



Local Authority Funding in Wales: CIPFA consultation Arts Council of Wales submission

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Cyngor Celfyddydau Cymru
Arts Council of Wales



Noddir gan
Lywodraeth Cymru
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"... the gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages; the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage; neither our wisdom nor our learning; neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile."

Robert F Kennedy

Introduction

About the Arts Council of Wales

The Arts Council of Wales is the country's official funding and development organisation for the arts. Our principal sponsor is the Welsh Government.

We also distribute funding from the National Lottery and raise additional money where we can from a variety of public and private sector sources. Working together with local government in Wales we support and promote the important role that the arts play in Wales, including supporting the cultural infrastructure of our country from local venues to internationally significant producing companies. We invest around £45m each year in the arts in Wales. Our forward thinking is set out in Inspire Our strategy for Creativity and the Arts In Wales:

<http://www.artscouncilofwales.org.uk/arts-in-wales/inspire>

The importance of the arts to local communities

It is easy to overlook what is fundamentally important and vital to a vibrant, healthy Wales.

The arts illuminate and give life to the wide range of strategies that underpin public life. From arts and health to cultural tourism, public art to town centre re-generation, the arts bring meaning, authenticity and enjoyment to our everyday lives. They create and sustain jobs, enrich education services, bring people together, improve our quality of life.

The Arts Council of Wales 2014 Omnibus Survey of the Welsh public tells us that 4 in 5 adults and 3 in 4 young people attend arts events. And over a third of adults and 8 in 10 young people participate in the arts. Arts and culture matter to Wales. They are a deserving recipient of public investment.

Why invest in the arts?

1. The arts in Wales are popular.
2. The arts unlock the creativity and imagination of our young people.
3. The arts encourage engagement and bring communities together.
4. The arts encourage cultural and social change.
5. The arts contribute to Wales' economic prosperity.
6. The arts are vital to cultural tourism, encouraging people to visit and find out about Wales.
7. The arts help to promote the profile and reputation of Wales on the world stage
8. The arts express our bilingual identity and culture through the medium of the Welsh and English languages.

9. The arts deliver tangible results across a wide range of national and local government policy.
10. The arts enrich our lives.

The consultation questions

Given our area of specific expertise, we are restricting our comments to issues that relate to local government support for arts and culture.

What do you consider to be the current strengths and weaknesses?

The partnership between the Arts Council of Wales and local government provides the foundation of the arts in Wales. This is a unique strength.

Between us, we have the potential to touch the lives of everyone in Wales. Local authorities bring to the table their local knowledge, broad range of responsibilities, their citizen focused delivery and their democratic representation. The Arts Council brings specialist expertise and a national and international perspective on arts practice and development. Both of us provide funding and investment that funds creative activity. It is a powerful combination – and a necessary combination - if we are to maintain healthy arts ecology in which our cultures can thrive.

The current scale of predicted public spending cuts is extremely concerning for the arts sector. Public subsidy is necessary to pump-prime the whole sector. However, the rewards are great, as the graphic (next page) for Wales' largest local authority – the City of Cardiff – illustrates.

In this case, a relatively modest public sector contribution sustains a £60m economy and nearly 2,500 jobs in Cardiff alone. That underpins the whole creative industries economy in the city as well. Few key players would under-estimate the role of the publicly-funded arts sector in the development of their careers or companies at one stage or other.

