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Senedd Cymru | Welsh Parliament

Pwyllgor Diwylliant, Cyfathrebu, y Gymraeg, Chwaraeon, a Chysylltiadau Rhyngwladol | Culture, Communications, Welsh Language, Sport, and International Relations Committee

Effaith Gostyngiadau Cyllid ar Ddiwylliant a Chwaraeon | Impact of Funding Reductions for Culture and Sport

Ymateb gan: Jess Mahoney, Arweinydd Partneriaethau a Rhwydweithiau Strategol / Pennaeth Caerdydd Creadigol, Canolfan yr Economi Greadigol, Prifysgol Caerdydd | Evidence from: Jess Mahoney, Strategic Partnerships and Networks Lead / Head of Creative Cardiff, Centre for the Creative Economy, Cardiff University

1. What impacts has reduced funding had on your organisation and sector so far?

In the last twelve months, a significant impact on the creative and cultural industries has been observed correlating with reduced public investment in the sector.

Work undertaken by the Centre for the Creative Economy demonstrates that the creative industries play a key role in the development of the Welsh economy. Research by the Centre during Clwstwr (using data from 2019) shows that there were almost 85,000 employees in the sector across the country, working across upwards of 8,000 companies, with 500 new enterprises launching in the sector annually. We also know that Cardiff is at the very core of the sector's success, with 60% of enterprises based in the Cardiff Capital Region, and 37% of all creative industries turnover in Wales generated in Cardiff alone, demonstrating the growing concentration and critical mass of sector activities in the city.

This growth is also supporting a progressive and thriving grassroots creative scene comprised of makers, specialist craftspeople, designers, visual artists and performers who are opening-up future talent pipelines and supply chains. In 2024, the Centre completed delivery of Creative Industries Cluster Hubs - an Arts and Humanities Research Council funded pilot project to extend the reach and impact of Cardiff's thriving creative cluster across the wider region.

However, the creative and cultural industries success in the region is fragile and historically relies on the provision of small 'seed pots' of public sector investment to pilot and provide proof of concept for new ideas and innovations, and to support, leverage and extrapolate best practice leading to future growth and talent pipeline development. Without such early-stage investment, momentum for sector growth can easily be lost, leading to a significant reduction in future productivity and competitiveness.

This is because more than 99% of creative and cultural businesses in Wales are micro-enterprises with fewer than 10 employees and an overwhelming majority often have 3 employees or less. For such businesses, the existence or lack of adequately calibrated and targeted support is a crucial consideration. Material support can help these businesses reach 'escape velocity', tipping them over from stagnation or failure into success stories. In fact, our studies analysing firm-level data and performance metrics from Centre-le projects show that every pound spent has a £6 return within a span of just 3 years (report available online at <https://t.ly/1PpOH>). The support of innovation in the creative industries is especially stimulating, with a one-pound investment in R&D from Clwstwr generating £3.55 of brand-new private innovation expenditure. To put this into perspective, in other UK sectors, the same investment only generates a £1.5 increment in private spending (the UK Government study attesting to this fact is available online at <https://t.ly/7ra8E>). This speaks to the incredible amount of potential that Welsh creative and cultural firms have, which can easily be unlocked through proper and sustained support.

This economic evidence forecasts a grim outcome from funding cuts and speak to the fact that funding cuts to the cultural industry is particularly harmful. It is highly conceivable that the incremental positive effects work in the other direction as well and that the decline multiplier may be proportionately as large. By this, we mean that every pound 'missing' from the current levels of support through proposed funding cuts may set the industry back by as much as an additional pound would have grown it (if not by more). See for instance the NESTA report by Bakhshi, H., Freeman, A., & Higgs, P., which provides evidence that in the UK's creative and cultural industries the multipliers reported above indeed do work in reverse as well, and that funding cuts will have devastating economic consequences, including here in Wales.

