsh Government's relationship with Pinewood. The report will be published on 12 June 2018.

The investment into Bad Wolf was to further this growth through the development of a sustainable TV drama production hub in Wales, led by internationally successful and highly experienced executives and delivering significant long-term economic benefits to Wales. It anchored a 10 year slate of high end TV drama series to Wales, securing the sustainability of the crew and supply chain base in Wales.

This approach has proven successful, with Wales now being a real competitor in the high end TV drama sphere; we have seen our enquiries and number of productions filming here soar. This has also led to a significant increase in the amount of money these productions spend in Wales on the Welsh supply chain, and in the wider Welsh economy. Last year (2017-18) we doubled the amount spent by WG-supported productions in Wales.

Future support – Creative Wales

We fund film and TV productions to bring in benefits to the region's economy through local spend by productions filming in the area. Local spend is immediate and upfront, and can have significant economic impact. Going forward, we need to consider what has worked in the past against the context of the changing industry landscape. A strategic shift is needed to shift from the current funding to traditional film and TV, and move towards funding for

'screen' (which could include video-on-demand (VOD) content and platforms, games and animation).

Since 2015, industry growth has changed the landscape considerably and it has been recognised that whilst the support available remains effective, there are further activities that needed to be prioritised to maintain and accelerate sector growth, namely:

- skills and supply chain development;
- improving networks and access to specialist industry-led advice;
- better exploitation of social media and digital platforms for service provision;
- bespoke support for access to capital (private and public);
- improving creative businesses' ability to create, retain and exploit their intellectual property in the Welsh economy.

Hence our commitment to refreshing and re-launching our support for the creative sector; as a discrete function called *Creative Wales*. We recognise the need for a more rounded approach and the requirement for bespoke support to aid business growth. Government needs to respond more flexibly to a sector that moves quickly and sometimes unpredictably. Creative Wales will be our vehicle for doing this, offering a streamlined, dynamic and innovative service to this sector.

Creative Wales' support needs to concentrate on those opportunities presented by digital platforms, and on the companies best placed to respond to those opportunities. This approach reflects the increasing convergence and synergy across the subsectors.

Maintaining a pipeline of productions, developing and strengthening the film and television supply chain and continuing to position Wales as a top location for film and television production will remain a priority for Welsh Government's support for the creative industries.

Future funding must be able to adapt to support production of visual creative content on any platform (existing, nascent, or as yet not invented). The funding model needs to be flexible, broad, and able to change rapidly. It should be able to support emerging technologies, new platforms, new types of creative content and new ways of monetising them.

In 2018, the creative industries sector in Wales is at a vital tipping point where opportunities are converging. With the right support over the coming years, growth and success could be significant.

2. The support given by the Welsh Government to develop the film and television industries in Wales including:

a. Economic impact, and how this is spread across Wales

Latest figures show that over the last five years, film and TV productions funded by Welsh Government have spent in excess of £178m in Wales, benefitting local supply chains and supporting hundreds of businesses here. Last year (2017-18) £64m was spent on Welsh goods and services by productions filming here supported by Welsh Government - double the previous year's figure.

This does not include spend by productions supported by our Wales Screen Service through logistical support for crew, locations, facilities and services; this figure is in excess of £75M over the last five years.

North Wales

Productions filming in the region have included:

Requiem, a six part high end drama series for BBC1, which was filmed in locations across Wales, including Dolgellau in North Wales.

King Arthur: Legend of the Sword showcased some of Wales epic landscapes which inspired international audiences to find out more about Wales' wealth of legends and links with Arthur. The locations from the film included Llyn Gwynant, and Capel Curig.

Take Down filmed partly in Anglesey and received commercial investment from the WG Media Investment Budget,

CBBC's *Rocket's Island* from Lime Pictures filmed at Penrhyn Beach (a 13x30m children's drama series aimed at 7-14 year olds).

The second series of ITV drama *Safe House* also filmed key sequences in Trearddur Bay, Amlwch, Porth Tre Castell and the village of Aberffraw.

Hidden/Craith filmed in Snowdonia was backed by BBC Wales, S4C and all3media international. The eight-part drama premiered in the Welsh language on S4C early in 2018 as *Craith*. A bilingual version *Hidden* is currently showing on BBC One Wales and BBC 4.

Wales Screen's North Wales office in Caernarfon supports the region's economy in relation to film and TV production. It holds an extensive database of local crew, technical facilities, local services and locations and liaises closely with the local authorities, police in north Wales and national bodies such as Natural Resources Wales, CADW and the National Trust. The database of contacts is constantly expanding so that Wales Screen can offer the largest variety of local facilities and crew possible, ensuring that as much money as possible is spent within the north Wales economy.

Regionally significant film and TV companies in North Wales are:

Rondo Media is one of Wales' largest independent production companies with offices in Caernarfon, Menai Bridge and Cardiff.

Cwmni Da has built a reputation as one of Wales' leading and most well-respected indies. It now employs 73 staff, all staff located in Doc Fictoria, Caernarfon,

Chwarel Cyf in Criccieth. is the only TV production company situated on the Llŷn Peninsula offering studio facilities to outside clients, be they film makers or photographers. The studio space also enables them to pitch for TV series which incorporate a studio based element thus ensuring further job creation

All companies have received support (financial and non-financial) from Welsh Government.

South West Wales

We continue to support and grow the film and television industry in South West Wales and Wales Screen, part of the Welsh Government's Creative Sector, is constantly promoting the Welsh locations and local facilities providers.

Bay Studios in Swansea has been home to three seasons of *Da Vinci's Demons* generating £28.5m of Welsh spend into the local economy alone. The production was shot

across multiple South West Wales locations, with the prime location being Margam Park and Castle. The facility has also been home to the Media Investment Budget funded *The Collection*, a high-end TV drama series of 8 x 60 minute episodes written for Amazon Prime Video. Set in 1947 Paris just after the end of World War 2, the series was filmed on location in Paris, at Bay Studios, near Swansea and across various South West Wales locations. The production spent £5.2m in the local Welsh economy.

Apostle, a new feature film starring acclaimed Welsh actor Michael Sheen and star of *Beauty and the Beast* Dan Stevens, was filmed in South West Wales. US-based producers XYZ Films linked up with Cardiff-based production company, Severn Screen to produce the latest film from acclaimed Welsh director Gareth Evans, whose previous films *The Raid* and *The Raid II* were global hits. *Apostle* was commissioned by Netflix and will debut exclusively on the streaming service worldwide in September 2018. Support from the Welsh Government has ensured that the entire shoot and all post-production work on *Apostle* was undertaken in Wales, providing a £5m plus boost to the economy, filming took place in Swansea Bay Studios on Fabian Way and on location in Margam Park and Castle.

Media Investment Budget funded crime drama *Bang*, filmed in Port Talbot was shortlisted for a prestigious Writers' Guild Award. The series, which was shown on S4C in the autumn was nominated for an award in the Best Long-Form TV Drama category alongside *Line of Duty*, *Series 4 (Jed Mercurio)* and *Taboo*.

Welsh Government supported the successful and record breaking BBC drama, *Un Bore Mercher/ Keeping Faith* which was produced bilingually and showcased top Welsh talent. The show first aired in Welsh on S4C with Eve Myles (who plays the main character Faith Howells) learning Welsh specifically for this dual-language series. The court scenes were filmed at the Guildhall in Carmarthen and the Guildhall in Swansea. Many of the striking exteriors were filmed in Laugharne; the police station was based out of a station in Pontardawe and the backdrop of Port Talbot is used in some of the exteriors, including the North Bank Fishery.

South West Wales is frequently used as a filming location and further examples include;

- *Their Finest Hour and a Half* - a period romantic comedy filmed extensively in Swansea, Haverfordwest and Freshwater West. The crew spent seven weeks filming in Wales and had location assistance from Wales Screen, and the film was backed by the Welsh Government's £30m Media investment Budget. The production spent £1.6m on goods and services in Wales.
- *Dan y Wenallt* - a film interpretation of Dylan Thomas' classic play Under Milk Wood was filmed in Solva a harbor village on St Brides Bay, Pembrokeshire;
- *Set Fire To The Stars* - a feature film about Dylan Thomas starring Elijah Wood and Celyn Jones filmed primarily in Swansea. The feature was shortlisted for an Oscar in the 'Best Original Score' category and was nominated for seven BAFTA Cymru awards in 2015, winning two.
- *From A Jack To A King* - YJB Films' first feature film, a documentary telling the story of the last 10 years of Swansea City as it rose from the lowest division in English football to the Premier League.
- Sky's high profile drama series *Britannia* also filmed key sequences at Rhossili, on the tip of the Gower Peninsula in Swansea.

