



# Arts Council of Wales Economic Assessment

prepared by

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## EXECUTIVE SUMMARY

### INTRODUCTION:

The report, prepared by Deyton Bell and Counterculture, assesses the economic impact of Arts Council of Wales (ACW) funding on the arts and cultural Sector in Wales, considering the effects of the COVID-19 pandemic and the current cost of living crisis.

### BACKGROUND AND AIMS:

The report aims to provide an up-to-date picture of the economic impact generated by ACW investment. It evaluates contributions to macro-economic indicators such as gross value added (GVA) and employment in the sector, as well as indirect and induced multiplier impacts through supply chain linkages and employee spending.

### KEY FINDINGS:

- **Economic Contribution:** The arts and cultural sector's turnover and GVA contributions showed resilience despite the pandemic, with a recovery trajectory evident in recent years. The latest report in 2023/2024 shows a near return on investment to pre-pandemic levels. Return on investment during the pandemic years stayed positive – above £1:£1, which highlights the ability of the sector to adapt and use new approaches to engaging audiences.
- **Employment:** Employment in the sector has increased over the past decade, demonstrating the sector's growth and resilience.
- **Investment Impact:** ACW's investment strategies, including emergency funding and flexible funding arrangements during the pandemic, have supported the sector's sustainability and recovery.

### CONCLUSION:

ACW's refined investment strategies have achieved significant economic returns and cultural benefits. The sector's resilience and adaptability have been crucial in navigating the challenges posed by the pandemic, with a positive outlook for future growth and stability.

## **1. INTRODUCTION**

This is a report by Deyton Bell and Counterculture, on behalf of Arts Council of Wales, on the economic contribution of the arts and cultural sector to the UK economy. The report assesses the economic impact of the work of the Arts Council of Wales, directly, indirectly and induced, taking into consideration the effects of the COVID-19 pandemic and the current cost of living crisis.

## **2. BACKGROUND AND AIMS OF THE STUDY**

The purpose of this report is to provide an up-to-date picture of the economic impact that ACW investment generates through supporting the arts and cultural sector in Wales.

The Arts Council of Wales is an independent charity that funds and develops the arts in Wales. The Arts Council of Wales is a registered charity, established by a Royal Charter. ACW distribute funds on behalf of the Welsh Government, the National Lottery and other partners to support and promote the important contribution that the arts make to Wales and the World – cultural, social, health, educational, environmental and economic. It does this by investing in Wales's artists, organisations and communities.

The Council sets the strategic direction for the arts in Wales, guided by its six principles of; creativity, widening engagement, use of the Welsh language, climate justice, nurturing talent, and transformation. The Council is responsible for developing, implementing, and monitoring arts policy. Each year, Council agrees on corporate and operational plans, sets the annual budget, and allocates grants to revenue-funded organisations.

This report is focused on analysing how ACW investment stimulates economic impact through the arts and culture sector. Contributions to macro-economic indicators such as gross value added (GVA) and employment are assessed. It also examines the indirect and induced multiplier impacts that can be associated with arts and culture sector activity, through its supply chain linkages and the activities stimulated when employees of arts and cultural organisations spend their earnings in the wider economy.

### 3. STRUCTURE OF THE REPORT

The report is structured as follows:

- Section 4 outlines how the arts and cultural sector is defined and the scope of the study. It also gives an overview of the methodology used.
- Section 5 sets out the multiplier impacts of the arts and cultural sector generated through Arts Council of Wales investment, including indirect (supply chain) impacts and induced (employee spending) impacts. This section estimates the contributions to turnover, GVA, employment and household incomes.
- Section 6 assesses the direct macro-economic contributions of the arts and cultural sector to the UK economy. This is considered in terms of employment, turnover and value-added contributions. This report also provides estimates of the additional direct contributions of arts and cultural activities undertaken by the non-market sector, that is, by arms of government and by the third sector.
- Section 7 assesses other aspects of the economic contributions of the arts and cultural sector, such as labour productivity and exchequer contributions.
- Appendix I provides a Standard Industrial Classification (SIC)-based definition of the arts and cultural sector used in this study in tabular form.

## 4. SCOPE AND METHODOLOGY

### 4.1 SCOPE OF THE STUDY

This report uses a definition of the arts and cultural sector that is linked to industry classification and national statistics. The Standard Industrial Classification (SIC) system provides the underlying data collection framework for much of the economic data produced by the ONS.