2. What measures have you taken in light of it, such as changing what you do and how you do it?

Owing to our connectivity with industry – which includes collating live databases of information on current job and opportunities in the sector – we have already seen the impact of funding cuts becoming apparent in:

- Lack of availability of small-scale seed and grant investment to develop and pilot new ideas.
- Reduction in availability of artist commissions.
- Reduction in sector freelance contracts and job opportunities.
- Reduction in salaries / fees where opportunities are made available.
- Increased incidences of insolvency amongst creative sector enterprises.
- A compound effect of reduced centralised investment in the sector impacting already cash-strapped local authorities, education and other public and third sector bodies, and significantly compromising local provision.
- Significant over-subscription to grant-funding opportunities (e.g. through the Media Cymru Innovation Pipeline).

Through Creative Cardiff, mitigation has included increased focus on network building to convene new, emerging and established creative communities, and provide reciprocal support, social capital and resilience building. In the last year, this has included delivering events across the region attended by more than 1500 individuals in the sector.

Creative Cardiff has also focussed on attempts to map creative industries activity across the region, helping to provide evidence of the scale and breadth of the sector opportunity, and mapping almost 700 creative businesses and practitioners. This is complementing and enriching the progress made by other sector mapping initiatives led by the Centre, including the Creative Economy Atlas Cymru. This work is providing granular sector data to key stakeholders and policymakers, helping to inform progressive thinking around future sector investment and attempt to mitigate some of the impact of funding reductions through achieving efficiencies and improving collaboration.

Whilst operating on an extremely limited budget, Creative Cardiff is also striving to create tangible new opportunities for creative practitioners. This includes small scale artist commissioning activities and seed investment in ideas for new interventions and initiatives. This work is helping to plug the gap of some lost grant funding. However, it has limitations in that due to the constraints of our own

budget the maximum funding available is very small (generally under £1K) and, through pivoting delivery in this way, Creative Cardiff is compromising on some of its wider workstreams and therefore wider impact.

Meanwhile through Media Cymru, grant funding is available to support research and development for longer-term innovation and new thinking in media and screen, helping to build a pipeline of future talent. Responses to current sector conditions and reduced wider funding have included pivoting funds to increase support for early-stage innovations, addressing higher-than-anticipated demand for seed investment and feasibility testing of new ideas. However, these resources are finite and do not represent a long-term fix for a reduction in wider sector spending and public investment.

3. To what extent will these impacts be irreversible (e.g. venues closing, or specialist skills being lost rather than a temporary restriction in activities)?

Owing to the alignment of many favourable developments, the creative and cultural industries had grown very rapidly from 2012 to 2019 in Wales, with business turnover growing by roughly 1 billion pounds during this period. Suddenly, in the Covid-19 lockdown year of 2020 roughly half of this cumulative growth disappeared ‘overnight’ (see the Centre’s report on these figures, available online at https://t.ly/qdt_x). Naturally, the Covid lockdown is not necessarily a good laboratory to study the impacts of funding slowdowns, but there are common elements relating to the slowdown of opportunities and funds reaching the creative and cultural sectors.

Indeed, the stellar growth performance up until 2019 had made the Welsh cultural and creative sector, especially in the Cardiff Capital Region, a force to be reckoned with at a UK-scale as well. No other city region outside London, except for Manchester, had produced as much creative and cultural output as the CCR.

These impressive growth patterns had built up a budding centre of competence, which like many other rapid successes, was indeed quite fragile in the face of adversity. The 18% drop in business turnover in Wales during Covid-19 was a big drop on a UK-scale. Zooming in on the media component of the creative and cultural industries, Covid-19 induced drop in business turnover was 3% in London, 0% in the rest of the UK and 12% in the CCR. Jobs were not spared in Wales either. In the entirety of the CCIs, roughly 3000 FTE jobs were destroyed. Our research shows that almost all of these lost jobs were in the culture-based sector rather than wider creative industries, and this speaks to the particular fragility of cultural

provision in the face of economic adversity, and the risk wider negative long-term impact.

Post-lockdown, economic performance for the sector in Wales and in the CCR has recovered, rising above pre-Covid levels. Nevertheless, this recovery, when analysed, tells an interesting story of reshuffling within the sector. Numerous small companies (in the hundreds) have permanently closed. Employment has recovered, but it has also become more concentrated to the largest creative companies. These were the ones who had the capital and the scale to embrace new, digital ways of working that Covid has 'force-pioneered', including for instance virtual production in film.

