

Thursday, 19 October 2017

Bethan Jenkins AM
Chair
Culture, Welsh Language and Communications Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Dear Bethan

Inquiry into non-public funding of the Arts

Thank you for your invitation to meet with the Committee earlier in the month.

Comparative figures for business investment

During the Committee hearing, Jeremy Miles AM asked about business investment in Wales in comparison with England. In particular, he wanted to know whether the funding raised in England was disproportionate to population, or to the size of the economy. I undertook to see if I could establish whether such data existed.

Having spoken to colleagues in the other UK Arts Councils, it's clear that there's no directly comparable data. This is partly because of the different remits of our various organisations – for example, Arts Council England funds museums, and Creative Scotland funds and develops the creative industries. In both cases this is in addition to the arts. This makes comparisons difficult.

UK-wide research used to be undertaken by Arts and Business UK. However, Arts Council England withdrew its funding for Arts and Business UK in 2011 and the organisation ceased to operate. There has been no UK-wide research since. The possibility of reinstating a UK-wide survey is something that I'll discuss with colleagues.

The last year for which UK survey data is available is 2011. The relevance of data which is six years old is clearly questionable. However, I've included, for information, the analysis of business investment across the nations and regions contained in that research.

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Rydym yn croesawu gohebiaeth yn y Gymraeg a'r Saesneg, ni fydd gohebu drwy gyfrwng y Gymraeg yn arwain at oedi.
We welcome correspondences in Welsh and English, corresponding in Welsh will not lead to a delay.

It's interesting to see the split of business investment across the UK that applied at that time.¹

2011	Business Investment £	% of total BI		% of total BI	% of UK population
East of England	3,771,017	2.83	}	85.26	83.79
London	74,819,542	56.17			
Midlands	4,569,418	3.43			
North East England	4,519,008	3.39			
North West England	7,288,135	5.47			
South East England	8,313,247	6.24			
South West England	5,172,407	3.88			
Yorkshire and Humber	5,126,140	3.85	}	5.23	4.84
Scotland	9,949,831	7.47			
Wales	6,970,340	5.23			
Northern Ireland	2,705,340	2.03			
Total	133,204,425	100			

In relation to population, Wales appeared to be holding its own in 2011 when compared to the rest of the UK, albeit by a very small margin. (I've been unable to compare these figures to the economic conditions at that time.) The striking figure, of course, is for London – 13% of the UK population, but over half of the total business investment.

In 2016 Arts Council England published an England only survey.² This showed that the proportion of investment across London and the English regions had remained largely unchanged from 2011. Again, London dominates.

Anecdotally, the key messages from my three UK Arts Council colleagues were broadly similar:

- business sponsorship is reducing, but individual giving (through trusts, foundations and legacies) is increasing
- organisations based in the major cities find it easier to secure non-public funding than those located in less populated rural areas
- non-public funding is becoming an increasingly important part of the overall support to arts organisations, especially the smaller ones
- employing a fundraiser is not a "quick fix" answer. Successful organisations adopt a broad-based approach to business development and income generation that exploits their principal asset – their creative activities. Fundraising is one part of a bigger whole

¹ <https://artsandbusiness.bitc.org.uk/research/private-investment-culture-survey-201011>

² http://www.artscouncil.org.uk/sites/default/files/download-file/Private_investment_culture_report_Nov_2016.pdf

I have also been asked to comment on questions that the Committee did not have time to cover during our session. My responses are as follows.

1. Could you expand on the outcomes produced by the Arts Council's Resilience programme, and how long it has funding in place for.

The Arts Council's *Resilience* programme is available for two years (2017/18 and 2018/19). It has a budget of £2.5m. Council's current priority is to focus in the first instance on our Arts Portfolio Wales (APW). The APW is a nation-wide network of organisations who provide high-quality activity on a daily basis across Wales. They make an essential contribution to the cultural life and well-being of the nation.

Given the Portfolio's importance, we felt it was sensible to start there, assisting these organisations to become more resilient and durable – lessening their dependency on public funding, where we can, and enabling them to reach their full creative potential.

The programme is in its early stages of delivery, but we anticipate that potential outcomes could include:

- generating additional sales through improved marketing
- maximising commercial income, such as through the exploitation of intellectual property and ancillary services (such as catering)
- using technology to drive efficiencies and new ways of working
- green energy projects designed to reduce operating costs
- joint working and sharing of resources between organisations
- addressing systemic issues, such as employment and pension issues

We'll be monitoring carefully the progress of the *Resilience* programme. In the meantime we're exploring whether our resources will stretch to developing a programme that might be extended to smaller organisations.

2. The National Companies' evidence states that "National Theatre Wales is punching above its weight with regards to this rate of return, particularly in relation to the company's lean overhead business model". Could you explain why this is?

National Theatre Wales differs from many arts organisations in two important respects. Firstly, the company is peripatetic and has taken a conscious decision to operate without a permanent base (with all of the associated costs). Secondly, the company maintains a lean core staff, expanding and contracting its workforce depending on the projects that it undertakes. This enables the company to exert a high degree of control over its overheads, making efficient use of its resources through the partnerships it develops with the companies it works with.

3. *Theatr na nÓg has suggested to the Committee a capacity review of fundraising ability within small arts organisations should be undertaken. Do you think this would be beneficial? If so, who should carry it out?*

This is already underway. Earlier in the year we commissioned business development consultancy, Blue Canary, to undertake a focused review of business development capacity in smaller arts organisations. (I think that Blue Canary might well have spoken to Theatr na nÓg as part of this research.)

Blue Canary is due to deliver its report to us shortly.