Yr Egin – The Welsh Government has invested £3m to support Yr Egin. This will support the construction of a new building intended to provide accommodation for companies, incubator space to develop new businesses in the creative and digital sectors as well as

event space, an open auditorium and production and edit suites that could be used by both companies and the University of Wales Trinity Saint David. The University intends that Yr Egin will be the catalyst for a cluster of creative businesses in Carmarthen, with S4C as its anchor tenant. It hopes that this will in turn help the local economy, bring additional, high quality jobs to Carmarthen, cement links between academia and creative businesses and support our wider commitment to promoting Welsh as a living and vibrant language.

Tinopolis is one of the creative industries sector's anchor companies. Based in Llanelli, it is one of the UK's leading production companies – and one of the last remaining independents. The Executive Chairman of Tinopolis Group is Ron Jones, who is also Chair of the Creative Industries Sector Panel and a member of the Media Investment Panel. Tinopolis is behind TV shows including Question Time and Crufts and is producer of BT's Premier League and Champion's League coverage. Tinopolis has made several big deals in the US in recent years, including beating ITV to buy Magic Elves, the maker of hit shows including Master Chef.

As a key independent TV production company, Tinopolis plays an important role in the film and TV subsector in Wales. Its success is both domestic and international, and it has achieved sustained growth through investment to become a major TV content provider.

South East Wales

The south east is the largest cluster for film and TV production in Wales. Many productions have filmed and continue to film across South East Wales. Highlights include:

- *Born to Kill* - a critically acclaimed four part drama series aired on Channel 4 in 2017 with support from BBC Worldwide and the Welsh Government.
- *Decline and Fall* - a three part comedy drama adaptation of Evelyn Waugh's 1928 novel screened in on BBC One in April 2017.
- *The State (formerly known as Crossing the Border)* - Archery Picture's high end TV drama for Channel 4 was filmed across multiple locations in Cardiff.
- *Requiem* - a six part high end drama series for BBC1, filmed in locations across Wales, including the Rhondda Heritage Park and Cefn Tilla near Usk.
- *Kiri* - a 4 x 60 minute drama series for Channel 4, co-produced by All3 Media and Hulu filmed in South East Wales. The show was written by Jack Thorne, the second in his trilogy of dramas exploring the collision between media and controversial criminal/legal cases.

Bad Wolf

In June 2015 the TV production company Bad Wolf committed to basing its operations in Wales. Bad Wolf Ltd is headed by Jane Tranter and Julie Gardner, ex-BBC Worldwide executives who intend to exploit their US relationships and IP to secure, develop and produce a high-value slate of TV drama projects in Wales.

Bad Wolf has identified a pipeline of TV productions with budgets totaling over £290m over the next 10 years. Officials included £108m¹ of this Welsh production expenditure as a pre-condition of the Welsh Government's offer of support of up to £9m. In order to secure Bad Wolf and its slate of productions to Wales, Bad Wolf was awarded a Welsh Government funding offer made up of a repayable advance and grant. Bad Wolf Ltd has

¹ Bad Wolf has since been able to confirm that this expenditure will increase to £128M as part of the Wolf Studio Wales agreement.

now established offices in Cardiff and Los Angeles (LA) and has taken over BBC Worldwide Productions' development slate of 45 projects, beginning with two long running returnable series which have been commissioned by UK broadcasters:

- Deborah Harkness' All Souls Trilogy, the first of which is *A Discovery of Witches*. The first season was filmed in Wolf Studios Wales and on location in Wales. Bad Wolf will look to adapt all three books in the series for television.
- Phillip Pullman's *His Dark Materials*, an adaptation of the contemporary classic trilogy of novels for the BBC. It has a £48m budget of which 60% (£28.8m) is expected to be spent in Wales. The series is likely to run over five seasons, with eight episodes currently filming in Wolf Studios Wales and on location in Wales.

Off the back of Welsh Government's production funding, Bad Wolf has secured other major investments into the company:

- Access Entertainment, a division of Access Industries, has taken a 24.9% stake in Bad Wolf;
- Sky and HBO have each taken a minority stake and seats on the board. As part of the deal, Bad Wolf will supply drama for the recently-announced co-production partnership between Sky and HBO, which is aimed at funding large scale dramas for the international television market.

Mid Wales

Hinterland / Y Gwyll is a contemporary television detective drama series set in and around the town of Aberystwyth. *Hinterland* brought together S4C and BBC Wales on a drama for all of Wales.

Three series were filmed cross multiple locations in and around Aberystwyth and Ceredigion with English and Welsh language versions of the programme produced simultaneously. *Hinterland / Y Gwyll* delivers quality drama not only to a domestic audience via broadcasters S4C and BBC Wales but also to a UK wide audience via its transmission on BBC4, and to an international audience via distribution partner ALL3MEDIA. This project supports the Welsh Government's objective of assisting indigenous Welsh companies in exploiting international markets.

Hinterland / Y Gwyll was winner in the Best Drama category at the Celtic Media Festival 2014. The series was also nominated in the Best Drama and Best Actor categories at Monte Carlo.

b. Cultural impact and the Welsh language

Media Policy

Welsh Government worked closely with the BBC to ensure that the new BBC Charter gives the BBC a much stronger public purpose to reflect, represent and serve the diverse communities of Wales. We can now expect more and better content and programming for Wales, about Wales, and in Wales across the BBC's services. Our direct involvement in the Charter renewal process was vital in securing these improvements. To deliver this, appropriate funding is required and we have consistently stressed that any new money promised for Wales has to be genuinely additional. We therefore welcomed the announcement in February 2017, that BBC Cymru Wales will receive additional budget for

programming, and will launch some new services. Some increased budget was made available in 17/18, rising to the full additional increase of £8.5m by 19/20. This will be made available to commissioners to deliver new English language programming for Wales, an increase of 50% over the budget they currently have available. This will enable the BBC in Wales to commission more programmes that truly reflect the lives of people in Wales and to make sure that more of this programming is seen across the UK network.

The new funding is supporting a major expansion in drama, comedy and landmark factual programming, including the biggest ever slate of English language TV drama set in Wales. Three major dramas shot in Newport, Carmarthenshire and North West Wales will be aired on the BBC in 2018. Two have already been broadcast, garnering both critical acclaim and popular success with audiences – *Keeping Faith* starring Eve Myles and *Requiem* starring Lydia Wilson and Richard Harrington. Welsh Government co-funded both these productions with the BBC (and in the case of *Keeping Faith* S4C), to ensure that maximum economic and cultural benefits are retained within the region.

A new network drama commissioner for Wales, Chris Aird, has also been appointed to ensure Wales is better reflected on screen.

In addition, Welsh Government has for some time been asking Ofcom to set more challenging out-of-London production quotas for the public service broadcasters. We therefore welcome the major new commitment from Channel 4 to significantly increase its Nations & Regions content spend from its current quota of 35% to a new voluntary target of 50% by 2023. This will result in a cumulative boost of over £250m in Channel 4's Nations & Regions commissioning spend.

Channel 4's '4 All the UK' strategy is a significant and welcome new approach to the nations and regions, one that as a whole should deliver real benefits for the creative industries sector across Wales. We agree that Wales would be a great home for Channel 4. Our creative industries are booming and we have an international reputation as a home of drama, production, skills and talent.

The Welsh Government will work to directly support the development and delivery of a great future for Channel 4 in Wales and officials are already in discussion with Cardiff Council and its partners. We expect that this offer will increase opportunities and deliver benefits for people and businesses across Wales.

There were bids from other areas of Wales to host the new Channel 4 national HQ or one of its creative hubs. It is disappointing that none of the other bids are going forward, but we are already discussing the potential to build on those bids in other ways with the authorities concerned.

Welsh Language productions

Welsh Government support or investment is available for film and TV projects in both Welsh and English. Our support is conditional on a number of criteria being met, including the need to demonstrate an international market, spend a significant amount of the production budget in Wales and the strength of the likely economic return. However, the primary aim of all Welsh Government support is to strengthen the film and television sector in Wales, through ensuring that Welsh people, Welsh locations and Welsh companies benefit through any investments made.

