

Written evidence submitted by Arts Council of Wales / Wales Arts International (SPF0034)

Introduction

Context:

1. This evidence is submitted by the Arts Council of Wales, informed by the knowledge and business experience of our international agency, Wales Arts International.
2. The Arts Council of Wales is the official public body responsible for funding and developing the arts in Wales. We are accountable to Senedd Cymru Welsh Parliament and responsible to the Welsh Government for the way the money they provide to fund the arts in Wales is spent. We are also a Lottery distributor for the arts in Wales.
3. We have maintained an **active engagement with European programmes and funding (both delegated and centralised) over the past twenty years**. We have partnered in a number of strategic European projects including ESF funded “Reach the Heights” (2007-13); the pilot mobility network “Practics” (2008-2011) and the INTERREG IVC project “Toolquiz” (2010-2012). We continue to be active members of “On the Move” and the Informal European Theatre Movement (IETM), the leading international performing arts network.
4. Continued European and International engagement by the arts sector in Wales is essential. A new ‘regional’ funding approach – as proposed by Welsh Government’s new framework for Regional Investment^[1] – offers an effective means of achieving this.
5. This new framework, currently being consulted on by the Welsh Government, offers a coherent proposal for delivering of delegated investment from the Shared Prosperity Funds. It uses the pioneering Wellbeing of Future Generations Act to address the profound challenges facing the economy and wellbeing in Wales.
6. The constraints in recent years of austerity measures has meant that public bodies in Wales have struggled to provide much more than core services. There’s been little space to innovate or develop new ways of working. Addressing ingrained poverty and economic inequality won’t be achieved through the bare essentials of investment in public services. Decades of under-investment, and the decimation of industry, mean that Wales is already at suffering from the type of fiscal disadvantage that the Shared Prosperity Fund should address.

7. The arts and creative industries in Wales face a **Covid-19/Brexit 'double-whammy'**. All arts organisations – and many individuals – have been adversely impacted by the pandemic, some quite catastrophically. Performing arts will be **the last sector to come out of lockdown** and economic policy needs to provide the safety net that protects this vital area of social and economic activity.

8. The adverse impacts of Brexit on our sector are amplified by Covid-19. The extreme curtailment on the freedom of movement and increased regulation, the additional costs that companies will face to tour internationally, the collapse in bookings are all having a negative impact on artists and arts organisations who depend on unfettered flexibility to build a financially viable career.

9. Research we commissioned from independent European research specialists Euclid established the level of type of European funding received for arts and cultural projects[2]. (In the period 2007 to 2016 some 150 projects were supported and received around £23m of EU funding.) This is further examined below.

10. The UK-wide creative and cultural sector has had over 20 years of engagement through the Culture, Media and the amalgamated Creative Europe programme. We are therefore deeply disappointed with the UK Government's decision, without the consent of the devolved nations, to withdraw from that programme. We support Welsh Government's ambition to keep Wales as an associated third country region partner.

How effective have existing arrangements for the management of European Structural Funds been?

11. The Wales European Funding Office (WEFO) within the Welsh Government has over 20 years of managing and administering regional structural funds. We have had a positive experience of working with WEFO – from programme management to advice about the deployment of funds.

12. WEFO's robust and transparent systems to support project development were helpful, although challenging and time-consuming given the scale of the reporting conditions required by European funding. We need a simpler approach in the future.

What impact have Structural Funds had on the Welsh economy?

13. The European Regional Development Fund redresses the main regional imbalances within the European Union.

14. Years of austerity have only led to a growth in inequalities. The Office of National Statistics in December 2019 confirmed that the top 10% of households in the UK had 45% of national wealth in 2018, while the poorest 10th had just 2%. This is a growth in the wealth gap of 11% for the top 10%, compared to an increase in wealth of 3% for the bottom 10%.

15. A key element of the ERDF is 'additionality'. This principle needs to be safeguarded—funding coming from the SPF should not displace the existing public funding to the qualifying region, but be additional to it.

16. Structural Funds have had a significant and positive impact on the Welsh economy. In the arts, ERDF investment matched through the Arts Council of Wales' Capital Lottery Scheme and other investors, has provided significant financial investment into a network of high-profile arts and creative industries centres across Wales. All have had a transformational impact in their communities. They include Aberystwyth Arts Centre, Theatr Mwldan and most recently opened, Pontio – Bangor University's Arts & Innovation Centre. (Pontio alone benefited from some £15m through ERDF.)

17. One exemplar recipient of ERDF is Galeri Caernarfon. Opened in 2005, benefiting from around £1.7m ERDF funding, Galeri has a strong focus on local regeneration, community engagement and support for the creative sector in Gwynedd. Its development on the site of Victoria Dock became the anchor catalyst for the eventual re-development of this area.