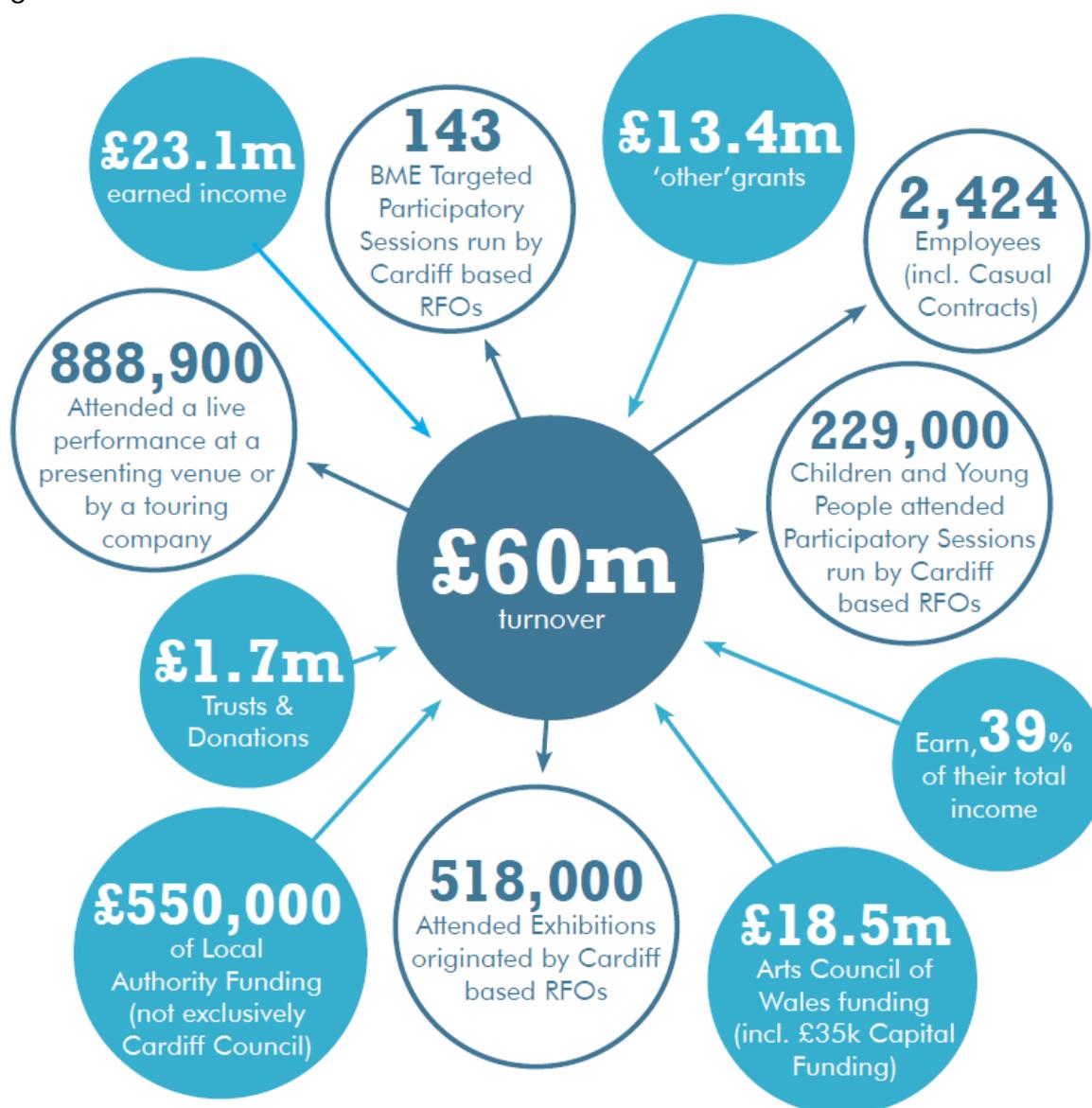
The arts have repaid public investment by feeding the creative industries with talent and ideas, inspiring our young people to be inventive and imaginative, and encouraging the next generation of cultural entrepreneurs.

The partnership between local government and the Arts Council of Wales is fundamental to this thriving ecology.

But each part of this ecology supports and anchors the others. The predicted scale of public funding cuts therefore puts the financing of the whole infrastructure in jeopardy. This is because it will critically affect the delicate balance between local delivery and needs (from the local authority) and national ambition and strategy (from the Arts

Council of Wales) that the dual funding arrangements mediate. The diagram below (Fig 1) illustrates this for Cardiff where an aggregated investment of £550,000 from local authorities sustains a £60M economy within the revenue funded organisations (RFO's) alone.

Fig 1



**The data compiled was supplied by the following RFOs – Artes Mundi, BBC National Orchestra Wales, Chapter, Community Music Wales, Disability Arts Cymru, Earthfall Dance, Ffotogallery, g39, Hijinx Theatre, Literature Wales, Live Music Now Wales, Music Theatre Wales, National Dance Company Wales, National Theatre Wales, NoFit State, Rubicon Dance, Sherman Cymru, Sinfonia Cymru, SWICA, Theatr Iolo, Touch Trust, trac - Music Traditions Wales, Tŷ Cerdd, Wales Millennium Centre, Welsh National Opera, WJEC.*

This partnership approach has served Wales well.