The purpose of defining the sector is to enable the capture of the value of the investment made by ACW to the six disciplines that are funded by Arts Council England - theatre, dance, literature, visual arts, music, and combined arts. On a SIC basis, arts and cultural consists of sets and/or subsets, dependent on the level of aggregation, of the product and sector groups defined under the SIC system. The definition used in this report includes the following set of activities, identified by 3-4-digit SIC codes:

- 58.11 - book publishing (1-digit Section J)
- 59.2 - sound recording and music publishing (1-digit Section J)
- R90.01 - performing arts (1-digit Section R)
- R90.02 - support activities to performing arts (1-digit Section R)
- R90.03 - artistic creation (1-digit Section R)
- R90.04 - operation of arts facilities including the operation of concert and theatre halls (1-digit Section R)

A more detailed SIC-based definition of the arts and cultural sector used in this study (incl. a breakdown of the activities listed above), is provided in [Appendix I](#).

### 4.2 OVERVIEW OF APPROACH AND METHODOLOGY

Where data has been available to calculate direct economic impact, for example ticket sales and audience attendance, this has been used. Where information has been unavailable, multipliers have been used to ensure that impact is successfully captured and reported. These multipliers are applied across the three elements of the investment made by ACW namely; community/schools investment, smaller facilities and major facilities, festival, and innovation. A further method has been applied to those individuals securing grants from ACW. The metric used here is a total of £6,020 which has been used in previous evaluations by the Arts Council England<sup>1</sup> as the level of economic value created by an artist from a grant.

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<sup>1</sup> ArtCouncil.org.uk

This approach has enabled the development of metrics for assessment of direct ACW investment. For indirect investment we have used published attendances at Festivals and Facilities, where this is unavailable, we have applied the multipliers set out above depending on the type of facility or institution. In addition, in calculating the indirect impact a figure of £60 per day per domestic visitor<sup>2</sup> has been used and a figure of £46 per day for 2021/22 when the pandemic was at its height<sup>3</sup>.

The report then estimates the multiplier impacts of the arts and cultural sector using bespoke input/output models, which draw on the ONS' national accounting framework. The input-output models use data on the sectors from which the arts and cultural sector purchases its inputs – for example, from set materials to advertising services – to assess the sector's economic footprint through its supply-chain with other sectors. This generates the induced value of ACW investment in the wider economy.

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<sup>2</sup> 2022 Staysure survey

<sup>3</sup> ONS

## 5. ASSESSING THE WIDER IMPACT OF ACW INVESTMENT

### 5.1 INVESTMENT IMPACT 2019/2020

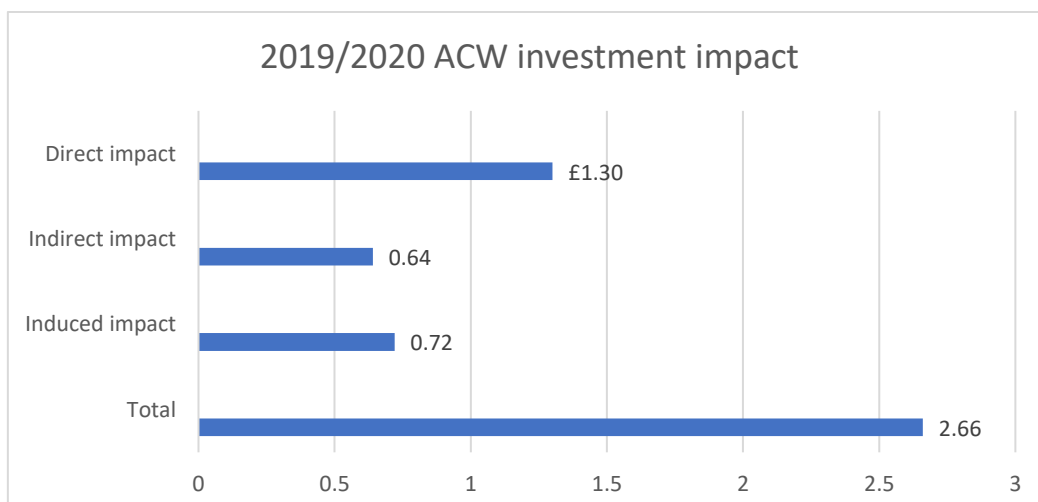
In 2019/2020, ACW was focused on distributing public funds to support a wide range of arts organisations and projects across Wales. The investment approach aimed to ensure that more people in Wales could enjoy and participate in the arts. ACW emphasised reaching a broader audience and increasing access to the arts for diverse communities.