The difference between the Covid-19 lockdown and a proposed reduction in cultural funding is that the latter is more permanent in nature. But even though the lockdown was a 'pause' button on production, it did have lasting effects: the backbone of the cultural sector – the small companies – have suffered a massive blow. This is concerning for numerous reasons. It decreases competition, but it also deteriorates the diversity of creative thought and innovation, as well as diversity of socioeconomic characteristics, taking away the opportunity for many to be self-employed. The long term economic consequences of this are being monitored by the Centre for the Creative Economy at Cardiff University as well as by Creative Cardiff.

Consequently to proposed funding cuts, and based on analysis of prior activity, a net migration of cultural and creative talent to London and other UK centres of activity is a likelihood. This would undermine many of the recent achievements of the CCIs in Wales, and have wide-ranging long-term negative economic and social impacts. For example this could result in:

- Skills being permanently lost from the Welsh CCIs, negatively impacting supply chains and talent pipelines.
 - Failure to cultivate future generations of makers, doers (and audiences) which will compromise Wales' long-term future for the creative industries and limit its ability to leverage current success.
 - Longer-term social impacts of lack of access to culture.
 - Reputational damage and a drop in external perceptions of Wales due to lack of structural investment in CCIs
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4. What interventions would you like to see from the Welsh Government, beyond increased funding?

To ensure that Wales' creative sector successes and 'gains' are embedded in the long-term, and that their social and economic value continues to make an impact across the nation it is essential to invest in and protect the infrastructure that will support the future of the creative sector, especially in our cities. This includes protecting the diverse space typologies and grassroots, community spaces that make a significant contribution to developing future talent pipelines and supporting better inclusivity within the sector. There is an opportunity for Welsh Government to take a lead role in addressing workspace issue, delivering innovative mitigation and preventative work to ensure that the places and spaces that the nation's creative workforce rely on are preserved, that the needs of creatives are embedded in Wales' development at a grassroots level, and that the infrastructure that will facilitate future growth is provided. This could be through:

- The development of space registers, site matchmaking activities and similar services to match creative businesses with under-utilised and / or forthcoming sites;
- The creation of risk registers to explore and identify sites that are currently in creative use that would become 'at risk' through proposed development plans, and implementing a mitigation plan where such occurs;
- Increasing transparency around ownership of under-used council-owned assets and activating such sites to support creative sector sustainability and growth;
- More dynamic and imaginative use of Section 106 and Community Infrastructure Levy
- More specific, active consultation with the creative community at an earlier stage in respect of proposals for development and opportunity sites.

Transport Infrastructure and the Night-Time Economy

Creative businesses often operate on a 24-hour basis, or non-standard operational hours (e.g. 6pm-6am). As such, they need provision of reliable transport in and around cities and regions, both to access new audiences, clients and users from wider radiuses, and also to support the safety, wellbeing and availability of their own workforce. Unfortunately, public transport provision within Wales is currently

limited post-8pm, and transport into and out of cities either non-existent or extremely infrequent. This makes it difficult for creative businesses and venues to trade to their full potential and compromises the development of a thriving night-time economy. Transport inequity also exacerbates social disparity, with the most under-served areas of the region often those with the higher socio-economic deprivation indicators.

We would welcome enquiry into this area, exploring the feasibility of reliable night-time (e.g. post-10pm) public transportation provision, as a strategy for driving growth and jobs within the creative, hospitality and leisure sectors and supporting more equal and democratic access to our cities leading cultural life.

High Street Reactivation and Placemaking:

With changing consumer behaviour enshrined, and retail needs increasingly met online, experiential, social and community-based uses are now a predominant part of high streets' purpose and functionality. The creative sector is preferentially positioned to respond to this 'new normal' and bring forward inventive, immersive and engaging reactivation strategies to drive footfall. However, for this to be fully realised the sector needs incentivisation through innovative pro-cultural policy initiatives, discretionary rates relief, seed funding and collaborative approaches that will help breathe new life into high streets and support the co-location of new shops, services, collectives and placemaking initiatives in urban centres.