Since 2011 and up until the 30 May 2018, Welsh Government has actively supported 14 Welsh language productions, alongside S4C, with associated funding being offered in excess of £2.3m:

Production Title	Location	Value of Offer
<i>Igam Ogam</i>	Animation Studio, Cardiff	£75,000
<i>Y Syrcas</i>	On location, West Wales	£20,000
<i>Dan Y Wenallt</i>	South West Wales	£35,000
<i>Boj</i>	Cloth Cat Animation Studio, Cardiff	£200,000
<i>Twt</i>	Cloth Cat Animation Studio, Cardiff	£550,000*
<i>Cestyll</i>	North Wales	£45,000
<i>Y Gwyll Series 1</i>	On location, Ceredigion	£215,000
<i>Y Gwyll Series 2</i>	On location, Ceredigion	£304,000
<i>Y Gwyll Series 3</i>	On location, Ceredigion	£250,000
<i>Un Bore Mercher</i>	On location, West Wales	£328,000
<i>Mynddoedd Y Byd</i>	International locations	£30,000
<i>Y Wal2</i>	International locations	£45,000
<i>Bang</i>	On location, Neath Port Talbot	£350,000
<i>The Rubbish World of Dave Spud (Illuminated Productions Ltd)</i>	Cloth Cat Animation Studio, Cardiff	£90,000

* Business Finance Funding to Lupus Films Ltd up to a maximum of £550,000 of which £350,000 was allocated to *Twt* and £200,000 to TV animation feature *Ethel & Earnest*.

Welsh Government continues to support high-end audio visual Welsh language media through our indigenous companies such as Boom Cymru, Rondo Media, Cwmni Da, Telesgop and Avanti Media.

We have also seen major progress in the Welsh language being promoted and recognised as an international language, with both *Y Gwyll* and *Bang* being successfully sold worldwide.

Welsh Government does support Welsh businesses in other ways. For example, we have recently supported Boom Cymru, one of the largest TV content producers in Wales, to consolidate its presence at the Welsh Government's flagship creative industries building Gloworks in Porth Teigr with the assistance of a Welsh Government Business Finance grant of £115,125 (part repayable, part non-repayable).

Boom Kids is a division of Boom Cymru and is the major producer of pre-school and younger viewers programming in the S4C *Cyw* and *Stwnsh* strands. They are one of the largest producers of children's TV in the UK 6-13 years old range. The division employs over 50 full time staff and the Welsh Government grant will help secure 41 existing jobs.

In addition to securing the future of Boom Cymru, the facility will showcase the Welsh TV industry and encourage and promote the Welsh language and culture.

Their relocation involves the building of a state of the art studio facility and associated services from where Boom Kids would produce *Stwnsh* and *Cyw*, as well as increasing its public profile and providing an invaluable cultural and educational service to Welsh learners and Welsh children in the heart of Cardiff Bay. The company aims to attract children to interact with the facilities by taking part in studio activity and offering set visits.

In considering future applications for funding, Welsh Government will continue to take the cultural benefits into consideration. Projects that demonstrate a strong commitment to Wales, in terms of key talent, a long term base, commitment to significant Welsh spend and training will be prioritised for support.

c. Value for money

Business Finance / Wales Screen Fund

Production Projects that receive grant funding are expected to spend a significant amount of money on local suppliers, cast, crew and facilities i.e. 'Welsh spend'.

Since 2012-13, Welsh Government has been using a target ratio of 12:1, where projects must demonstrate at least £12 investment induced for every £1 of Welsh Government spend.

This ratio is a target and lower ratios might be accepted for projects with longer terms benefits (e.g. permanent base in Wales, key Welsh talent attached to the production, significant training opportunities) and / or a strong strategic fit e.g. (high-end TV drama).

The value of spend in Wales as a result of film and TV production is identified in project records and documentation submitted to the department at project close.

Since 2012-13, Welsh Government has achieved an average ratio of 10:1 – that is almost £11m in funding has generated £120m of defrayed expenditure directly into the Welsh economy. This figure only includes those projects that have fully completed and confirmed their Welsh spend.

Desktop research has been undertaken by officials into benchmarks of funding-to-local-spend ratios in other UK regions. It was found that there is considerable variation in expected returns, according to region and type of project. For example, Northern Ireland Screen has an indicative ratio of 8 to 1 (although this can change according to the type of production and investment).

Media Investment Budget

For productions supported via the Media Investment Budget, the criteria to date has been that projects must undertake 50% of principal photography in Wales and spend a minimum of 35% of their budget on local below the line expenditure². However, this is combined with a requirement for all commercial funding to be compliant with the Market Economy Operator Principle (MEOP) and repaid in full.

The commerciality of projects applying for funding via this route is ratified by external media experts and then considered by a panel of media specialists. Any project not considered to be MEOP compliant would not be recommended for funding.

The specialist panel assesses the level and type of funding being requested and considers the probability of its potential to provide a return on investment, based on but not limited to, independent sales projections, how other projects of a similar genre have done in the market place and track record of the production team.

² Below the line expenditure can be defined as all production costs excluding the creative talent – such as Actors, Director, Producers, and Writers from the other crew.

Value for money cannot be considered in the same way as for grant funded projects as there is a balance to be struck between the potential for commercial return and the benefits to Wales. For example, a project that might receive £1m in funding may only spend £2m on local Welsh good and services (a 2:1 return); however if and when that funding is fully repaid to Welsh Government it would be £2m spend at nil cost.

It must be acknowledged that full repayment of any commercial investment into film and television production is completely dependent on the success of the film and / or TV production.

Officials have recently been exploring how to revise the sector's VFM calculations and rationale for funding to film and TV to better reflect changes that have taken place in the market and to set a solid foundation for future support of the sector via Creative Wales.

3. How support for the sector may be affected by the Welsh Government's new Economic Action Plan

We believe that the Economic Action Plan (EAP) and our commitment to establishing Creative Wales are well aligned; both support a holistic approach, improved regional working and acknowledge the need for broader measures of impacts. Creative Wales will embrace EAP's emphasis on fair work and the promotion of skills.

EAP's economic contract chimes with the synergies between the arts and the creative industries and their ability to create economic, social and cultural benefits. This requirement to be even more socially responsible will be hard-wired into our future work with the sector.

The new criteria for funding will provide opportunities for creative industries companies and may boost areas which fit with our strategic plans. For example:

- Creative industries companies are ahead of the curve in terms of capacity for innovation and trying new things.
- Entrepreneurship is common in the sector and something we want to encourage.
- The digital nature of much of the sector's output is easy to export across borders (if the requisite copyright and IP protections are in place) and we would like to see more international trade.

Therefore there are opportunities to align, whilst acknowledging the different mechanisms and actions that need to be brought to bear in supporting the creative industries.

Evidence has demonstrated that the main growth opportunities across the sector most likely to lead to job and wealth creation are to be found in the exploitation of creative content (intellectual property) on digital platforms.

Therefore the activities of Creative Wales will be complementary to the EAP in order to support these new industries that create wealth and jobs through the creation, acquisition, retention and exploitation of IP.

We acknowledge that there are areas where we will need to work with the new model to ensure it can adapt to some of the characteristics of the creative industries sector, such as:

- Over 90% of the sector is made up of small, micro and zero companies, and some requirements should therefore be proportional to the capacity of the companies.

- Many companies in the sector do not produce products or services, but more intangible intellectual property.
- Use of freelancers is endemic and may make it difficult to evidence fair work.

4. To investigate how Ffilm Cymru Wales (FCW), the BFI and others support the sector, and how this work complements the work of the Welsh Government in this area

FCW supports Welsh or Wales-based writers, directors and producers with development and production funding, industry assistance and mentoring opportunities, whilst BFI's remit in funding is to support UK filmmakers and films.

The work of the Welsh Government's creative industries sector team focuses primarily on the expansion and economic impact of the film and TV industry in Wales. Therefore it is to be expected that there are occasions where a production will align with the aims of all three organisations, and in fact the Welsh Government has co-invested into the following productions with Ffilm Cymru Wales:

- Red and Black Films (Don't Knock Twice Ltd.'s) feature film *Don't Knock Twice* Media Investment Budget (£629,516) and Business Finance (£75,000)
- Vox Pictures (Eternal Beauty Productions Ltd 's) feature film *Eternal Beauty*, Media Investment Budget funding into (£1,050,000)
- Red and Black Films (Pandora Films Ltd.) *The Machine*, Repayable Business Finance de minimis (£80,000)
- le le Productions Ltd.'s digital platform for the feature documentary *American Interior*, Digital Development Fund (£49,900)
- Severn Screen Ltd.'s (Coracle Picture Limited) feature film *Denmark*, Business Finance (£85,000)
- fFati fFilms feature films *Y Syrcas* Repayable Business Finance de minimis (£20,000)
- fFati fFilms *Dan Y Wenallt / Under Milk Wood* WG sponsorship (£35,000)
- Set Fire To The Stars Productions Ltd feature *Set Fire to the Stars* Repayable Business Finance de minimis (£48,000)
- Lupus Films Raymond Briggs Animated feature *Ethel and Ernest* for BBC 1 Business Finance (£200,000 of £550,000 offer which included £350,000 allocated for Twt)
- Gritty Realism Productions Ltd *Heart of Darkness* Business Finance (£150,000)

The Welsh Government has co-invested into the following productions with the British Film Institute:

- Journey's End Films Limited for their feature film *Journey's End* Media Investment Budget (£850,000)
- Vox Pictures (Eternal Beauty Productions Ltd 's) for their feature film *Eternal Beauty* Media Investment Budget (£1,050,000)

5. The support given to develop skills and address skills shortages in the industry, whether there is sufficient data to map existing skills.