The Council allocated multi-year funding to organisations that aligned with its strategic objectives, which included promoting the Welsh language, supporting arts education, and fostering creativity and innovation. By the final quarter of the year, it was evident that the COVID-19 virus was taking grip across the country with the first case of infection announced on 28 February 2020.

In 2019/2020 ACW achieved a total of multiplier of £2.66 for every £1.00 invested. The return on investment can be seen in Table 1 below. This represents a strong value for money and demonstrates a positive impact on the national arts and cultural services. There is evidence that the investment was generating value across all the spectrum of investment, from community impact through to the major festivals that ACW support and across the country.

However, 2019/2020 was the final year for two years where 'business as usual' arts and culture activity could be delivered due to the COVID-19 Pandemic. As a result, 2019/2020 sets a baseline to enable assessment of when the sector would in later years return to pre-pandemic returns on investment.

**Table 1: Investment Multiplier 2019/2020**



## 5.2 INVESTMENT IMPACT 2020/2021

In 2020/2021, the Arts Council of Wales was forced to adapt its investment approach in response to the challenges posed by the COVID-19 pandemic. ACW's revised strategy focused on supporting the arts sector through this difficult period and ensuring its sustainability and resilience. The investment strategy focus included:

- **Emergency Funding:** providing emergency funds to help arts organisations and individual artists cope with the immediate impacts of the pandemic<sup>4</sup>.
- **Flexible Funding:** The Council offered more flexible funding arrangements to allow organisations to adapt their activities and operations to the changing circumstances<sup>5</sup>.
- **Digital Engagement:** There was a significant emphasis on supporting digital projects and initiatives to help the arts sector continue to engage with audiences online<sup>6</sup>.
- **Well-being and Inclusion:** The Council prioritised projects that promoted well-being and inclusion, recognising the vital role of the arts in supporting mental health and community cohesion during the pandemic.

These measures aimed to stabilise the arts sector in Wales and prepare it for recovery and future growth.

At the start of the COVID-19 pandemic, arts and cultural activities were significantly impacted. With a range of solutions put in place by the sector, these include:

- **Cancellations and Postponements:** Many arts events, including live performances, exhibitions, and festivals, were either cancelled or postponed due to lockdown measures and social distancing requirements.
- **Shift to Digital:** To continue engaging with audiences, many arts organisations and artists shifted their activities online. This included virtual performances, online exhibitions, and digital workshops.

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<sup>4</sup> Arts Council of Wales Investment Review 2020/2021