My instinct is that fundraising capacity is just one part of a broader range of business skills that smaller organisations now require. This is a theme which is emerging through *Resilience*. When we launched the programme, organisations told us that their most pressing need was funding to employ a fundraiser, or to have access to one under some kind of shared arrangement. When we progressed from the launch phase to the diagnosis of companies' actual business needs, a more nuanced set of requirements emerged. These suggested that greater emphasis needed to be placed on wider issues of business development and commercial exploitation.

The precise nature of these business development needs will vary. But it could be that for small organisations such as Theatr na nÓg, the best way of generating additional income is through assistance with securing greater commercial exploitation, where this can be achieved, of their excellent theatrical productions. However, exploiting intellectual property in this way requires particular types of business support.

I note that Emma Goad from Blue Canary is meeting with the Committee. In her evidence, she refers to the importance at looking at the broader canvass of business opportunity:

"Fundraising is just one element of a successful package that leads to resilience and a strong future that is fundamentally based on working together in partnership. Successful sustainable fundraising is about the whole organisation; it's about a common goal to create a project however big or small...

...Fundraising should be seen as part of a total income diversification package, not as an addition, but as activity that is embedded in the organisation's core operation. Income from private sources should sit alongside public funding, and earned income."³

³ <http://senedd.assembly.wales/documents/s67395/Paper%204%20-%20Blue%20Canary.pdf>



4. *What potential is there for Creative Wales to help arts organisations generate additional non-public funding?*

Potentially, Creative Wales could play an important role in providing business support, investment and advice on access to new commercial markets. Creative Wales is an initiative of the creative industries team in the Welsh Government.

Government policy is to develop the creative industries through an in-house team, separate from the arts. The two are, however, linked.

The creative industries have their origin in individual creativity, skill and talent that has the potential for wealth and job creation through the generation and exploitation of intellectual property. The arts nurture the imagination and vision that provide the steady flow of new ideas and products that enable economic exploitation through the creative industries.

The complementary roles of the Welsh Government's creative industries team and the Arts Council reflect the link between economy and culture. As plans for Creative Wales advance, we must be alert to the possibility that we could do more together to support and enhance the Government's ambitions. Proper alignment between our respective responsibilities might result in a more effective strategy that delivers greater economic and cultural success.

Given the scale and complexity of the creative industries, the appropriate point of public sector intervention has to be clear. For example, the Arts Council shouldn't be spending public money where it's not needed, where the market can sustain an activity without compromising its artistic integrity.

But creative individuals and companies need help and support at many different stages in their development. From the young emergent artist to the established professional, the individual sole trader to the Small or Medium Enterprise, effective intermediary support is needed that provides relevant, specific advice. The Arts Council/Wales Arts International has the country's highest concentration of expertise in and about the arts and their routes to international markets. Business Wales is not able to provide the quality and specific nature of the next stage business advice that is needed for these creative companies and individuals to exploit research opportunities. Working with us, this is a gap that Creative Wales might well be able to fill.

We understand that a business plan is in preparation, but we have no further information at this point on Creative Wales' role, remit or when it's expected to be established.

5. *Is there any other activity you have planned to help arts organisations generate additional non-public funding?*

Resilience is an important part of our strategy to enable the arts to generate additional income. However, we want to extend our activities into other areas.

In my evidence to the Committee I suggested 18 initiatives or strategies that could potentially deliver additional income. There is no single organisation with expertise across all of these areas. However, we're aware of new entrants to the market who could potentially offer relevant expertise in many of these areas. We're currently working our way through these proposals and examining which of these business development strands could be taken forward by the Arts Council. We're also looking at where we can work in partnership with Welsh Government, and where specific technical advice might be needed.

6. *Your evidence states "there are a number of ways that more co-ordinated support could be given to companies and micro companies (often creative professionals) to grow new international markets". Could you outline how this work should take place?*

In these challenging times maintaining cultural links with Europe and further afield has more than symbolic value. Exchanges in arts and culture help us to build relationships, and in spite of the UK's departure from the European Union, Wales' continued participation in a range of international networks remains important. They provide intelligence and information about international markets and opportunities. Such intelligence will be vital if we're to develop new cultural and trading relationships.

Through the Arts Council's longstanding partnership with the British Council, our international networks and more recent work with other UK agencies, we have contacts that can leverage export and employment opportunities for our sector around the world. Our staff have helped to run the Welsh Government's Creative Europe desk and contribute cultural expertise to the preparation and delivery of international trade missions (by the UK and Welsh Governments).

We coordinate the Welsh Government's Memorandum of Understanding with the Government of China's Culture Ministry and provide regular intelligence on Welsh cultural links internationally ahead of Ambassadorial meetings by Ministers. We've demonstrated that a cultural element can enhance the impact of international relationship-building. However, our experience has also shown that a more integrated approach across the arts and creative industries might ensure that the benefits are more widely felt.

There are a number of ways that more support could be given to support companies and micro companies (often creative professionals) to grow new international markets:

- export preparation workshops and advice in identifying new markets (country focus events – e.g. China)
- researching market opportunities for the sector as a whole
- providing signposting services to existing support mechanisms (eg trade missions and market research by Welsh Government)
- strategic export visits to and from key markets– including with UK wide bodies
- networking – bringing arts and creatives together around key opportunities eg: Chinese New Year, St David's Day
- international business mentoring to mainstream international market opportunities into companies' business plans
- international exploitation of artistic content and rights produced in Wales (Theatre and TV / film formats / literature for films/ dramas etc.)
- supporting representation and participation in new key market showcase and trade events
- hosting buyers from key markets in Wales (e.g. hosting TV companies from China, WOMEX, British Dance Edition, World Harp Congress)
- piloting new models of collaborations to increase revenue from international markets

Finally, if you would like more information on any of the above, please do not hesitate to ask.

*Yours sincerely,
Nick Capaldi*

Nick Capaldi
Chief Executive