Welsh Government's Creative Industries Sector team's remit has not historically focused on skills, but rather growing the sector and supporting businesses to grow. That notwithstanding, by 2012 it had become apparent that any growth momentum in the screen industry could not be maintained unless there was support for developing industry skills and improving the talent pipeline. In order to achieve this, we have:

- wholly funded a series of full time placements which enabled six trainees to work on the production of *Da Vinci's Demons*;
- funded It's My Shout and West Glamorgan Youth Theatre for specific projects;
- established working relationships with educational institutions and organisations including Schools, Careers Wales, FE/ HE institutions (Creative Industries leads at Coleg Cambria, Coleg y Cymoedd, CAVC, USW, Cardiff University, etc.);
- co-funded the Screen Alliance Wales education project with Creative Skillset;
- funded a report into raising funding to develop 'beacons of excellence' for youth drama across Wales.

Work planned in the near future includes:

- Diversity in Film and TV event – Scoping an intensive day with follow up mentoring and support to increase the diversity of the screen industry in Wales and improve access for under represented groups of people.
- Ensuring Welsh Government has a good working relationship and strategic alignment with Creative Skillset; Creative Skillset has been awarded the contract to deliver the BFI Film Futures skills fund, which is a £20M pot to improve film skills across the UK over the next five years.

Welsh Government's Wales Screen service (part of the Creative Industries Sector team) has been involved in addressing some of the skills gaps in the industry by carrying out exit interviews with producers that have received funding from Welsh Government and monitoring where there have been gaps; what improvements could be made etc.

Wales Screen also:

- provided funding to Sgil Cymru's 'Stepping Up' scheme (2017-2018) a training initiative for TV drama professionals in Wales, allowing those already working in the industry to advance in their career, and also for those highly trained qualified specialists who want to move across to TV. WG funding was matched by monies from Creative Skillset's High End TV Levy.
- regularly promotes locally based crew and facility companies via an extensive online database, to productions shooting throughout Wales;
- shares job opportunities on productions that are crewing up in Wales via social media channels, reaching out to those not registered on the database;
- hosts networking events throughout the year, introducing new inward investment productions to the crew and facilities based here and allowing local producers to meet with companies establishing new bases in Wales;
- encourages facility companies to establish Welsh branches allowing producers more choice when it comes to their 'Welsh spend';
- promotes relevant industry training courses run by the Production Guild, Sgil Cymru and Creative Skillset etc.

Future skills support

With the setting up of Creative Wales comes an opportunity to review and improve the provision of support for skills and training in the film and TV sector in Wales. On behalf of Welsh Government, Creative Wales will be involved in policy and activity to generate a larger and more skilled workforce to service the sector.

It is clear that to fully take advantage of the boom in production, Wales needs to be able to supply more, and better trained, crew. This will involve both training up new entrants with the skills required, and up skilling existing workers in the industry.

There is a clear argument for Creative Wales, as an economic development body, to involve itself in skills support. The economic success of the film and TV industry in Wales is dependent upon the skills of the people working in it. This is an area of activity undertaken by both Creative England and Creative Scotland.

One particular area where improving skills will make a direct economic impact is making sure productions filming in Wales can maximise their Welsh spend. The skills gaps outlined above force some roles to be brought in from outside Wales because suitably skilled people cannot be sourced locally.

Creative Wales will need to work with Welsh Government Skills colleagues, with FE and HE institutions and industry representatives to consider the effectiveness of current provision and future requirements.

To maximise economic returns for Wales and development of the sector, the role of Creative Wales should thereafter encompass a range of activity which constitutes a top level co-ordination role. Creative Wales should use partnerships and networks, develop market intelligence and provide information, and leverage funding where it can.

Culture, Welsh Language and Communications Committee inquiry into film and major TV production in Wales

Supplementary briefing for evidence session, 11 July 2018

Creative Wales

The Creative Industries has been the fastest-growing part of the UK economy for nearly a decade. The sector doesn't just create jobs and wealth; it contributes to a strong national brand and promotes Wales in the world. Creativity – say in the form of TV, music, the visual arts and digital platforms where we share interact, work and play – can also promote a more inclusive society.

Many creative roles are among the least likely to be lost to automation in the future; creative people and their businesses are often the exploiters - not the victims - of new technologies.

Since 2011, Welsh Government has focused support in areas where it was considered we would have the best economic impact, namely high end television drama and digital projects. This was the right decision at the time, with Wales now being a real competitor in these areas which has led to a significant increase in the amount of money these businesses spend in Wales on the Welsh supply chain, and in the wider Welsh economy.

Therefore recent industry growth has changed the landscape considerably and in 2018 the Creative Industries sector in Wales is at a vital tipping point where opportunities are converging and we believe that with the right support over the coming years, growth and success could be significant. This is why we are committed to reshaping and re-launching our support for the creative sector as a discrete function called Creative Wales. We recognise the need for a more rounded approach and the requirement for bespoke support to aid business growth in the sector. Government needs to respond more flexibly to businesses that move and change quickly. Creative Wales will be our vehicle for doing this, offering a streamlined, dynamic and innovative service to this sector.

Creative Wales aims to deliver:

- Strategy aligned with Government priorities
- An online 'one stop shop' for sector support, networking, resourcing and opportunities
- A strong and recognisable brand, using digital platforms to harness business and network opportunities in Wales, the UK and across the globe
- Better access to, and exploitation of, markets for the creative industries at home and abroad as well as selling Wales to Inward Investors
- A Welsh skills base able to take on the creative challenges of the future, no matter what your background
- Improved interaction with other areas of the public sector to achieve effective industry support.
- Improved business productivity and growth rates
- Higher rates of intellectual property retention and exploitation.

Creative Wales will provide bespoke support for indigenous SMEs, productions and freelancers as well as supply chain companies. It will also provide funding through the £15M Media Investment Budget and bespoke access to our new Economic Futures Fund.

To achieve these aims, Creative Wales will broaden our current activities, prioritising those that will best maintain and accelerate sector growth, namely:

- Nurturing talent pathways & industry led skills support
- Supply chain development;
- Improving networks and access to specialist industry advice
- Effective exploitation of social media and digital platforms for improved service provision
- Access to funding tailored to the sector's needs

In taking this collaborative, integrated approach, Creative Wales will expand the range of outputs and outcomes to include some broader and/or softer measurements, such as raising skills levels, strengthening the supply chain and improved retention of intellectual property.

Cross cutting themes will also be part of the organisation's underpinning ethos, with Creative Wales able to deliver outcomes to support the equality and tackling poverty agendas, delivering a more diverse pool of decision-makers in public life and public appointments and helping people to take up job opportunities and earn an income.

Although Creative Wales will operate within government, it will be structured for delivery in a way not dissimilar to an arm's length body; that will be to have a Board with an external Chair recruited through the Public Appointments process, as will be the case for any external members of the Board. Operations will be led by a Chief Executive or equivalent role.

The Board would provide strategic oversight to the management team, reviewing the annual business plan and progress, and receiving financial and other updates.

To ensure there is no break in industry advice when the Creative Industries Sector Panel's term ends in September, the process to recruit a Chair and Board through a public appointments process will be starting shortly.

Agenda Item 6

Document is Restricted

Written Response by the Welsh Government to the report of the Culture, Welsh Language & Communications Committee on *'Building Resilience: Inquiry into Non-public Funding of the Arts'*

3 May 2018

I welcome this report, not least because it acknowledges the difficult financial challenges facing the arts sector, due to the pressures on government budgets and recent falls in income from the National Lottery.

The report also recognises that in order to meet those challenges, the sector has to pursue a range of other sources of financial support, and also increase its commercial, self-generated income.

As well as the recommendations on increasing support from business, giving, and other forms of fundraising, I also welcome the Committee's focus on international work, and on how the arts and creative sectors can be supported to develop new markets overseas which have potential economic benefit. This is consistent with the emphasis in 'Prosperity for All' on ensuring that Wales:

'remains outward-looking and fully engaged on the European and global stage, fostering new relationships for trade and investment, and promoting the best of our nation world-wide'.