<sup>5</sup> Report and Financial Statements 2020-21

<sup>6</sup> Combined Impact Assessment for Investment Review

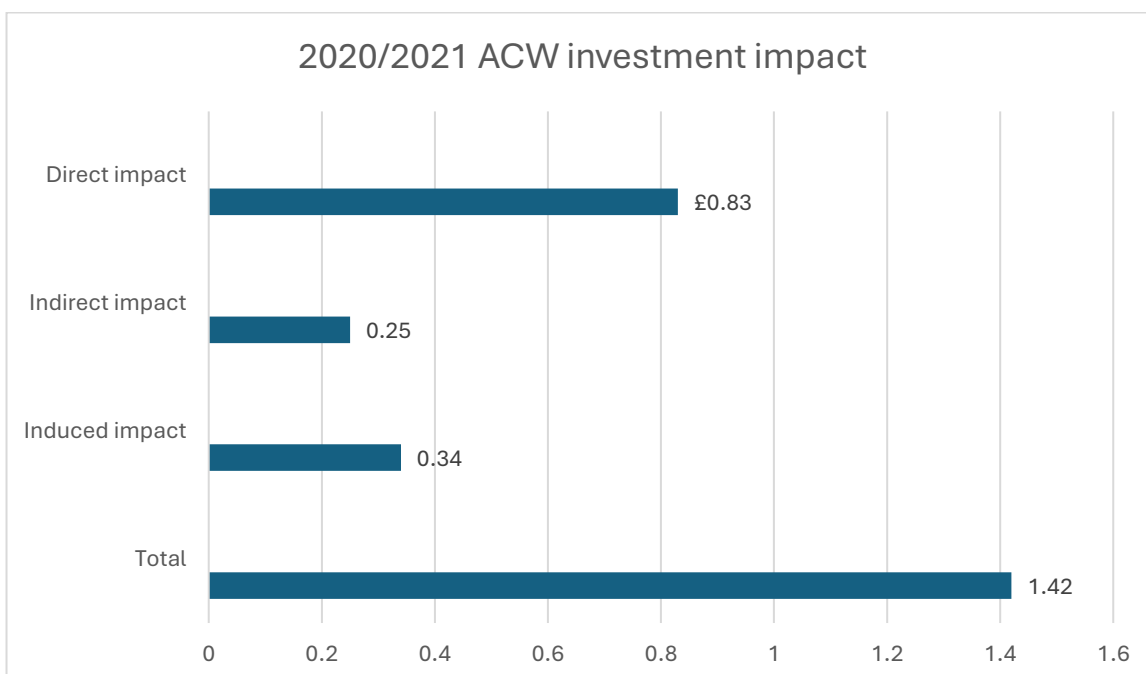


- **Creative Responses:** Artists used the pandemic as inspiration for new works, documenting the experience and expressing the challenges faced during this period. This included visual art, music, and other creative projects that captured the essence of life during the pandemic.

These measures helped the arts sector in Wales navigate the initial challenges of the pandemic and laid the groundwork for adaptation and eventual recovery. The profound impact of the pandemic had a considerable impact on the volume of activity and therefore return of investment made by ACW.

Inevitably the pandemic had an impact on the return of investment achieved by ACW in 2020/2021. This investment achieved a total of multiplier of £1.42 for every £1.00 invested. The return on investment can be seen in Table 2 below. While this is a considerable reduction in the impact of ACW funding, the resilience and adaption of the sector alongside the flexibility and rapid change in investment strategy ensured that the sector could continue to deliver economic benefits, albeit through different routes.

**Table 2: Investment Multiplier 2020/2021**



### 5.3 INVESTMENT IMPACT 2021/2022

In 2021/2022, the ACW continued to adapt its investment strategy to support the arts sector's recovery from the COVID-19 pandemic. The approach focused on five key areas:

- **Flexible Funding:** ACW maintained flexible funding arrangements to help arts organisations adapt to ongoing uncertainties and changing circumstances.
- **Digital and Hybrid Projects:** There was a strong focus on supporting digital and hybrid projects to ensure continued audience engagement and accessibility.
- **Well-being and Inclusion:** The Council prioritised projects that promoted well-being and inclusion, recognising the arts' role in supporting mental health and community cohesion.
- **Sustainability and Resilience:** ACW emphasised building the sustainability and resilience of arts organisations, helping them to future-proof their operations and navigate the post-pandemic landscape.
- **Strategic Interventions:** The Council introduced strategic interventions to address specific challenges and opportunities within the arts sector.

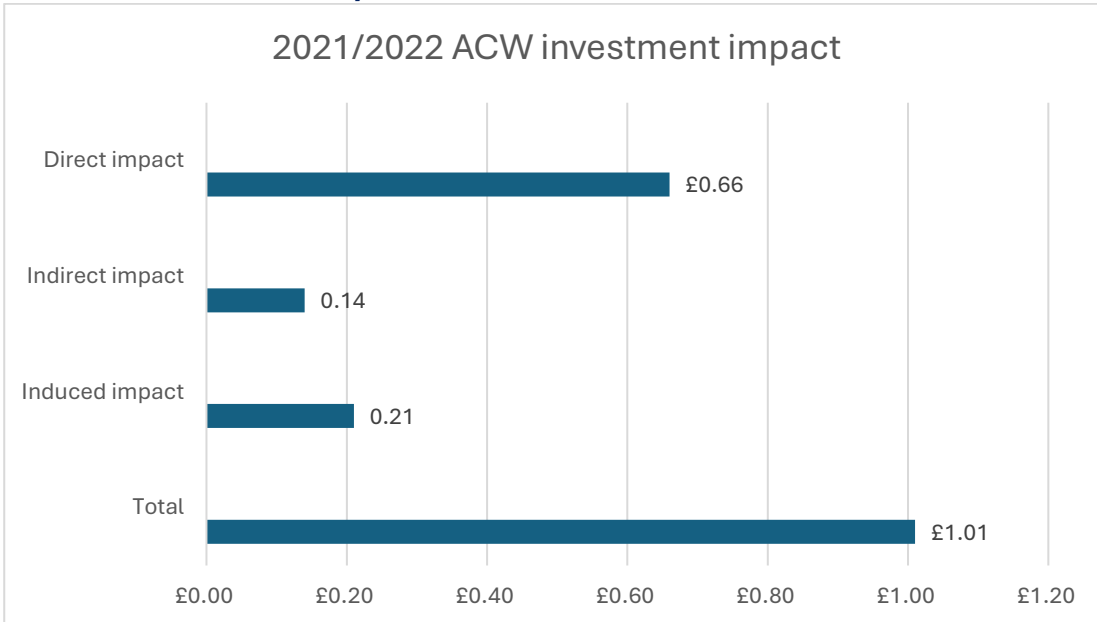
This strategy sought to stabilise the arts sector in Wales and support its long-term recovery and growth. Many events and activities continued to be postponed with lockdowns fluctuating throughout the year. This led to a significant impact on return on investment for ACW activity.