We have seen innovative programmes developed from a local authority initiative which has gone on to be rolled out across Wales to meet a strategic need. The *Criw*

Celf project, for example, was designed to identify young children showing talent and promise in the visual arts at an early age and provide them with mentoring and support from professional artists.

Equally, we have supported national strategic programmes to deliver local outcomes. For example, our *Ideas: People: Places* programme in Caernarfon is pioneering a socially engaged and people-centred approach to regeneration in partnership with Gwynedd Council.

The vulnerability of support for the arts is increased currently not just because of the non-statutory question, but because of the atomisation of provision across councils' portfolios with arts aspects that might be in cultural departments but with others in planning and regeneration, education, and even in programmes in social care budgets.

At the more catastrophic level of potential cuts, there could be wholesale decimation of the publicly funded sector. At its worse this could mean the survival of only the most commercially resilient and lead to the demise of a fundamentally important partnership for the cultural sector.

Would it [structural reorganisation] provide an opportunity for a parallel financial reform?

The current division of local authority responsibilities (and funding) between Statutory and Discretionary puts arts and culture at risk. It is desperately in need of reform.

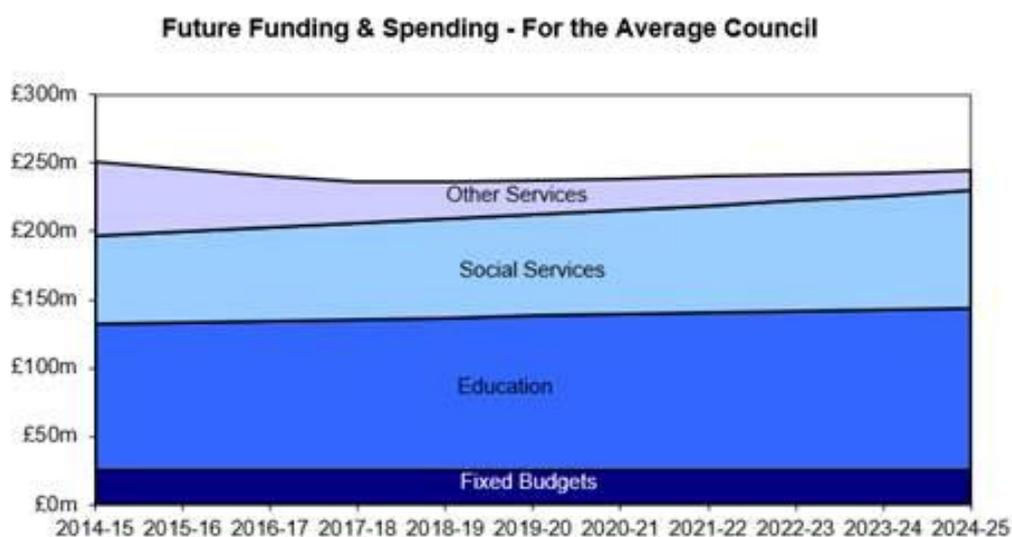
Local authorities' provision of arts and cultural services is broad. It can include and cover libraries to museums, archives to the arts, and the historic environment to Welsh language.

Currently, the provision and delivery of culture and art services is varied across Wales due to a number of factors such as local need; socio-economic circumstances; geographical location; historical working/partnership arrangements; the legacy of the 1996 local government re-organisation; and the discretionary nature of cultural and art services itself (with the exception of libraries and archives).

As a Discretionary area of expenditure it can become a victim of a binary approach to decision-making that automatically privileges statutory areas of activity at the expense of the discretionary.

The pressures on local authorities under the current arrangements are easy to understand. A report commissioned by the WLGA in October 2012 from the Institute

of Fiscal Studies (IFS) looked at the implications of funding cuts in Welsh local government. It found that if the Welsh NHS is protected from further cuts after 2014/15, then Welsh councils could face a reduction in spending power of 4.1% per year, on average, in 2015/16 and 2016/17, if further welfare cuts are made, or 5.7% per year if no further welfare cuts are made.



With local authorities suffering budget cuts ranging from between 2.4% to 4.5% in the 2015/16 settlement (an overall decrease of 3.4%) the WLGA has anticipated that local councils will have to disproportionately reduce funding in discretionary service areas further by as much as 10% - 20%.