The Welsh Government's detailed responses to the report's recommendations are set out below:

Recommendation 1

The Committee recommends that the Welsh Government should continue to provide financial support, whether through Arts and Business Cymru or otherwise, to promote and develop partnership working between business and the arts to help maximise financial support for the arts from business. The Welsh Government should also consider how the specific difficulties faced by the arts sector in Wales in attracting funding from businesses can be addressed, and whether additional public investment in this area is needed to drive this work forward.

Response: Accept. The Welsh Government channels the majority of its investment for the arts through the Arts Council of Wales. In my annual Remit Letter, I set out the key priorities the Council should take into account when apportioning that money. For the current year, the priorities include the need for the Arts Council to (i) 'continue to develop its tailored advice services, to help its clients to improve their business and marketing skills', and (ii) 'to continue its work to increase funding from external sources to reduce the arts sector's reliance on public subsidy'.

In this way, the Welsh Government is ensuring that funding to promote partnership working between business and the arts, and financial support for

the arts from business, is being provided. Currently, some of this support is provided on the Arts Council's behalf by Arts and Business Cymru, under a two-year package, due to end on 31 March 2019 (other elements include ACW's 'Resilience' programme). In the coming months, the Arts Council will be reviewing the support service it needs to provide, and whether it is best to procure these, or to continue to obtain them through grant aid. I know that Arts and Business Cymru will be submitting a detailed case for why it is well placed to continue to deliver this service.

Whilst the specification and the delivery mechanism are matters for the Arts Council to decide, I will be stressing to the Arts Council the need for it to continue to resource this activity, given that the pressures on public funding are likely to continue for the foreseeable future. I will be asking the Arts Council to clarify how it intends to provide this service from April 2019 onwards, by 1 October this year at the latest.

I will expect the Council to ensure that there is appropriate scrutiny of the available options and that value for money is a key criterion. I will be particularly keen to see options for extending current initiatives rather than merely repeating traditional approaches.

Recommendation 2

The Committee recommends that the Welsh Government introduces further initiatives to raise the profile of the arts as a charitable cause, including a St David's Day award to recognise those who have made significant contributions in support of the arts.

Response: Accept in principle. I strongly support the aim of raising the profile of the arts as a charitable cause. However there is already a St David Culture Award. Ministers could find it hard to justify a new award specifically for giving to the arts, when there are so many other good causes we could encourage people to support. Within my own portfolio for example, I'd also be keen to encourage more giving to support youth and disability sport. Similarly, for other Ministers, there are causes like preventing homelessness, protecting the environment, or changing people's attitudes towards mental illness.

In the spirit of this recommendation, I intend to consult Arts and Business Cymru (A&BC) about ways in which the Welsh Government might support and enhance A&BC's annual Award* for charitable giving to the arts. These Awards attract a senior audience drawn from across Wales and beyond, many of whom are high net worth individuals.

(the Robert Maskrey Award for Arts Philanthropy)*

Financial Implications: None. Any additional costs will be drawn from existing programme budgets.

Recommendation 3

The Committee recommends that the Welsh Government takes action to increase awareness of, and investment in, the excellent arts organisations and projects based in Wales, by UK-based trusts and foundations.

Response: Accept. I agree that there is a continuing need to address this problem, and the Welsh Government will do so in several ways.

Firstly I will be asking the Arts Council and Arts and Business Cymru to work together to arrange a programme of regional visits and seminars for leading UK Trusts and Foundations, to enable them to see more of the range and quality of work being undertaken by our arts sector at a local level, and to develop a better understanding of the challenges it faces.

Secondly, I will be writing to the leading UK Trusts and Foundations to ask them to engage in this programme, and to request their support in addressing this recommendation, and also recommendation 4.

Thirdly, I will invite organisations referenced in the report, such as National Theatre Wales and WCVA, that have expertise in how to develop successful applications to Trusts and Foundations, to share their experience and advice more widely with the arts sector.

Lastly, I note the Committee's suggestion that the Welsh Government should consider how it can work with the Community Foundation in Wales (CFiW), given its expertise in harnessing philanthropy, and in managing an endowment fund. In view of this I will meet with CFiW, to explore ways it might assist the arts sector on these issues.

Financial Implications: None. Any additional costs will be drawn from existing programme budgets.

Recommendation 4

The Committee recommends that UK based trusts and foundations should address as a matter of urgency the balance of funding within the UK, where a disproportionate and inequitable amount of funding is awarded to organisations based in London and the south east of England.

Response: This recommendation is directed at the UK based trusts and foundations, but I will ask the Arts Council to monitor the level of funding that arts organisations are succeeding in attracting from charitable Trusts and Foundations, and to keep me informed of progress.

Recommendation 5

The Committee recommends that the Welsh Government should commission research in order to identify and exploit international markets that have growth potential for Welsh arts organisations.

Response: Accept in principle. I agree that a more planned, informed approach needs to be taken to helping the culture sector to grow international markets. As I state in my response to recommendation 7, I will be asking the Arts Council to work with my officials, colleagues across Welsh Government, the British Council and others, to draw up a joint action plan to address the issue of how to support the sector to exploit international markets. Part of this work will involve identifying and agreeing the countries and sub-sectors which offer the best growth opportunities; whilst budgets are tight, I will consider any proposals for research, should this be required.

Financial Implications: None. Any additional costs will be drawn from existing programme budgets.

Recommendation 6

The Committee recommends that the Welsh Government should ensure that each trade mission has a cultural component unless there are clear reasons otherwise.

Accept The Welsh Government agrees that a cultural component can bring added benefits to a trade mission, such as increased publicity in market. Cultural organisations, and individual artists seeking to win business overseas, are able to join trade missions in the same way as companies in other sectors, and increasing numbers are doing so.

Overseas trade missions and exhibitions play a pivotal role in helping businesses in Wales to increase their exports. Our annual programme includes multi-sector and sector specific activity, and reflects both demand from Welsh companies and priority markets and sectors for Wales. Recent examples such as the visit to Shanghai and Hong Kong in March 2018 that was timed to coincide with a scheduled performance by the Welsh National Opera, demonstrate how scheduling a trade mission alongside cultural performances in an overseas market can add value to the trade mission.

However it may not always be appropriate for a cultural component to form part of a trade mission, or to include a cultural event in the schedule. Cultural activities do not always coincide or fit with the most appropriate time in the calendar for companies to maximise the economic benefits of being in a particular market.

Where appropriate, the Welsh Government will include a cultural component if there are clear synergies with the economic benefits for Wales and Welsh exporters. In future, we will consult with our cultural sponsored bodies, through an annual forward planning meeting, on the feasibility and benefits of including a cultural component within the missions in our annual programme. We will provide periodic updates on any new / additional trade missions that may be added to the programme.

Financial Implications: None at present. It is anticipated that additional costs in 2018/19 will be drawn from existing programme budgets.

Recommendation 7

The Committee recommends that the Welsh Government should consider implementing a clear strategy to assist Wales' arts sector to grow international markets.

Accept in principle: 'Prosperity for All' already sets out the government's strategic aims, so I see no need for a separate Welsh Government strategy on this issue. The national strategy commits us to 'promoting and protecting Wales' place in the world', by ensuring that it 'remains outward-looking and fully engaged on the European and global stage, fostering new relationships for trade and investment, and promoting the best of our nation world-wide. In addition, the Cabinet Secretary's Economic Action Plan makes clear that we will promote Wales by deploying our cultural offer to promote Wales' economic and commercial interests overseas, and to help build our image.

However, as stated in my response to recommendation 5, a more planned, joined-up approach is needed to ensure the cultural sector is able to contribute to our international aspirations. I will be asking the Arts Council to work with my officials across the Welsh Government and with umbrella organisations to consider how we can make a greater impact internationally working with cultural and other organisations in recognition that the "whole is far greater than the sum of it's parts". The overall aim will be to maximise international opportunities and leverage economic impact.

Financial Implications: budgets for elements of this activity are already available, for example financial support for cultural organisations to participate in trade missions, and funding to support implementation of the Wales-China MoU on cultural collaboration. There is also a range of free advice available from organisations like Wales Arts International, the British Council, overseas Business Councils, and the Welsh Government's International Trade team. Any additional funds needed to facilitate the action plan will be considered as part of the budget round for 2019/20.

Recommendation 8

The Committee recommends that the Welsh Government should provide a source of fundraising expertise to help small arts organisations increase their non-public fundraising in an analogous fashion to the support it currently provides for small businesses through Business Wales.

