

# Impact of the COVID-19 outbreak on the arts sector

June 2020

## 1. Background

The Culture, Welsh Language and Communications Committee is looking into the impact of the COVID-19 outbreak on areas within its remit, including the arts.

Members considered evidence from:

- Dafydd Elis-Thomas MS, the Deputy Minister for Culture, Sport and Tourism and Jason Thomas, Director Culture, Sport and Tourism, Welsh Government;
- Nick Capaldi, Chief Executive of the Arts Council of Wales;
- Liam Evans-Ford, Executive Director of Theatr Clwyd; and
- The Welsh NHS Confederation.

## 2. The impact on individuals working in the arts

1. Nick Capaldi told the Committee that the majority of people in the arts industry work as freelancers and have lost all of their commissions. They cannot rely on the safety nets available to employees. He said that the UK Government's **Coronavirus Job Retention Scheme** and **Self-Employment Income Support Scheme** are unsuitable for many people working in the arts. He described the self-employment income support scheme as 'not fit for purpose' for the sector because many individuals 'can't offer a track record of financial accounts'<sup>1</sup> and do

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<sup>1</sup> CWLC meeting 19 May 2020, para 81



not have three years' worth of accounts. He is calling for the qualifying criteria to be more flexible because:

'These are the young talent that our future depends on, who are being hobbled at the first opportunity of getting a foot on the rung of the ladder. So, we're looking particularly carefully at these groups of people, who are going to slip through the net in what the UK Government's support schemes are able to offer.'<sup>2</sup>

**2.** Liam Evans-Ford told the Committee that 'Many freelance artists have felt overlooked by the available schemes.'<sup>3</sup>

**3.** Nick Capaldi explained that in response to the immediate need for financial assistance the Arts Council of Wales, working with the Welsh Government, launched a £7.5 million Resilience Fund for the Arts , with three strands of funding:

Urgent Response Funding for Individuals	£1 million
Stabilisation Funding for Individuals	£1 million
Stabilisation Funding for Organisations	£5.5 million

**4.** As at 19 May 2020, the Urgent Response Fund for Individuals, designed to support freelance artists and creative practitioners working in the not-for-profit sector in Wales, had offered 214 applicants a total of £489,826. Grants are available up to £2,500, with no minimum level of support. A second round of grants is currently under assessment.<sup>4</sup>

**5.** The Committee also heard that the effects of the current crisis are hitting vulnerable communities harder. Nick Capaldi said:

'we need also to recognise that public health crises aren't equal opportunities events: the poorest, most marginalised and disabled are generally the worst affected, while the wealthy, connected and healthy are usually better able to weather the storm.'<sup>5</sup>

**6.** He explained how the Arts Council has reacted to this:

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<sup>2</sup> CWLC meeting 19 May 2020, para 81

<sup>3</sup> Theatr Clwyd written evidence

<sup>4</sup> CWLC meeting 19 May 2020, para 77

<sup>5</sup> Arts Council of Wales written evidence

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‘within our emergency response funds, we've identified those groups that are a particular priority for support, and what we're seeing, particularly at the individuals' level—we set up two rounds for individuals, partly because we felt that those with particular challenges would need longer to think about and to plan for the support that they've needed.’<sup>6</sup>

**7.** The Deputy Minister recognised that the arts sector is vulnerable because so many of the people working in it are freelancers with second jobs or are set up as small businesses. He welcomed the way the Arts Council have provided financial support and recognised ‘how much of a worry it’s been for the arts council that so many of these individuals who do work freelance or work as small companies are at risk of failing to develop their artistic activities appropriately because of the crisis’.<sup>7</sup>

**8.** In response to the issue of practitioners not being able to access support through UK Government schemes, the Deputy Minister said:

‘Well, whenever we see anomalies, especially in the situation that you've described, in terms of company structure, the position of sole traders and the inability of people to pay themselves as directors of companies legally, in issues like this we have, obviously, taken them up directly with the UK Government. We haven't had as much response as we would have hoped.’<sup>8</sup>

**9.** Jason Thomas, Director Culture, Sport and Tourism, Welsh Government, said that where gaps have been identified in funding support the information would be fed into discussions on the next wave of the resilience funding and that the Welsh Government is acutely aware of the pressure on freelancers.<sup>9</sup>

## Our View

The arts sector, like the hospitality industry, relies on audiences gathering together to enjoy a shared experience. It is therefore likely to be one of the last sectors to fully reopen.

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<sup>6</sup> CWLC meeting 19 May 2020, para 17

<sup>7</sup> CWLC meeting 12 May 2020, para 45

<sup>8</sup> CWLC meeting 12 May 2020, para 66

<sup>9</sup> CWLC meeting 12 May 2020, para 68

## **Support for arts practitioners**

The majority of those working in the sector have experienced an immediate and severe financial shock. Artists are described as the ultimate 'gig' workers. Working on commission means they are financially vulnerable.