18. In spite of the challenges of the current **Covid-19 pandemic**, the services offered by local arts centres and cultural venues will be central to the wellbeing and recovery of their communities. Across Wales, arts venues have been re-purposed through their conversion to field hospitals, to producing face masks and PPE, re-deploying kitchen staff to provide an emergency meals service and offering Arts and Mental Health programmes to vulnerable people and key carers. A beacon of light to their surrounding communities, they will need specific support on the long recovery to financial stability.

19. Between 2007- 2013, as a joint sponsor of the Welsh Government's "Reach the Heights" Programme (2007-13), Arts Council of Wales distributed over £10 million to 73 projects involving over 9,000 young people who were inspired to become economically active, working or seeking education and training.

20. Development programmes for the Creative Industries have benefited the arts in Wales, from courses at Further and Higher Education establishments to programmes managed by Skillset to train writers for TV and Film.

21. Transnational programmes have also made a significant impact. In 2015, five Welsh creative organisations benefitted from almost €1m of funding from Creative Europe. Literature Across Frontiers, based in Aberystwyth University, led one of the flagship European "platforms" with their Literary Europe Live project. University of Wales Trinity St David's CORACLE project, received €1.2m

of ERDF funding through the Interreg Ireland-Wales programme. The project supported skills development for those working in the creative and cultural sectors, to maximise the economic, social and cultural benefit of these sectors to both regions.

Erasmus+ has invested in creativity and creative skills, for example through the Network of International Circus exchange project that NoFit State Circus participated as a partner in (2014).

22. Acting locally, engaging internationally will be key for Wales and the UK competitiveness in a future beyond Brexit.

What lessons should be drawn from previous rounds of European Structural Funds in Wales?

23. The administration of some of the large European programmes were too demanding for smaller organisations and therefore off-putting for 'fleet of foot' providers who could have made a significant impact on the ground in their communities.

24. The larger programmes were impossible to navigate for smaller organisations who are the backbone of the cultural sector. A simpler and more accessible model for our sector could be designed through simplification and harmonization of processes, from application to delivery and evaluation. There is an opportunity here to play to our strengths and do things differently in ways that reflect the new working principles of the Wellbeing of Future Generations Act.

25. Future programmes could address weaknesses in capturing data and the impact of funding. Often a small amount of investment can have a significant benefit for arts organisations. The complexity of EU funding programmes as well as the ways in which artists and organisations participated in programmes managed by other partners in Europe made data harder to capture.

26. Devolved decision making developed within a wider European approach has benefited Wales over the past 20 years. We support Welsh Government's new Framework for Regional Investment that encourages local partnerships to engage nationally and internationally.

27. We also support continued investment in cross-border regional development with Ireland to replace the successive Wales - Ireland Interregional programmes (as supported by both Welsh and Irish Governments).

28. The creative and cultural sector needs a seat at the table. We can prove significant impact of their engagement in delivering economic, social, cultural and regeneration developments.

29. The sector is now worth over £111bn to the UK economy and that the sector employs more than 2 million people. Over the last decade the sector has grown at twice the rate of the wider economy, and is now worth more than the automotive, aerospace, life sciences and oil and gas sectors combined.

What should be the priorities and objectives of the Shared Prosperity Fund and what, if any, improvements are needed to the current European funding system?

30. We believe that any alternative arrangements in the future for investing in regional development should adopt the same international perspective and vision that we have seen in the current operation of EU structural funds. We endorse proposals from the Welsh Government that the regional development priorities and objectives for Wales should be driven by Welsh Government policy and sit within the framework of the Wellbeing of Future Generations legislation.

31. We also agree with the proposals from the Joseph Rowntree Foundation report that the Shared Prosperity fund should focus on communities and address primarily issues of inequality and poverty across the UK. In particular, the programme should address the challenges faced by young people, which will be even greater post Covid-19.

32. Health and wellbeing should be a priority. The impact of Covid-19 has revealed a potential crisis in mental well-being, and our Arts and Health partnership with the NHS Confederation in Wales offer an effective way of engaging with the community and social challenges which will face us in a post-Covid-19 world.

33. The replacement funds should be a single pot, rather than the current division of ESF / ERDF. However, the funds could include smaller 'pots' for SMEs, small organisations and freelancers. These could be administered through a combination of existing public bodies who already manage and distribute funding like the Arts Council of Wales, Sports Wales, Heritage Lottery Fund etc.

34. A more flexible approach to match funding would be useful. The majority of ERDF projects have a minimum funding threshold of £1 million, to wholly own a project, organisations must contribute £500,000 in match. This means only large public organisations could bid and manage them. This has been a deterrent for partners.

What level of funding should Wales receive, and how should this be calculated moving forward?

35. The UK Government must **respect the devolution settlements** in Scotland, Wales and Northern Ireland, and engage the devolved administrations to ensure the fund works across the UK. The distribution of these funds should be based on an assessment of need, not on the Barnett formula.

36. As highlighted in research produced by the National Assembly for Wales, Wales should not lose out on the level of investment that it has previously received. Current investment, with inflation added, and should be additional to the Welsh block grant.