Response: Accept in principle. As this recommendation recognises, the Welsh Government provides a range of generic advice services through Business Wales, augmented by more tailored help for social businesses through our contract with the Wales Co-operative Centre ('Social Business Wales'). These services are very much geared to small and medium sized enterprises, so are available and relevant to smaller arts organisations. Business Wales / Social Business Wales can assist smaller arts bodies with aspects of their work to increase their self-generated income, for example with

marketing to improve sales of tickets and other retail items, exploitation of their Intellectual Property, etc.

Other fundraising skills are more specialist, such as work to increase levels of giving, be it from philanthropy, legacies, 'friends' schemes or crowd funding. For these, the main sources of support for small arts organisations are Arts and Business Cymru's training programme, its Arts Council funded *Creative Internships* fundraiser initiative, and the Arts Council's *Resilience* programme. The evidence suggests that all these programmes are being well received, are actively addressing the skills deficit in fundraising, and are enabling smaller organisations to acquire more expertise.

I recognise however that it is harder for a small arts organisation to afford to employ a specialist fundraiser, and to attract donors. Therefore, I will ask the Arts Council to look sympathetically at extending its *Resilience* programme to organisations that it does not core fund (most of which are small), and to encourage Arts and Business to promote options by which smaller organisations might share the services and expertise of a professional fundraiser.

Financial Implications: None. Any additional costs will be drawn from existing programme budgets.

Recommendation 9

The Committee recommends that given the difficult financial climate facing arts organisations in Wales and subject to an impact assessment of the work carried out so far the Arts Council considers whether the Resilience Programme can be expanded to help improve the financial resilience of non-revenue funded orgs.

Response: This recommendation is directed at the Arts Council, so is for it to respond to. However I as indicated in my response to recommendation 8, I will ask the Arts Council to look sympathetically at this proposal.

Recommendation 10

The Committee recommends that the Welsh Government sets out clearly its aims for Creative Wales along with a timeframe for its establishment and how the new body will help arts organisations increase their non-public income.

Response: Accept in principle. Detailed discussions on the final form and remit of Creative Wales are continuing. The Welsh Government will clarify these matters at the earliest opportunity.

Financial Implications: There will be costs associated with establishing Creative Wales, and these will be fully set out within its initial Business Plan.

Lord Elis-Thomas AM
Minister for Culture, Tourism and Sport

Cyllid Celfyddydau nad yw'n Gyhoeddus: Ymateb Llywodraeth Cymru

Ymatebion i'r Ymgynghoriad

Gorffennaf 2018

National Assembly for Wales
Culture, Welsh Language and Communications Committee

Non-public Funding of the Arts: Welsh Government Response

Consultation Response

July 2018



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

An electronic copy of this document can be found on the National Assembly website: **www.assembly.wales/SeneddCWLC**

Copies of this document can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

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Arts & Business (A&B) Cymru warmly welcomes the findings of the *Building Resilience Inquiry into non-public funding of the arts* and the subsequent response to this paper from the Welsh Government. The Minister has echoed many of the points made by A&B Cymru in its response to the inquiry in April 2018.

To ensure the usefulness of A&B Cymru's further comments, this paper will focus solely on the recommendations most relevant to its specific work, expertise and network.

BUSINESS PARTNERSHIP

RECOMMENDATION 1 – The Welsh Government should continue to provide financial support, whether through Arts & Business Cymru or otherwise, to promote and develop partnership working between business and the arts to help maximise financial support for the arts from business. The Welsh Government should also consider how the specific difficulties faced by the arts sector in Wales in attracting funding from businesses can be addressed and whether additional public investment in this area is needed to drive this work forward.

WELSH GOVERNMENT RESPONSE RELEVANT TO THE WORK OF A&B CYMRU

...Currently, some of this support is provided on the Arts Council's behalf by Arts and Business Cymru, under a two-year package, due to end on 31 March 2019 (other elements include ACW's 'Resilience' programme). In the coming months, the Arts Council will be reviewing the support service it needs to provide, and whether it is best to procure these, or to continue to obtain them through grant aid. I know that Arts and Business Cymru will be submitting a detailed case for why it is well placed to continue to deliver this service.

Support of A&B Cymru

A&B Cymru is currently preparing a business case for support which outlines how its existing services and newly developed programmes can achieve the aims of

Recommendation 1 in a tangible, cost-effective and far-reaching way. This paper will be submitted to the Culture Minister by end of June.

As a specialist support organisation crucial to the sustainability of the arts in Wales, the continuation of core public funding would enable A&B Cymru to maximise its impact. With a relatively small amount of public funding, the charity could maintain a sufficient level of staffing and develop the reach of its work even further.

For example, £100K core funding would give A&B Cymru a target of a further £500K from the private sector to sustain its operation. This would, in turn, safeguard over £1 million annual investment from the private sector into the arts across Wales and provide A&B Cymru with the stability and resource to encourage an increased figure. **Therefore, £100K of public sector funding becomes the catalyst for leveraging a minimum of £1.5 million in private sector investment.**

A&B Cymru's current business / arts partnership work

A&B Cymru works closely with its 75+ business members across Wales. The team works tirelessly to encourage and enable businesses to invest in the arts for the first time as well as assisting established supporters to deepen and extend their partnerships. The deep-rooted relationships A&B Cymru has developed with companies of all sizes and sectors put the charity in the ideal position to influence investment into the arts and provide in-depth intelligence on business motivations, objectives and trends in approaching arts partnership.

As referenced in A&B Cymru's response to the inquiry, many of A&B Cymru's programmes and services successfully promote, enable and develop partnership working. They include tailored advice and brokerage for both sectors, a busy advocacy and events programme and CultureStep, an investment scheme which has levered over £1.2 million from business directly into the arts in the past 4 years.

INDIVIDUAL PHILANTHROPY

RECOMMENDATION 2 – We recommend that the Welsh Government introduce further initiatives to raise the profile of the arts as a charitable cause, including a St David's Day award to recognise those who have made significant contributions in support of the arts.

WELSH GOVERNMENT RESPONSE RELEVANT TO THE WORK OF A&B CYMRU

..I intend to consult Arts and Business Cymru (A&BC) about ways in which the Welsh Government might support and enhance A&BC's annual Award for charitable giving to the arts. These Awards attract a senior audience drawn from across Wales and beyond, many of whom are high net worth individuals.

As stated in A&B Cymru's response to the inquiry, the Robert Maskrey Award for Arts Philanthropy has already recognised the considerable contributions of 17 generous individuals since its establishment in 2012.

In 2018, the Award was given to Philip Carne, MBE. An Abergavenny born Philanthropist, Philip is a passionate supporter of emerging talent in the performing arts and provides many scholarships and prizes to individuals from Wales. His substantial support includes annual gifts to Music Theatre Wales, Royal Welsh College of Music & Drama, Sherman Theatre and Welsh Singers Showcase.

We fully support the idea of working in partnership with Welsh Government to raise the profile and reach of this already established and successful Philanthropy Award.

In addition to A&B Cymru's role as an advocate in this area, the charity provides tailored training to the arts in all areas of Individual Giving e.g. Crowd Funding, Friends Schemes, Major Gifts and Legacies.

TRUSTS & FOUNDATIONS

RECOMMENDATION 3 – We recommend that the Welsh Government takes action to increase awareness of and investment in the excellent arts organisations and projects based in Wales by UK-based trusts and foundations.

WELSH GOVERNMENT RESPONSE RELEVANT TO THE WORK OF A&B CYMRU

Firstly I will be asking the Arts Council and Arts and Business Cymru to work together to arrange a programme of regional visits and seminars for leading UK Trusts and Foundations, to enable them to see more of the range and quality of work being undertaken by our arts sector at a local level, and to develop a better understanding of the challenges it faces.

As detailed in A&B Cymru's response to the inquiry, A&B Cymru has delivered 2 Trusts Symposiums in recent years – the first in partnership with Welsh

Government and the second supported by Hodge Foundation. These focussed sessions jointly enabled over 100 arts organisations to access invaluable face-to-face advice from key representatives of 8 major Trusts.

Both days directly resulted in new Trust funding for Welsh arts organisations. Following the most recent symposium, A&B Cymru was approached by 4 London-based Trusts to organise a similar day in 2018. We would welcome the opportunity to collaborate with Arts Council of Wales on this.

A&B Cymru would also like to make reference to another of the Minister's comments in this section:

Lastly, I note the Committee's suggestion that the Welsh Government should consider how it can work with the Community Foundation in Wales (CFiW), given its expertise in harnessing philanthropy, and in managing an endowment fund. In view of this I will meet with CFiW, to explore ways it might assist the arts sector on these issues.