The sector faced significant challenges in 2021/2022 due to the ongoing impacts of the COVID-19 pandemic. The resulting difficulties on the sector included:

- **Financial Strain:** Many arts organisations continued to experience financial difficulties due to reduced income from ticket sales, sponsorships, and other revenue streams.
- **Operational Challenges:** Social distancing measures and restrictions on gatherings made it difficult to host live events, leading to cancellations and postponements.
- **Job Losses and Furloughs:** A substantial number of jobs in the arts sector were affected, with many employees being furloughed or laid off.
- **Adaptation to Digital:** While there was a shift towards digital and hybrid events, not all organisations had the resources or expertise to make this transition smoothly.
- **Mental Health Impact:** The uncertainty and financial stress took a toll on the mental health of artists and arts workers.

Despite these challenges, the sector showed resilience and creativity, finding new ways to engage with audiences and sustain their activities. The return on ACW investment is set out below in Table 3.

**Table 3: Investment Multiplier 2021/2022**



#### 5.4 INVESTMENT IMPACT 2022/2023

In 2022/23, Arts Council of Wales adopted a new approach to investment, focusing on flexibility and responsiveness. The strategy aimed to move away from a rigid, transactional funding process to one that better supports the evolving needs of arts organisations. This approach emphasised multi-year funding allocations and required funded organisations to align with the Council's objectives<sup>7</sup>.

The strategy was shaped by the lessons learned during the pandemic, highlighting the importance of long-term planning and adaptability. The Council's investment review process was designed to ensure that public funds were distributed effectively to strengthen and nurture creative organisations across Wales<sup>8</sup>.

Arts Council of Wales' investment strategy for 2022/23 aimed to support a wide range of arts organisations and projects across Wales. While specific financial returns on investment are not typically the primary measure for arts funding, the Council's approach focused on broader cultural and social impacts.

<sup>7</sup> Arts Council of Wales Investment Review: 2021/2002

<sup>8</sup> University of Sheffield Report

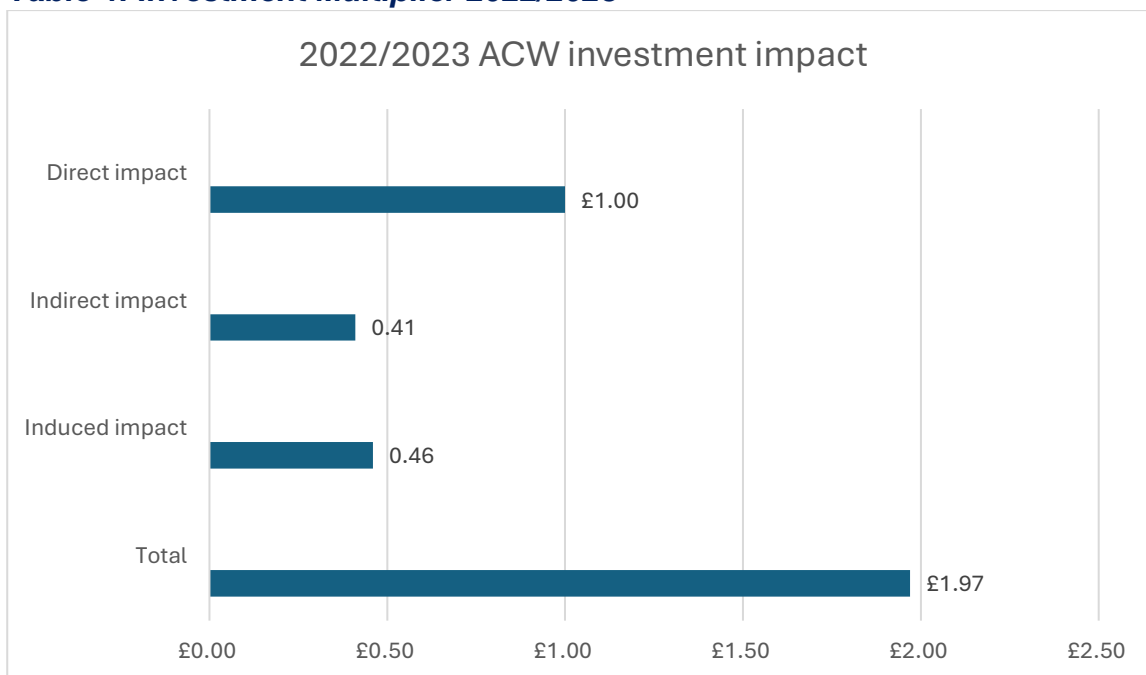
The 2023 Investment Review<sup>17</sup> highlighted several positive outcomes, including an increase in the number of organisations receiving multi-year funding, from 67 to 81. This expansion included 23 new organisations, indicating a broader reach and support for diverse creative initiatives<sup>9</sup>.