Regional and National Facilities – who pays?

There are historical factors that dictate, in some cases, inconsistent funding responsibilities. For example, a medium-sized local authority such as Flintshire has found itself with an inherited geographical responsibility for a major national producing theatre drawing audiences from across north Wales and England; and Cardiff carries the responsibility for St David’s Hall, the nation’s only symphonic concert hall.

The additional funding demands of large-scale facilities benefiting a wide-spread population are falling on a single local authority. These authorities are struggling to be able to afford to prioritise such provision in the future – despite recognising its huge contribution to life in the county and beyond.

A different funding model arrangement, one that allowed for cross-local authority funding might assist in these situations.

Local authorities are generally reluctant to fund facilities outside of their geographical boundaries (even if those facilities benefit their council tax payers). Therefore,

alternative approaches need to be considered. The National Eisteddfod currently offers a model which sees all authorities making an equal contribution on an annual basis, even though the Eisteddfod is peripatetic and changes its base each year. Such an approach may have merit in some of these cases.

A new vision and a new financial strategy are needed centrally.

The Welsh Government's stated vision for Wales is to be fair, prosperous and confident, improving the quality of life of its people in all of the country's communities.

Moreover, the recently launched Well-being of Future Generations legislation puts well-being and sustainability at the heart of civic life. A binary approach to statutory/discretionary does not adequately reflect the more subtle approach to investment, funding and services that will be needed if the Government is to meet its well-being goals.

It is the role of the Welsh Government to set the strategic framework and policy direction for services at a national level and it is the role of local government to deliver those services taking account of the local circumstances and pressures. We would therefore suggest that as future new structures are introduced for the delivery of public services in Wales, it is essential that the Welsh Government offers a clear and explicit vision that sets out the role of arts and culture as part of an intelligent interpretation of how well-being goals will be delivered. The Well-being of Future Generations Act (WFGA), which makes contribution to the cultural life of a locality a legal requirement, takes effect from April 2017. This will make it essential to have both access to facilities and resources and expertise at local level.

Well-being of Future Generations Act

Under the terms of this legislation, the arts are fundamentally important to the delivery of all 7 of the Well-being goals in the Act – not just the cultural one - and it will be incumbent on the Public Service Boards to safeguard them. This means not just buildings and facilities but skills and expertise as well. We would advocate for a representative from the cultural sector to be a core member of each local service board. This would be important - not only to advise on the Cultural Well-being goal - but crucially to advocate for the arts input to the achievement all of the other goals. This not only helps safeguard arts provision but adds value and quality to other services e.g. ensuring that there is creative community engagement with the design of major investment decisions or that dance and music participatory activities in local theatres can support local care services and the well-being goal.

What should the objectives of central funding be?

The Arts Council of Wales endorses the Welsh Government's commitment to Sustainable Development as its organising principle. We would encourage this to be the core objective of central funding mechanism and emerging grant system (as, indeed, is required by the WFGA).

This would then create a better and more balanced approach to invest in those activities that create public value and would allow proper accountability for the contribution that the cultural sector makes to so many aspects of civic life.

Measuring differently

It is vital to note that for the WFGA to work properly as intended there needs to be an adjustment to the way we measure and evaluate public value and account for our actions in a more rounded, qualitative way.

This has implications for all public services - but in particular the monitoring activities of the Wales Audit Office – in developing more meaningful methods of auditing and evaluating attainment. We would advocate a move away from processes that only considered quantitative targets as this might skew delivery.

Non-Domestic Rate Relief

We support the Welsh Local Government Association (WLGA) campaign for National Non-Domestic Rate Relief (NNDR) for arts and cultural provision. This potentially gives authorities more options around structures and operating models that might operate more in the public interest in the longer term by releasing considerable income streams.

Invest to Save

We would also like to see ‘invest to save’ type grants to allow for the imaginative use of up-front costs to accrue downstream savings in running costs or to finance innovation. There is also a case for incentivising green initiatives e.g. installing LED lighting.

Might different financing arrangements improve the outlook?

Devolution provides an ideal context for discussion around new potential financing arrangements.

At the moment, Wales has limited tax-raising/tax-varying powers. The current debate is largely focused around the relationship between Westminster and Welsh Government. However, the debate will eventually extend – as it has in Scotland – to a debate around national and local governmental responsibilities.