A&B Cymru has been contacted by the CEO of the Community Foundation in Wales requesting a meeting to discuss collaboration on arts philanthropy. We are keen to explore this possibility and an initial meeting is taking place on 22 June. We will report back on any agreed actions following this session.

THE SKILLS GAP

RECOMMENDATION 8 – The Welsh Government should provide a source of fundraising expertise to help small arts organisations increase their non-public fundraising in an analogous fashion to the support it currently provides for small businesses through Business Wales.

WELSH GOVERNMENT RESPONSE RELEVANT TO THE WORK OF A&B CYMRU

As this recommendation recognises, the Welsh Government provides a range of generic advice services through Business Wales...

...Other fundraising skills are more specialist, such as work to increase levels of giving, be it from philanthropy, legacies, 'friends' schemes or crowd funding. For these, the main sources of support for small arts organisations are Arts and Business Cymru's training programme, its Arts Council funded Creative Internships fundraiser initiative, and the Arts Council's Resilience programme. The evidence

suggests that all these programmes are being well received, are actively addressing the skills deficit in fundraising, and are enabling smaller organisations to acquire more expertise.

I recognise however that it is harder for a small arts organisation to afford to employ a specialist fundraiser, and to attract donors. Therefore, I will ask the Arts Council to look sympathetically at extending its Resilience programme to organisations that it does not core fund (most of which are small), and to encourage Arts and Business to promote options by which smaller organisations might share the services and expertise of a professional fundraiser.

As detailed in A&B Cymru's response to the inquiry, a great deal of its current work is focussed on developing the business and fundraising skills of the arts. The majority of its 150 arts members are small organisations. The annual fee structure is based on turnover and access to all programmes is provided free of charge to members, thereby ensuring the affordability of engagement with the charity's work.

Complementing the Business Wales services, A&B Cymru's Professional Development Programmes bring tailored, free of charge, business skills to the arts. Experts in topics such as Marketing, HR, Finance and Strategic Planning transfer their knowledge to arts managers through one-to-one placements, mentoring and board placements. This advice has a tangible impact on the organisations involved and makes a significant contribution to developing individual managers. The fresh viewpoint of business advisers often acts as the catalyst for dynamic change in arts organisations. Key to the success of the programmes is the personality-led matching process involved, as well as the in-depth support provided by A&B Cymru, from initial interview and training to monitoring and evaluation.

As described in A&B Cymru's response to the inquiry, other training initiatives delivered by the charity include skills development courses (Fundraising, Business Skills and Governance) and the Creative Internships Programme, which is effectively creating a new generation of arts fundraisers in Wales.

Building on this success, A&B Cymru is delighted that its new *Prosper* initiative will be piloted this autumn. The scheme has been devised in consultation with arts members and will support junior arts fundraisers working in small arts organisations. It will enable this emerging generation of professionals to hone their skills and expertise in the field and in doing so, support their organisations to

become successful, thriving charitable businesses. To ensure its impact and relevance, *Prosper* will be driven by the needs of applicants and tailored to each individual organisation and fundraiser.

Finally, A&B Cymru would like to fully support the Minister's point about the need for small organisations to share fundraising resources. The majority of organisations operating in Wales are companies which simply cannot afford the wages of a highly skilled full-time fundraiser. To this end, organisations must be open to employing a part-time fundraiser who is likely to be working for a number of arts clients at the same time. A&B Cymru has been promoting this way of working for a number of years and the idea is often met with an initial level of mistrust and suspicion. However, in practice, each organisation quickly realises that their concerns about confidentiality or split loyalty are unfounded and that the sharing of resources can result in positive and useful partnership working. A&B Cymru is committed to continuing to promote this idea to members, providing them with case study evidence which illustrates the success of this approach to fundraising.

Recommendation 7: The Welsh Government should consider implementing a clear strategy to assist Wales' arts sector to grow international markets

- While 'Prosperity for All' sets out the government's strategic aims, these are high level aims with none of the necessary detail about the support / action that arts organisations need. We appreciate that a proliferation of 'strategies' is probably unhelpful however we do welcome the Government's response that better collaboration / planning is needed to enable Welsh artists / arts organisations to access and make the most of international markets and opportunities – whether we call this support a strategy, plan or approach.
- We also welcome this more strategic approach to promoting Welsh arts internationally, is also echoed in the Government's response to **recommendations five and six**. British Council Wales believes that an integrated international strategy – a single vision for shaping our global future that aligns established tourism, trade and inward investment approaches with work being done to take forward the international ambitions of our educational and cultural sectors – would lead to greater efficiencies, return on investment and international impact.
- While we appreciate the Government's consideration of any additional funds needed to facilitate an action plan, it is disappointing that this will not be considered until the budget round for 2019/20 and that there was unlikely to be any additional funds for any of the recommendations. As the Committee commented, *it is not enough for the Welsh Government to simply call for the arts sector to reduce its dependence on public funding –they also need to back this up with an appropriate level of tailored and informed support.*

Finally, the British Council remains committed to working with artists, organisations, partners and the Government in Wales to support the development of international links and opportunities and to promote Welsh arts overseas, helping to create an internationally inspired, globally connected Wales.

Firstly, I'd like to take this opportunity to thank the Committee for its useful and comprehensive report. As you might imagine, we're pleased that the Committee recognises the importance of public funding in underpinning support for the arts from a variety of funding sources. This vital investment helps to secure a vibrant and dynamic sector and provides a firm foundation upon which other income generating initiatives can be built.

Turning next to the recommendations themselves.

Recommendation 1: *The Welsh Government should continue to provide financial support, whether through Arts & Business Cymru or otherwise, to promote and develop partnership working between business and the arts to help maximise financial support for the arts from business.*

The Welsh Government should also consider how the specific difficulties faced by the arts sector in Wales in attracting funding from businesses can be addressed, and whether additional public investment in this area is needed to drive this work forward.

We note – and would accept – the Minister's expectation that we will enhance and extend our business development services. This will require careful planning as there is no single approach that will work for all organisations. Much depends on the size and capacity of arts organisations, the clarity of their artistic vision, and the extent to which they're well-organised in the deployment of their assets and personnel. Getting these things right is core to the current *Resilience* programme that we've pioneered with our funded Portfolio. We're keen to extend this to smaller organisations outside the Portfolio, building on the lessons that we have learnt, but this will require funding. We will be sharing proposals with the Minister, as he requests, by 1 October 2018.

We note that the Minister anticipates that Arts & Business Cymru (A&BC) will be submitting proposals explaining how it might deliver such services. We would welcome this and look forward to receiving this information. The challenge, however, will be finding ways of providing the new business services of the future rather than repeating the traditional offer of the past. This is especially relevant to

Arts & Business Cymru and the Committee will be aware that we've provided two years of transitional support to help them deliver a new suite of services that can be provided on a more self-sustaining basis.

The fundraising market is markedly less buoyant today rather than ten years ago with many businesses shifting to a corporate responsibility agenda rather than the traditional philanthropic sponsorship of the arts. This shift of focus requires a different – more entrepreneurial – way of brokering between the two sectors. This is currently an area of comparative weakness in Wales and it's right that the Minister calls for a range of options that extend beyond current traditional approaches.

The Committee also suggested that there might be other relevant organisations who could offer new services. In her evidence to the Committee Inquiry, Emma Goad from Blue Canary offered a clear analysis of what these services might involve. The sector undoubtedly needs access to a wider range of business development services than is currently the case, especially those with a more direct focus on the arts rather than business. Growing more organisations with these skills is essential. Competition in this important market-place will drive innovation and new development. If the sector is to thrive, growing a multiplicity of expert business development services will be key. Elsewhere in the UK work is actively underway on a range of business-related services encompassing everything from loan finance to social impact bonds, cultural infrastructure levies to the 'monetisation' of IP. We're also aware of organisations pressing for fiscal reforms in areas as diverse as property and land values and business investment models. This is increasingly the territory that our business services providers need to be in if Wales isn't to be left behind mining a diminishing seam of financial support.

New organisations are emerging that combine entrepreneurial skill with a more socially responsible approach to place-based regeneration. It's important that Wales has access to these skills and we have committed ourselves to doing what we can to develop capacity. It's likely that there might also be synergies with the Government's new proposals for Creative Wales and I comment on this in more detail below under recommendation 10.

Finally, we note that the Minister wishes us to undertake a thorough value for money assessment of any options. The Committee will be aware from previous evidence that we have given to the Committee that we believe that this is best

achieved through an appropriately robust scrutiny of a proper procurement/tender process. The Committee has questioned the necessity for such an approach, but we remain of the view that this is the most effective way of helping to deliver the best outcomes for the arts.