To realise this potential, we would welcome:

- Affordable Workspace Policies
- Extension of discretionary Business Rate Relief programmes for creative sector businesses
- Strategies to bring vacant high street units into creative use.

5. To what extent do the impacts you describe fall differently on people with protected characteristics and people of a lower socioeconomic status?

The Centre's report on equality, diversity and inclusion in the creative and cultural industries highlights significant issues that are exacerbated by cuts in government funding to the cultural and creative industries, particularly for those with protected characteristics and lower socioeconomic status (the report is available at <https://t.ly/INEkc> . The evidence provided underscores the importance of

diversity and inclusivity in driving innovation and growth in the cultural sector, and how reduced funding disproportionately affects these vulnerable groups.

Firstly, the creative sector in Wales is already under-represented in terms of diversity, particularly at senior levels. The reduction in funding leads to fewer opportunities for people from underserved groups to enter and advance within the sector. For example, the Centre's report notes that minority groups already face limitations and discrimination in the creative industries, and funding cuts would likely exacerbate these challenges. The reduction in job opportunities, artist commissions, and freelance contracts directly impacts these groups, making it more difficult for them to access and sustain careers in the creative industries, or to get an initial 'foot in the door' and early-career practical experience and opportunities.

Additionally, the socio-economic barriers faced by individuals from lower-income backgrounds are significantly heightened by cuts in funding. The report mentions that lower-income individuals are already underrepresented in the sector due to challenges such as unpaid internships, low pay at entry levels, and the reliance on informal networks and high-value social capital for job opportunities. The withdrawal of funding diminishes the availability of small-scale seed and grant investments, which are often crucial for individuals and small enterprises from lower socio-economic backgrounds to develop and pilot new ideas.

Moreover, the Centre's report emphasizes that funding cuts have a compound effect on local provision, particularly in areas that are already economically disadvantaged and lack competitiveness. The lack of centralised investment in the sector has a trickle-down effect, particularly impacting cash-strapped local authorities, which further diminishes the support available at the community level. This disproportionately affects individuals from lower socio-economic backgrounds, who rely more heavily on local cultural initiatives and subsidised or community-based programs for access to the arts and cultural activities due to lower levels of disposable / non-essential income being available.

The Centre's work also highlights the importance of innovation in promoting inclusivity and diversity in the media sector. It demonstrates that investment in R&D not only drives economic growth but also fosters a more inclusive sector by supporting projects that make content more accessible to disadvantaged groups. The reduction in such investments could halt or reverse progress made in creating a more inclusive media landscape, disproportionately affecting those with protected characteristics.

The impacts of cutting government funding to the cultural industries are felt more acutely by individuals with protected characteristics and those from lower socioeconomic backgrounds. These groups are already underrepresented and face significant barriers to entry and progression in the sector. Funding cuts will exacerbate these issues in complex ways, leading to reduced opportunities, exacerbated inequality, and a potential rollback of the progress made in promoting diversity and inclusivity within the cultural industries thus far.

The work of the Centre makes it clear that continued investment is crucial not only for economic growth but also for ensuring that the cultural sector reflects and serves the diversity of the communities it represents.

6. Do you have any other points you wish to raise within the scope of this inquiry?

No other points, but the Centre for the Creative Economy team would be very happy to have a further conversation or to provide additional evidence for any of the points raised in this consultation response.

For information:

The Centre for the Creative Economy ('the Centre') creates a space for much-needed research and engagement projects focused on the creative industries in Wales. Currently, this takes place via two key current channels:

- i. 1.Creative Cardiff – a cross-sector industry-facing creative network established in 2015 with over 4,000 sector members that delivers a thriving schedule of events, engagement activities and content creation.
- ii. 2.Media Cymru – a 22 partner, £50M+ consortium that is transforming the Cardiff Capital Region into a global hub for media innovation with a focus on green and fair economic growth.

It also includes Clwstwr, an AHRC Creative Industries Clusters Programme that investing in CCI research, development and innovation (R, D and I).