Using different approaches to taxation could open up new opportunities for areas previously funded on a discretionary basis. The next pages explore some of the common possibilities.

1. **Tax policy.** An important advantage of tax policy is its neutrality as tax incentives do not generally relate to specific artistic content. Instead, criteria tend to be general and are linked to types of beneficiaries. It is therefore left to individuals, corporate businesses and non-profit foundations to make their own cultural decisions.

Examples across Europe include tax reliefs, tax breaks, tax deductions, tax exemption, tax allowance and tax incentives etc. and specifically branded schemes such as the transfer of art in lieu of payment of tax.

Example: Throughout the 1990s Sweden had applied its standard VAT rate of 25% to books. Lowering the VAT on books in Sweden was intended to lower prices and increase sales, in order to promote readership, quality of books and diversity of content. In 2002 a decision was reached to bring down the level of VAT on books to 6%. The VAT reduction was immediately reflected in lower prices and in the following year sales rose by 16%.

2. **Sponsorship.** Sponsorship is a feature of cultural investment in all European countries. However, its scale is not consistently measured and it is difficult to provide accurate figures, although the general consensus is that this is static at best and reducing in many countries as companies move away from traditional sponsorship programmes to community based programmes based around corporate social responsibility.

Sponsorship generally represents a small proportion of the incomes of most arts organisations. It is also more prevalent in the metropolitan centres and in support of larger, higher profile arts organisations. A small community based organisation in a rural area would generally struggle to achieve significant levels of corporate sponsorship.

Example: The Office for Cultural Sponsorship, established by the Greek state, encourages private sector sponsorship of the arts. The value of the sponsorship is deductible from the taxable income of the ratepayer or the gross income of the business offering the sponsorship. Once a year, the Minister of Culture awards prizes for particularly enterprising examples of support.

3. **Public-private partnerships (PPP).** These are usually an agreement between a government and the private sector to provide public services or physical infrastructure. Under these arrangements the public sector is relieved of the burden of managing large capital expenditures and transfers the risk of cost overruns to the private sector. There are few examples of this in the arts.

4. **Levies.** This is a requirement to pay an additional amount on top of the identified cost of the cultural product. Examples include booking fees, credit card charges and charges levied for a specific purpose (such as general fundraising or capital refurbishment).

Levies can be voluntary and mandatory.

Another variation of this approach would be initiatives such as % for Art that seek to identify a specified amount of the funding of a larger development to be available for public arts work. % for Arts schemes were widely adopted by a number of local authorities in the 1990s and coincided with the launch of the National Lottery

Example: The Community Infrastructure Levy allows local authorities in England to raise funds towards infrastructure needed to support the development of their areas. The Community Infrastructure Levy allows charging authorities to raise funds, usually through planning gain and developer contributions, towards the cost of infrastructure needed to support an area's development. The Planning Act (2008) defines cultural facilities as within the definition of relevant infrastructure.

Example: In the Netherlands, the integration of art in state buildings has been an element of government policy from the beginning of the nineteenth century. The current percentage for art scheme stipulates that for the building, conversion or renovation of state buildings, depending on the total building sum, 0.5 to 2% of the budget must be spent on the visual arts. As a result of the percentage scheme the Rijksgebouwendienst (Government Buildings Agency) is the biggest commissioner in the field of the visual arts in the Netherlands. More than 2,500 works of art have been realised in the last 40 years in the context of this scheme.

5. **Percentage legislation.** This is a tax measure through which taxpayers may designate a certain percentage of their income tax to be allocated to a specific non-profit, non-governmental organisation). Among EU Member States, percentage legislation systems exist in Eastern European countries, such as Hungary, Lithuania, Poland, Slovakia, Romania and Slovenia.

Example: In 2007, the Non-profit Information and Training Centre (NIOK) Foundation conducted a research study evaluating percentage legislation in the five Eastern European countries identified above. The study concluded that, in societies with no tradition of donation and no models for the population to follow in order to take part in philanthropy, application of percentage legislation can be an effective way to stimulate giving.