Recommendation 2: *The Committee recommends that the Welsh Government introduces further initiatives to raise the profile of the arts as a charitable cause, including a St David's Day award to recognise those who have made significant contributions in support of the arts.*

We would support any initiatives that give due prominence to individual giving and philanthropy.

Recommendation 3: *The Welsh Government should take action to increase awareness of, and investment in, the excellent arts organisations and projects based in Wales, by UK-based trusts and foundations.*

And...

Recommendation 4: *UK based trusts and foundations should address as a matter of urgency the balance of funding within the UK, where a disproportionate and inequitable amount of funding is awarded to organisations based in London and the south east of England.*

Arts & Business Cymru has previously hosted sessions in Cardiff where trusts and foundations have been invited to meet with Welsh arts organisations. It's their intention to continue this, which we would support. The Minister is asking both the Arts Council and Arts & Business Cymru to work together to progress these recommendations.

We will certainly do this. However, we believe that there are aspects of the relationship with trusts and foundations where the Arts Council could perform a more useful and strategic role. We already have strong connections with the key trusts and foundations – we know their key personnel well and comment regularly as referees of projects submitted from Wales. Rather than just being an objective commentator on applications from Wales, we need to become more of an advocate and partner in ensuring that Wales-based arts organisations present their most persuasive case for support. We could do more to make sure that arts organisations are sufficiently primed and 'investment ready' so that when they

meet trusts and funds they are best placed to articulate their offer at the right time, to the right funder, in the right way.

We're in the process of setting up meetings with the key trusts to better understand their current perceptions of activity in Wales. Using our detailed knowledge of the sector, we will explore with them where they feel improvement can be made and what interventions we might make to increase the likelihood of success.

Recommendation 5: *The Welsh Government should commission research in order to identify and exploit international markets that have growth potential for Welsh arts organisations.*

And...

Recommendation 6: *The Welsh Government should ensure that each trade mission has a cultural component unless there are clear reasons otherwise.*

And...

Recommendation 7: *The Welsh Government should consider implementing a clear strategy to assist Wales' arts sector to grow international markets.*

We believe these to be an important set of recommendations.

There are a great many reasons why we believe that the Welsh Government – and the cultural and creative industries – would benefit from a confident articulation of the Welsh Government's view of international relations. A clear strategy would undoubtedly be beneficial in clarifying ambitions, setting targets and co-ordinating the resources needed to deliver those targets. We're aware that work on these issues is well advanced in England and Scotland and Wales must not become the poor relation.

We would welcome increased collaboration with colleagues in the First Minister's international department, the Economy & Transport department and Welsh Government's overseas offices. We believe that we're able to offer real help and expertise through our international arm, Wales Arts International. Our partnership with the British Council enables Wales' reach to be felt around the globe. We'd be keen to identify mutual overseas opportunities with the

Government and ensure that culture is a key part of all Government overseas missions.

It was our early involvement in a Government trade mission to China that has meant that we have been able to give substance to the development of Wales: China Cultural Memorandum of Understanding. The careful building of relationships in China is now opening out considerable opportunities for Wales-based companies. We believe that this multi-agency, early stage approach could reap dividends elsewhere and we would urge that it be adopted as standard and resourced appropriately.

Recommendation 8: *The Welsh Government should provide a source of fundraising expertise to help small arts organisations increase their non-public fundraising in an analogous fashion to the support it currently provides for small businesses through Business Wales*

And...

Recommendation 9: *Given the difficult financial climate facing arts organisations in Wales and subject to an impact assessment of the work carried out so far the Arts Council considers whether the Resilience Programme can be expanded to help improve the financial resilience of non-revenue funded orgs.*

And...

Recommendation 10: *The Committee recommends that the Welsh Government sets out clearly its aims for Creative Wales along with a timeframe for its establishment and how the new body will help arts organisations increase their non-public income.*

As mentioned above, we'll be sharing our plans for supporting the fundraising and business development of smaller non-portfolio organisations before October. There are a number of actions already underway. We have awarded Lottery funding to Arts & Business Cymru to continue their Creative Internship programme which develops the skills and professional expertise of new entrants into fundraising arena. We also recognise the need for existing fundraisers in Wales to continue with their professional development. We are therefore supporting bursary placements on the National Arts Fundraising School and widening our *Sharing Together* initiative to include networks that want to exchange fundraising best practice and expertise. We have commissioned a briefing toolkit

for organisations who are new to fundraising. A draft is currently being reviewed by organisations for user comments.

Some of this territory might be covered by the development of Government's proposals for Creative Wales, but we aren't clear exactly what the new service will entail, how it will be managed or when it will be available. We welcome the Minister's assurances that these matters are in hand.

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 - Ymateb Llywodraeth Cymru
Non-public Funding of the Arts - Welsh Government Response
CWLC(5) 04
Ymateb gan Foyle Foundation / Evidence from Foyle foundation

In response to recommendation 3 and 4:

The Foyle Foundation continually review the regional spread of the Foundation's grant making and encourage applications from all the English regions and Wales, Scotland and Northern Ireland. This has resulted in a steady increase in the total grants approved outside London and the South East (which has not received the majority of funding for quite some time). For example, in Wales (across all of our grant schemes) we approved nearly 3 times the total amount in 2017 in comparison to 2012. We specifically introduced a simpler application Small Grants Scheme in 2009, following the financial downturn, as we were concerned that smaller organisations were not applying to us and appeared to lack fundraising skills and ability to submit applications. However, we can only consider the applications that are presented to us and we still receive fewer applications from Wales than we would like. We welcome the Committee's recommendation to increase awareness and visibility of arts organisations and projects in Wales and to invest in raising fundraising and bid writing skills across the sector.

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 - Ymateb Llywodraeth Cymru
Non-public Funding of the Arts - Welsh Government Response
CWLC(5) 05
Ymateb gan Omidaze / Evidence from Omidaze

The Minister's replies to recommendations 6 & 7 are far from satisfactory. There should be no reason why a cultural offering cannot accompany every single trade mission. The reason given is far from acceptable and illogical

"However it may not always be appropriate for a cultural component to form part of a trade mission, or to include a cultural event in the schedule. Cultural activities do not always coincide or fit with the most appropriate time in the calendar for companies to maximise the economic benefits of being in a particular market."

Appropriateness has nothing to do with planning. It should always be appropriate and the excuse that cultural activities do not always coincide is ludicrous. There are cultural events happening in Wales every day of the year.

What is needed is a clear strategy on how cultural events will be included and it is vital that there is a budget for this and advance planning. It is also vital that project funded companies are invited and not simply the 'usual' suspects ie the NPO's. Grass root cultural project funded companies are in dire need of those international links and the profile raising potential of such trips.

I would like to draw the committees attention to the British Council's recently published report on Soft Power. Culture and the arts are Soft power and can enable Wales to be much better placed than they are currently in the soft power rankings.

I would also like to draw the committees response to the minister's evasive answer re Creative Wales. This is a prime time for Wales with the world looking at our investment in Creative Learning and Education to maximise and we must join the dots.

Finally re A&B Cymru. As a small project funded organisation Omidaze found Arts & Business Cymru to be a self-serving organisation whose focus is almost entirely on the business sector to the detriment of the arts sector. Their advice and service is extremely limited and not advantageous to small arts organisations.

A true commitment to the arts in Wales would see increase spending on the arts via ACW in line with inflation and not this standstill funding which we have seen for the last decade which is crippling ACW, the sector and in turn small and ambitious organisations like Omidaze.

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 - Ymateb Llywodraeth Cymru
Non-public Funding of the Arts – Welsh Government Response
CWLC(5) 06
Ymateb gan The Achates Philanthropy Foundation / Evidence from The Achates
Philanthropy Foundation

The Trustees have decided to limit their comments to the Response to Recommendation 2 as this is the area that fits most closely with the work of the Foundation and in particular, The Achates Philanthropy Prize.

We would like to highlight to the Minister, Welsh Government and the Committee that the Achates Philanthropy Prize is just such an initiative designed to raise the profile of the arts as a charitable cause.

Now in its third year, an annual prize fund of £10,000 and judges this year including Tom Watson MP, Ed Vaizey MP and Régis Cochefert of The Paul Hamlyn Foundation, the Achates Philanthropy Prize is a major national campaign to raise awareness of the fact that the arts are charities which no longer receive full state subsidy, play an important role in society and to which everyone can make an important contribution. The Trustees would like to highlight that they would particularly welcome applications from art charities in Wales and awareness raising of the initiative, which the Committee and Welsh Government can include in the actions resulting from the Inquiry.