37. Over the 2014-20 round of EU funding, Wales will have received almost £2.7 billion in ESI funds. Analysis by the House of Commons Library **highlights that** between 2014-20 Wales received almost four times as much ESI funding as the UK average per person, and considerably more than any other UK nation. This is a practical demonstration of the scale of the need.

Should funding be ring-fenced on a nation or regional basis or should the fund be open to competitive tendering?

38. The responsibility for delivering regional development in Wales should lie with the policy responsibility, ie with Welsh Government as should the administration of delegated funds.

39. We support the Welsh Government proposal that future funding should be ring fenced on devolved nation basis ie all Wales, rather than the artificial East Wales/West Wales and the Valleys regional divide.

40. We recognise that on non-devolved matters there will be benefits for a collaborative UK wide approach in which the UK Government should lead with an agreed model for collaborating with the relevant devolved agencies.

41. Similar to the current European centralised funds (eg Horizons 2020), there could be an opportunity to manage the delivery through a 'call-out' for ideas and innovation in a similar model to that which centralised European funding has supported.

42. There could also be advantages in having some UK wide approach in terms of sectoral specialism and trade, whilst respecting devolution and the principle of subsidiarity. For example, a Creative UK programme to replace Creative Europe in partnership with devolved agencies could ensure the continuation of the UK's international approach to co-production in the creative and cultural industries. Partnerships like the "Horizons" partnership in which the Arts Councils of England, Ireland, Northern Ireland, Wales and Creative

Scotland come together to co-present our music sector at the international market-place WOMEX could apply to such centralised funding.

43. We would firmly reject any notion that the Shared Prosperity Fund could force applicants to apply the unpopular “GREAT” brand. We would strongly advocate a more nuanced approach that respects the individual and collective strengths of the UK nations’ distinctive strengths and identities.

What timescale should be adopted for each funding round? How should responsibility for funding and administering the fund be divided between UK and devolved governments?

44. We would encourage the same long-term approach adopted by the ESI to be maintained. This has enabled local partnerships to be embedded. A 7-year rolling programme would be welcome, with flexibility to vary to respond to emergencies / crisis.

45. As noted above, we firmly believe that the subsidiarity rule should apply to the fund. When managed centrally, agencies from across the UK should be engaged in the process.

What role could, or should, local government and, where applicable, city or growth deals play in relation to the fund?

46. We believe that regional partnership approach is key to deliver the changes. The rurality of Wales demands that Local Authorities, as well as their umbrella body WLGA, have the means to engage fully in the new funds. They have the local accountability and responsibility.

47. The LAs were critical in the delivery of the ESI and ensuring that they have the human capacity to instigate the local changes will be important. The impact of not replacing these funds would be catastrophic on not just local enterprises such as the “Mentrau” community social enterprises in Wales but also on numerous initiatives partly funded with local authorities.

48. We are also concerned that local partnerships often lack sector specific specialism. As already mentioned, often creative industries and the cultural sector are left out of funding decisions.

Are there any implications for state aid rules?

49. It is important that there is fair play across the devolved nations and regions of the UK. It is also important to be able to continue to invest fairly in regions which are lagging behind to address the inequalities already mentioned.

50. It's of vital importance that any new state aid rules continue to give an exemption for culture and the arts. We would caution any new trade agreements that would seek to undermine this.

Concluding comments

Investment from the Fund into the arts and creative industries will be an investment in social and economic recovery in Wales:

- **the arts and creative industries are an engine for Wales economy** – they contribute directly in terms of jobs and the generation of wealth through the creation, distribution and retail of goods and services. The cultural sector forms significant tourism attractions, generating demand for transport, accommodation, catering and other tourism and business-related businesses.
- **perceptions, visibility and reputation matter.** Whilst Brexit and Covid19 have damaged the perceptions of the UK internationally, our devolved cultures and our artists are key cultural relations mediators and are “soft power” assets for Wales. Successful businesses depend on a skilled workforce. When business leaders are looking to grow or to relocate their businesses, quality of life issues will rank high for them, their families and their workforce.
- **the arts enrich lives and contribute to community well-being** – communities coming together to enjoy creative activity can have a transformational impact. Vibrant, creative and sustainable communities are about an engaged relationship with the everyday issues of community spirit, safety, health and education. Arts Centres are centres of wellbeing and offer safe spaces for economic and social recovery.

Regeneration all too often confuses doing things for people with doing things to people. We need to think, plan and work with people rather than for them or on their behalf. There's no greater force for social change than a community discovering what it cares about.

- **using the arts to support education, incubating talent for the new knowledge economy, is an investment in future prosperity** – the dominant global companies of the future are increasingly in the fields of communications, information, entertainment, science and technology. These all require high degrees of creative imagination and entrepreneurial vision – qualities that arts and culture are ideally placed to nurture and promote.

[1] <https://gov.wales/framework-for-regional-investment-in-wales>

[2] Assessing the European Union's contribution to the arts in Wales since 2007, EUCLID, August 2017