Although UK Government interventions such as the self-employment income support scheme are welcome, the nature of employment in the arts can mean practitioners are not able to take advantage of them.

Supporting this sector ensures the livelihoods of arts practitioners are still viable once the restrictions are lifted. This is vital because losing the creative workforce risks Wales' international reputation as a centre of excellence for the arts. The global reputation of organisations such as the Welsh National Opera and National Dance Company Wales, attracts international visitors who, in turn, sustain the hospitality and tourism sectors also affected by the lockdown.

We congratulate the Arts Council of Wales on its speedy response in providing financial support to those working in the creative industries. The Committee heard that there will continue to be pressure on this funding for at least another 12 months. The Committee would like an update in December with details of how the allocation of the £1 million Emergency Fund for individuals and the Stabilisation Fund for individuals was distributed, how it was promoted and how the fund has met its own criteria of supporting public and cultural benefit to Wales.

We heard that the Arts Council has used a combination of National Lottery Funding, a grant from the Welsh Government and existing grant in aid funding to keep the sector afloat. However, this will only last until September and it looks as if the crisis will continue beyond this. Without further funding there is a risk practitioners will leave the sector. If this happens then the emergency funding will have been provided for nothing. In effect, the Arts Council for Wales has been running a job retention scheme for the sector because few arts practitioners qualify for the UK Government's scheme due to the nature of their work. This is clearly unsustainable and the UK Government's scheme therefore needs to be amended.

We cannot risk losing a generation of artists who cannot weather the current financial storm. In order to ensure our arts sector can retain the talent it needs to recover we are recommending the Welsh Government intervenes to ensure all those working in the arts are eligible for financial support offered by the UK Government.

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**Recommendation 1.** The Welsh Government should lobby the UK Government to urge that:

- The Self-Employed Income Support Scheme continues beyond May 2020 and the Job Retention Scheme continues beyond October 2020; and
- the Self-Employed Income Support Scheme is revised to ensure no freelance workers fall through the gaps in eligibility for the scheme.

### 3. The immediate impact on arts organisations

**10.** The Committee heard that the most significant challenge for arts organisations is the sudden drop in cashflow. Nick Capaldi told the Committee that the Arts Council of Wales portfolio is losing around £1.4 million a week and that the Wales Millennium Centre could lose up to £20 million this financial year.

**11.** He also commented that ‘Ironically, those organisations that are least dependent on public funding have been the ones hardest hit’<sup>10</sup> and:

‘under normal circumstances... we were encouraging organisations to be less dependent on public subsidy, and a number of organisations have responded magnificently...’<sup>11</sup>

**12.** He called for the UK Government’s furloughing scheme to be continued beyond October 2020 because most of the organisations the Arts Council deals with will not return to normal business levels before Easter 2021.<sup>12</sup> He warned that a third of the organisations within the portfolio are critically dependent this scheme.<sup>13</sup>

**13.** Liam Evans-Ford described the immediate impact of the lockdown on the industry:

‘Whilst much of the industry has responded well in delivering online content and community support through its work, the pure facts are that this industry is based on bringing together large groups of people for collective social experience – something that stopped immediately

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<sup>10</sup> CWLC meeting 19 May 2020, para 14

<sup>11</sup> CWLC meeting 19 May 2020, para 39

<sup>12</sup> CWLC meeting 19 May 2020, para 14

<sup>13</sup> CWLC meeting 19 May 2020, para 44

and is unlikely to return anytime soon. Organisations are in real danger of collapse with some venues within the UK already going into administration.<sup>14</sup>

**14.** He also commented on the scale of the problem:

‘The furlough scheme has helped in the short term and the Welsh Government and Arts Council emergency funding is welcomed – but for many organisations the amounts available aren’t enough to navigate the length of likely closure.’<sup>15</sup>

**15.** The Arts Council of Wales has established a £5.5 million Stabilisation Fund for Organisations . As at 19 May 2020 it had received applications to the value of approximately £3.5 million.<sup>16</sup>

**16.** The Welsh NHS Confederation also called for continued financial support for the arts, commenting that ‘the longer lockdown policies are maintained, the more support will be needed from Welsh Government and other organisations to continue to provide these essential services.’<sup>17</sup>

**17.** Jason Thomas told the Committee that they have asked representatives from all of the sectors within the Deputy Minister’s portfolio to set out in writing how they can ease restrictions and still adhere to the seven tests set out by the First Minister. Officials are currently considering the responses<sup>18</sup>. He said that he is confident that easing restrictions will be done in partnership with stakeholders.