During 2022/23 ACW funding increased to £29.6 million. There were 23 new organisations in 2023, compared with four in the previous Investment Review in 2015. These include Citrus Arts (Hopkinstown), Common Wealth (Cardiff), Elysium Gallery (Swansea), FOCUS Wales (Wrexham), People Speak Up (Llanelli), Taking Flight Theatre (Cardiff), Small World Theatre (Aberteifi), Neuadd Ogwen, (Bethesda), and Urban Circle (Newport).

Funding has increased across most artforms and creative areas, including circus and outdoor arts, visual and applied arts, digital arts, dance, venues, and mixed artforms.

The return on investment in 2022/2023 is set out below.

**Table 4: Investment Multiplier 2022/2023**



<sup>9</sup> Arts.Wales

In 2022/23, Wales made significant strides towards returning to normality following the COVID-19 pandemic. With many events and activities recommencing arts and cultural organisations began to return to normality. There was however some evidence of public concern about returning to events during 2022/23. Despite the concerns, many events did see good attendance, indicating a strong desire to return to normality. However, the level of comfort varied among different groups<sup>10</sup>.

The improvement in conditions is reflected in the return on investment, with a near doubling on 2021/2022's total return, and marked improvement of 33% of direct investment and a 34% increase in indirect investment which reflects the increased ability for people to move around and attend physical events following an absence of two years. The return in 2022/2023 set a strong return following the COVID-19 period and demonstrated a clear step towards normalcy for the arts and cultural sector.

## 5.5 INVESTMENT IMPACT 2023/2024

In 2023/24, Arts Council of Wales continued to refine its investment strategy to better support the arts sector. Here are some key aspects of their approach:

- **Multi-Year Funding:** ACW increased the number of organisations receiving multi-year funding from 67 to 81, including 23 new organisations. This approach aimed to provide more stability and support for a diverse range of initiatives across Wales<sup>1</sup>.
- **Strategic Priorities:** The funding decisions were guided by six principles<sup>20</sup>:
  - Creativity,
  - Widening Engagement,
  - Welsh Language,
  - Climate Justice,
  - Nurturing Talent,
  - and Transformation.

These principles ensured that the funded organisations aligned with the broader goals of the Arts Council.

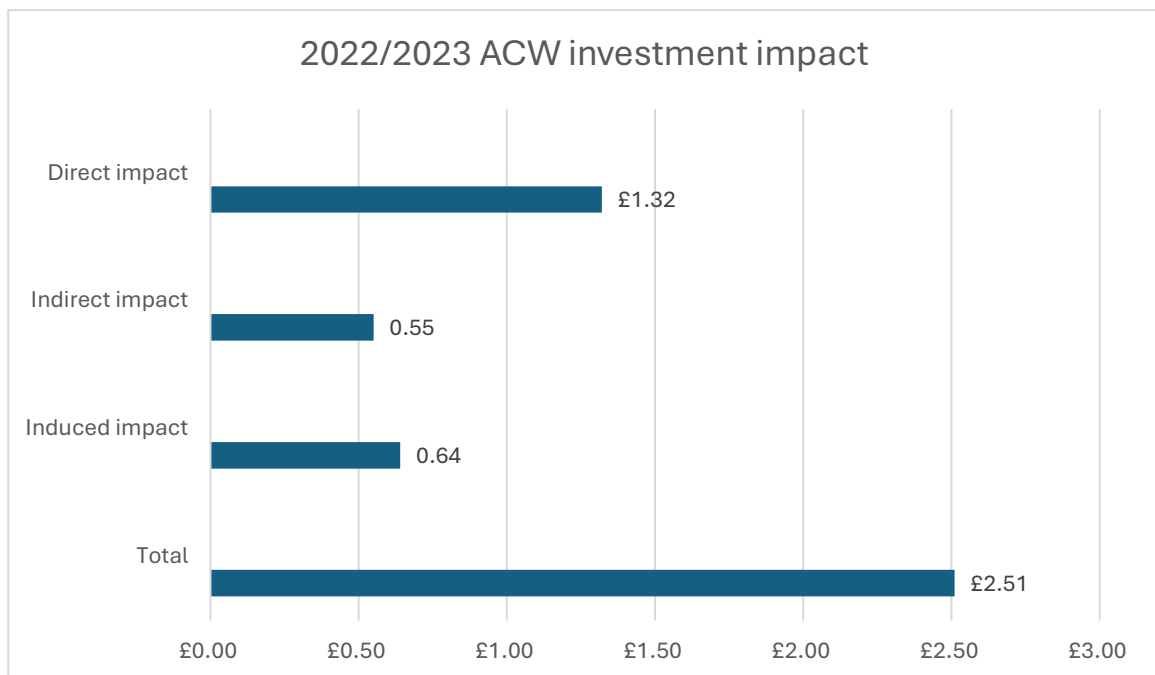
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<sup>10</sup> Gov.Wales