6. **Individual donations.** These are one-sided business transactions from which the donor expects no direct benefit. Donations can be made in cash or in kind. A number of EU Member States have implemented measures to encourage individual donations. Several countries offer deductions for individual donors, following examples from the US and countries such as Italy, Greece and Germany who have special incentives around inheritance tax.
7. **Corporate donations.** Gifts in cash or in kind, made by companies and other legal subjects to cultural organisations or individual artists. Measures supporting corporate donations most often take the form of tax incentives for donors.
8. **Transfers in lieu of tax.** Many countries allow taxpayers to transfer their property, including works of art, in lieu of payment of different taxes, such as estate tax. Such a system effectively acts as a 'tax credit' rather than a 'tax deduction'

Example: In December 2014 artworks worth around £45 million were left to the nation in lieu of tax. They included an early work by Vincent Van Gogh, a collection of political posters and more than 40 sketches and paintings from the personal collection of the late Lucian Freud. Van Gogh's oil painting Head of a Peasant Woman dates to around 1884 and has been given to the National Gallery. The collection of 99 political posters, which mostly date from the first quarter of the 20th century, were collected by Bristol University librarian Geoffrey Ford and have been given to the university.

9. **Voucher schemes.** In general, a voucher is a credit of a certain monetary value that can be used only for a specified purpose. In the culture sector, vouchers are used as a manner of stimulating demand for cultural products or allowing discounted access to specified events.

In Europe, the most well-known voucher system is in Slovakia although similar schemes have been tried in Germany.

Example: An initiative organised by the Ministry of Culture of the Slovak Republic in 2006 saw the issuing of cultural vouchers (each with the value of SKK 200, approximately EUR 6) to students and teachers of primary and secondary schools free of charge. The vouchers could be used for visiting a cultural event or for access to cultural heritage institutions (museums, galleries, libraries) in the organisations that were registered with this scheme. The Ministry issued a total of 900,000 thousand vouchers for students and 100,000 thousand for teachers. The Ministry then reimbursed individual cultural organisations the amount of money that they received in the form of vouchers. Some 527,000 vouchers were used, with a total value of SKK 105.5 million (approx. EUR 3.1 million).

10. Banking schemes. These direct bank support to the cultural sector. Banking schemes can include loan schemes that give a preferable interest rate to cultural activities, or any other instruments that favour cultural activities. There are several examples in Wales of the Charity Bank adopting this approach

11. Trusts and Foundations. Usually non-profit organisations that either donate funds and support to other organisations, or provide the source of funding for their own charitable purposes. Most foundations in Europe support social issues, while culture is the focus of activity of a smaller and more limited number of foundations.

Example: Malta has a vibrant trusts and foundations sector supporting artists and the arts (for example, Malta Arts Fund, Malta Film Fund, Extended Public Service Obligations, Francis Ebejer Prize, Investment Funds, Kreattiv, Malta Arts Scholarships, Malta Enterprise supporting the arts and creative industries, and the National Book Prize).

12. Re-distribution strategies. There are a range of initiatives where public funds received are re-distributed or diverted for other purposes. Examples include:

- Funds from the proceeds of Crime
- Aggregate Levy Fund Wales
- Dormant Bank accounts

Example: The Aggregate Levy Fund is funded by money collected by HM Treasury as a green tax to soften the impact of quarrying and marine aggregate dredging. The Welsh Government sets aside £1.5m each year to support projects in Welsh communities affected by aggregate extraction. Since it was launched in 2002 the Fund in Wales has provided more than £16m in funding.

Concluding comments

The Arts Council's vision for the future is clear: a creative Wales where the arts are central to the life of the nation – a place where our best talents are revealed, nurtured and shared, and where communities across Wales have the opportunity to enjoy and take part in the best that our artists and arts organisations can offer. It is a vision of ambition and determination; one fit for a country where support for the creative and expressive arts is at the core of its identity and an entitlement for its people.

The Welsh Government has made a clear commitment to putting sustainability and sustainable development at the heart of government and the wider public sector. As in so many areas of civic and cultural life, the arts have a key role to play in supporting the

principles of well-being and sustainability. And addressing these issues will help to create resilient communities with individuals whose lives are creative, positive and productive.

These things matter in Wales. They mean enhancing the economic, social and environmental wellbeing of people and communities, achieving a better quality of life for our own and future generations. They are a proper concern for local authorities and we hope that local government in Wales will have the financial structures in place to ensure that they can remain in the vanguard of social, economic and cultural change.

Arts Council of Wales
October 2015