**18.** He acknowledged the ‘massive uncertainty out there in the arts sector’<sup>19</sup> and the calls for an extension of the UK Government’s job retention scheme for a ‘significant period of time’. He praised the Arts Council for ‘trying to find pragmatic ways in which to help people come out of this crisis’ and said that ‘the people within the sector are very resilient.’<sup>20</sup>

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<sup>14</sup> Theatr Clwyd written evidence

<sup>15</sup> Theatr Clwyd written evidence

<sup>16</sup> Correspondence with Arts Council of Wales

<sup>17</sup> Welsh NHS confederation written evidence

<sup>18</sup> CWLC meeting 12 May 2020, para 16

<sup>19</sup> CWLC meeting 12 May 2020, para 54

<sup>20</sup> CWLC meeting 12 May 2020, para 56

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## Our view

The Committee heard that the irony of the current situation is that those organisations which have succeeded in reducing their dependence on public funding are the ones suffering the greatest financial losses.

### **Support for the industry**

The Committee heard that the Arts Council of Wales has sufficient funding to keep its portfolio organisations afloat until September but that the ‘emergency mode’<sup>21</sup> initiated by the lockdown is likely to last until at least Easter 2021. It is clear that the financial aid designed as a short term intervention will be needed well into next year if we want our internationally recognised cultural organisations to continue to exist.

### **Guidance on reopening**

We know that the Welsh Government is working with stakeholders on plans for reopening. We are calling on it to communicate its plans for how cultural spaces will function once the lockdown is relaxed. Conversations about lifting the restrictions should include representatives from venues of all sizes, genres and regions. The conversations should also include medical experts, trade unions and businesses dependent on the live arts scene. Guidance for restarting performances needs to be discussed and agreed as soon as possible.

The UK Government has appointed a Commissioner for Cultural Recovery and Renewal to lead a Cultural Renewal Task force. An Entertainment and Events Working Group has been created to ‘develop advice and guidance on the reopening of cultural venues across the nation, helping to get employees back to work and audiences once again enjoying our thriving cultural sector’.<sup>22</sup>

Assuming the Task Force does not serve England alone, Wales must be represented in any discussions directed by the UK Government’s Department for Digital, Culture, Media and Sport. The Welsh Government should provide details to the Committee of its engagement with the UK Government’s Cultural Renewal Taskforce.

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<sup>21</sup> CWLC meeting 19 May 2020, para 15

<sup>22</sup> <https://www.gov.uk/government/news/new-culture-commissioner-named-and-taskforce-set-up-to-aid-sector-recovery-from-coronavirus>

We cannot emerge from this pandemic culturally poorer. Our cultural flag bearers, those organisations which have earned international acclaim, and our regional arts organisations must continue to be supported, otherwise there is a real risk they will not survive beyond the next 12 months.

**Recommendation 2.** The Welsh Government should establish an events and entertainment working group to:

- liaise with the UK Government’s Cultural Renewal Task force;
- draw up guidance on reopening for live venues, performers and related businesses to be published by 1 August 2020; and
- recognise that our major arts organisations may not return to profitability for many years and be prepared to extend the necessary public funding to ensure their survival.

## 4. Rebuilding and renewal

**19.** Members explored with the Arts Council how Wales’ arts sector can recover and what will it look like in future. Nick Capaldi called on the Welsh and UK Governments to ‘keep faith’ with the sector.<sup>23</sup>

**20.** In response to a question on what the future holds, he said:

‘I think it will probably be more closely and better engaged with its local communities. The cleverer and the more astute organisations have not just rushed to get content online ... they’ve thought very carefully about, ‘Who is our community? Who is our audience? Who do we want to get close to?’ ... organisations will recognise that, ultimately, their survival will depend on very high levels of support from their community, and that might be a local community geographically, it might be a community of interests... I think we will see a new era and a new spirit of collaboration.’<sup>24</sup>

**21.** The Welsh NHS Confederation stressed the importance of greater collaboration, writing:

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<sup>23</sup> CWLC meeting 19 May 2020, para 91

<sup>24</sup> CWLC meeting 19 May 2020, para 59



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'The pandemic has also underlined the importance of partnership working across different sectors, such as arts and health and social care. COVID-19 has impacted all sectors of public life, and it is important therefore that Wales' adopts a cross-sector, joined up response.'<sup>25</sup>

**22.** There was a warning from Liam Evans-Ford that current funding models cannot continue with social distancing in place. He called for 'Involvement from the people who run the venues and companies to build the operational plan now – rather than non-operational bodies coming up with the framework'<sup>26</sup> He argued this could lead to greater collaboration on all fronts:

'We, as a subsector of the creative industries do not have a strong enough voice, or are not recognised enough to be included within decision making meetings as others are (an example might be sports and the planning meetings they are offered compared to our sector).'<sup>27</sup>