- **Balancing Factors:** The decision-making process also considered five balancing factors: a wide range of art forms and creative opportunities, serving communities across Wales, supporting underfunded and unheard voices, public value, and the size and shape of applicant organisations.
- **Increased Investment:** Despite challenging economic circumstances, the total investment increased from £28.7 million to £29.6 million. This increase was aimed at strengthening the arts sector and ensuring a wider reach of support.

With the nation returning to pre-pandemic conditions, socially and economically there was a strong return on ACW investment by the arts and cultural sector. With audiences returning, there was evidence of pent-up demand for arts and cultural activity, reflected in the investment multiplier set out below.

**Table 5: Investment Multiplier 2023/2024**

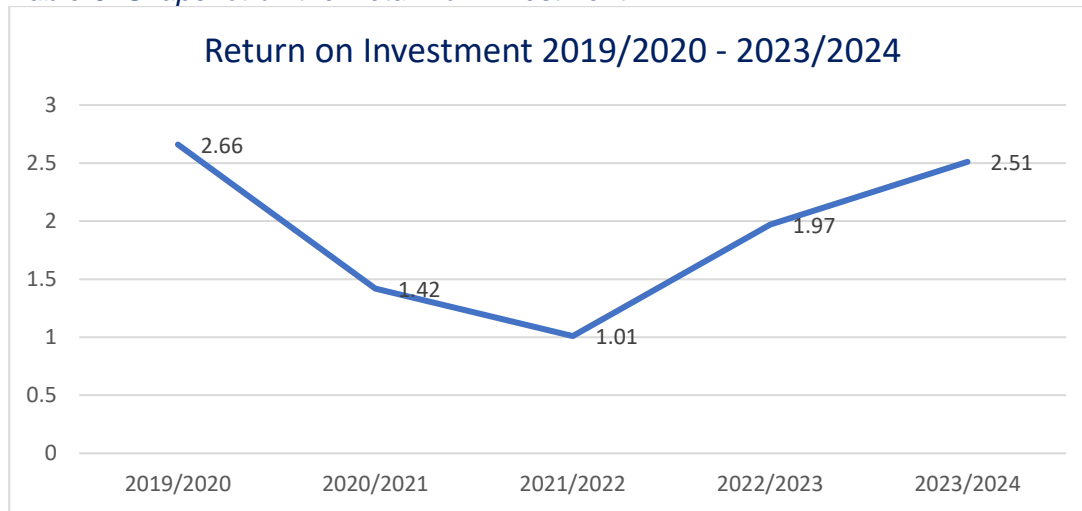


As the table demonstrates, the return on investment has returned to near pre-pandemic levels with strong performance across all three impacts. The return on investment is now 5.7% below the pre-pandemic year of 2019/2020.

## 5.6 Snapshot of the 5-year Return on Investment

Table 6 below provides a snapshot of the Return on Investment over the 5-years of this assessment. It demonstrates the impact ACW investment has had over a difficult period of time.

*Table 6: Snapshot on the Return on Investment*



## 6. CONCLUSION

The increased refinement of ACW's investment is achieving greater returns alongside the cultural benefits that are being achieved. While ACW's prime objective is not achieving economic benefits, the performance both during and after the pandemic are positive.

Reviewing against the base year 2019/2020 which stood at a return of £2.66, ACW's investment in the following COVID-19 hit years of 2020/2021 and 2021/2022 remained positive at £1.42 and £1.01 per £1.00 invested, to retain a positive despite the wider social and economic conditions demonstrates the strength of investment decisions, and also the resilience and energy of the arts and cultural sector to forge a new way forward despite the restrictions and difficulties presented during this period.