**23.** The Committee also heard that the future of the arts sector needs to be more inclusive, and there is a danger of organisations falling back on established audiences rather than reaching out to new ones. Nick Capaldi told the Committee that 'whatever emerges after the pandemic must feel fresh and refocussed'. He said that such a change may 'help us get to grips with the urgent need to address issues of equality, diversity and social justice in terms of who is able to enjoy and take part in the arts.'<sup>28</sup>

**24.** In calling for sustained financial investment for the sector, the Arts Council called on the UK Government to use:

'the UK Shared Prosperity Fund to deliver a recovery focused business finance scheme, designed to stimulate business development and innovation across the arts and creative industries.'<sup>29</sup>

**25.** The discussion about future ways of working included the trend for producing digital content. The Welsh NHS Confederation said the move to delivering services online has ensured people remain connected and can still engage in creative activity. It called for the Welsh Government to 'support and

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<sup>25</sup> Welsh NHS Confederation written evidence

<sup>26</sup> Theatr Clwyd written evidence

<sup>27</sup> Theatr Clwyd written evidence

<sup>28</sup> Arts Council of Wales written evidence

<sup>29</sup> Arts Council of Wales written evidence

encourage innovative ways for artistic and creative programming to be delivered across Wales', stressing the urgency and importance of this:

'Studies have demonstrated the many physical and mental health benefits of participation in the arts, which is especially critical during times of social isolation'.<sup>30</sup>

**26.** Nick Capaldi told the Committee that the Arts Council has been encouraging organisations to explore these opportunities and many have responded with live streaming, digital collaboration, online readings and podcasts.<sup>31</sup> He also cautioned that the most challenging aspect of this trend is finding a way to 'monetise that work', and said 'at the end of the day, I don't know a single organisation or artist who would not rather be in front of a live audience rather than sitting in their bedroom communing with a screen'.<sup>32</sup>

**27.** The Committee heard concerns that from the Arts council<sup>33</sup> and The Welsh NHS Confederation that the move to online delivery could exacerbate the existing inequalities of access to the arts. The Welsh NHS Confederation wrote:

'there is the potential to increase the digital divide for those who do not have access to the required infrastructure, technology, or skills. This poses a more acute risk to those that are experiencing higher levels of isolation...'<sup>34</sup>

**28.** The Deputy Minister acknowledged the importance of investing in 'new methods of communications and new platforms'.<sup>35</sup> He said:

there are huge possibilities for the future for people to be participating in all sorts of different ways in art forms that are based digitally in the audio-visual spheres. I think that is a new platform and, certainly, Creative Wales, when it is more operational, will be, I would have thought, establishing that as one of its priorities'.<sup>36</sup>

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<sup>30</sup> Welsh NHS Confederation written evidence

<sup>31</sup> Arts Council of Wales written evidence

<sup>32</sup> CWLC meeting 19 May 2020, para 49

<sup>33</sup> CWLC meeting 19 May 2020, para 71

<sup>34</sup> Welsh NHS Confederation written evidence

<sup>35</sup> CWLC meeting 12 May 2020, para 59

<sup>36</sup> CWLC meeting 12 May 2020, para 60

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## Our view

As well as the immediate impact of the lockdown, this crisis has posed questions about the future of the sector.

### **Funding**

Beyond the immediate need to recoup lost revenue the sector is likely to rely on support from public funding to recover fully. The evidence from the Arts Council of Wales shows the lack of certainty about future funding is not a problem which can wait to be solved after this crisis is over. We agree with the call from Nick Capaldi for the Welsh Government to 'keep faith with the arts sector' and not to waste the millions which have already been invested by failing to commit to long term support.

### **Equality**

The Committee heard that there is an opportunity to build a more inclusive future for the arts sector. The enforced hiatus allows time to think about how a wider range of people can tell their stories.

When the theatre lights are switched on again, those who have been excluded in the past must be present. Efforts to rebuild audiences cannot risk the progress which has been made in trying to equalise access to excellence.

### **The trend towards digital content**

Cultural groups have been seeking to adapt and the lockdown has resulted in an outpouring of digital content. The Committee heard the answer is not for arts organisations simply to go digital as this could mirror the problems with access to the arts which already exist. There is also the danger that people will come to expect creative content to be free and always available. It would also mean a loss to related businesses dependent on live venues such as the hospitality sector.

### **Leadership**

There is a clear need for the Welsh Government to show leadership in setting out the future direction for the arts sector. The conversations about the future direction of the arts should include all genres and all sizes of organisations.

We believe that Wales can lead the way in setting out a future for the arts sector which is inclusive, accessible and engaging for all.

We are calling on the Welsh Government to set the policy direction and plan for Wales' arts sector to emerge from the greatest threat since the war, thriving rather than merely surviving.

**Recommendation 3.** In order to renew and sustain the sector the Welsh Government should begin conversations with representatives from the arts sector to set a long term policy direction which is sustainable, inclusive and accessible.