The following two years have also seen recovery, as conditions have eased, return on investment is gathering momentum with returns of £1.97 and £2.51 in both 2022/2023 and 2023/2024, respectively. This reveals the continued move towards normalcy that was being embedded in 2022/23 and the effective return to normalcy in 2023/24. The 2023/2024 bodes well for further increases in 2024/2025.

The levels of return over the past two years following the height of the pandemic reveals that ACW's refinement of investment strategy is working well. The introduction of multi-year funding is beginning to bring stability to key organisations in the sector, while the six principles that have been established also link to economic benefits alongside the cultural benefits that ACW are seeking resources to achieve.



## APPENDIX I: SIC-BASED DEFINITION OF THE ARTS AND CULTURAL SECTOR

Sector	Division	4-digit SIC	5-digit SIC
<b>J</b> Information and communication	<b>58</b> Publishing activities	<b>58.11</b> Book publishing	58110 Architectural drawing publishing 58110 Atlas publishing 58110 Audio book publishing 58110 Book publishing 58110 Brochure publishing 58110 Chart publishing 58110 Dictionary publishing 58110 Electronic publishing of books 58110 Encyclopaedia publishing 58110 Engineering drawing publishing 58110 Geographical publishing 58110 Leaflet publishing 58110 Map and plan publishing 58110 On-line book publishing 58110 Pamphlet publishing 58110 Publishing on CD- ROM 58110 Religious Tract publishing 58110 The Stationery Office
	<b>59</b> Motion picture, video and television, sound recording and music publishing activities	<b>59.2</b> Sound recording and music publishing	59200 Compact disc sound recording publishing 59200 Copyright acquisition and registration for musical compositions 59200 Gramophone record publishing 59200 Matrice for record production 59200 Music (printed) publishing 59200 Music downloads (on-line publishing with provision of downloaded content) 59200 Music tape publishing 59200 Printing of sound tracks 59200 Publishing of music and sheet books 59200 Recording studio (radio) 59200 Sound recording publishing 59200 Sound recording studios 59200 Taped radio programming production
<b>R</b> Arts, entertainment, and recreation	<b>90</b> Creative, arts and entertainment activities	<b>90.01</b> Performing arts	90010 Actors 90010 Aerobic display 90010 Animal training for circuses, etc. 90010 Ballet company 90010 Band (musical) 90010 Circus 90010 Concerts production 90010 Conjuror 90010 Dance band 90010 Dance productions 90010 Impresario 90010 Lecturers 90010 Musicians 90010 Opera production 90010 Orchestras 90010 Organist (own account) 90010 Pop group 90010 Public speaker 90010 Repertory company 90010 Revue company

Sector	Division	4-digit SIC	5-digit SIC
			90010 Singer (own account) 90010 Speakers (after dinner etc) 90010 Stage productions 90010 Street musician or singer 90010 Theatrical presentations (live production) 90010 Theatrical touring company 90010 Travelling show 90010 Variety artiste (own account) 90010 Ventriloquist
<b>R</b> Arts, entertainment, and recreation	<b>90</b> Creative, arts and entertainment activities	<b>90.02</b> Support activities to performing arts	90020 Direction, production, and support activities to circus performances 90020 Directors (theatre) 90020 Performing arts support activities 90020 Scene shifters and lighting engineers 90020 Stage set designers and builders 90020 Support activities to performing arts e.g. stage setup, costume, and lighting design etc.
		<b>90.03</b> Artistic creation	90030 Art expert 90030 Artist 90030 Author 90030 Cartoonists 90030 Copper plate engraver (artistic) 90030 Designing (artistic) 90030 Engravers 90030 Etchers 90030 Fine art expert 90030 Freelance journalist 90030 Heraldic painting 90030 Illuminating (illustrating) 90030 Journalists 90030 Librettist 90030 Lithographic artist (own account) 90030 Lyric author 90030 Music composer 90030 Music copyist and transcriber (own account) 90030 Painters (artistic) 90030 Picture restoring 90030 Playwright 90030 Poet 90030 Repair and restoration of works of art 90030 Scenario writer 90030 Scenic artist 90030 Sculptors 90030 Song writer 90030 Technical and training manual authors 90030 Wood engraver (artistic)
		<b>90.04</b> Operation of arts facilities	90040 Arts facilities operation 90040 Concert halls operation 90040 Local authority concert halls and theatres 90040 Music hall 90040 Opera house 90040 Theatre halls operation