

Friday, 3 February 2017

Ken Skates AM
Cabinet Secretary Economy and Infrastructure
Welsh Government
Cardiff Bay
Cardiff C99 1NA

Dear Ken

“Light Springs through the Dark” – A Vision for Culture in Wales

Thank you for your letter of 13 December 2016 on the above. In its first full meeting since the publication of the Vision, my Council took the opportunity this week to discuss the document in detail. I'd like to share with you their response.

I'm pleased to report that your statement was warmly welcomed by Council. Members endorse in particular the importance that you attach to culture as well as the breadth of vision set out in the document. Council members also wished to congratulate you on achieving Cabinet support for the statement. This level of collective Government endorsement would not, we suspect, have happened without your committed advocacy. It will clearly be very important in securing the buy-in across Government that the successful delivery of your ambitious agenda will require.

Council has argued for some time that arts and culture have the potential to illuminate and transform many aspects of public strategy and civic life. We have sought to capture this in our *Inspire* strategy with its drive to make the arts central to the life and well-being of the Nation. For Council it's encouraging to see a strong resonance between *Inspire* and “Light Springs through the Dark”. It establishes important common ground that will add strength to our future activities.

Council noted with interest a number of strong themes in the statement, including:

- the strength, diversity and world-class reputation of culture in Wales
- the achievements of key arts organisations
- the need to remove barriers to engagement in culture, making sure that more people are able to enjoy and take part in creative activity
- finding new ways for young people to develop and exploit their creative talents
- the potential of new technology to increase access to culture

Plas Bute, Caerdydd CF10 5AL
Ffôn: 0845 8734 900
Ffacs: 029 2044 1400
SMS: 07797 800504
Epost: gwybodaeth@celf.cymru
Gwefan: www.celf.cymru

Bute Place, Cardiff CF10 5AL
Tel: 0845 8734 900
Fax: 029 2044 1400
SMS: 07797 800504
Email: info@arts.wales
Website: www.arts.wales



Swyddfeydd Lleol/Local Offices:

Caerdydd/Cardiff, Bae Colwyn/Colwyn Bay, Caerfyrddin/Carmarthen
Rhif Elusen Gofrestredig/Registered Charity Number: 1034245

- the pressures on public funding and the need to help cultural organisations to become more resilient
- the value of taking a cross-governmental approach to promoting and supporting cultural activity
- the contribution of culture to delivering the objectives of the Well-being of Future Generations Act

As you'd expect, Council very much shares these views.

You asked in your letter that we indicate the practical actions that the Arts Council might take in helping to bring the culture statement to life. I would offer the following response using the chapter headings in the statement.

Prosperous and Secure

You demonstrate clearly the economic value of culture to Wales. The arts contribute in many ways to the **economy** of Wales. We work hard to ensure that we have a strong, entrepreneurial sector that is imaginative, innovative and able to capitalise on its public investment. The best organisations do this, and many of them are cited in your document. However, our analysis tells us that further work is needed to bring all of our principal organisations up to the standard of the best.

A key part of our strategy has been the recent launch of a new "Resilience" programme for our Arts Portfolio Wales. There are two aspects to the programme – the provision of expert diagnostic advice, and capital investment (if justified) to enable change and capacity building. This programme has the potential to be far-reaching and transformational. It challenges organisations to be better – in the quality of their work, the depth of their engagement and the durability of their financial stability. Our role is to work with the Portfolio to strengthen performance. We will brief you on the progress of the programme in our future meetings.

We welcome your commitment to the establishment of **Creative Wales**.

Developing the skills and capability of the creative and cultural sector is a goal that we share. Providing a clear, expert focus for creative industries issues has never been more important. From tax reliefs to Intellectual Property, the European Digital Single Market to membership of the UK Creative Industries Council, the mix of devolved and reserved policy areas affecting the creative industries makes it essential that the UK and Welsh governments coordinate effectively. If this doesn't happen, there's a real risk that the Welsh perspective will be ignored and the creative industries in Wales disadvantaged.

As Creative Wales is established, it will be important that the Arts Council's activities complement – rather than duplicate – the role of the Welsh Government. The arts nurture imagination, vision and talent, providing the steady flow of new ideas and products that enable economic exploitation through the creative industries. So identifying the appropriate points of connection between us and Government will be key.

One pressing example is our support for the Music sector. Between us, we support a variety of initiatives that support market development and international showcasing – just one area where greater alignment would be beneficial.

We've talked previously about arranging a meeting to look specifically at creative industries matters. It feels now that there would be benefit in taking this forward, so I will consult with your officials about an appropriate date for such a meeting.

Culture's contribution to **Tourism** features prominently in the statement, as it should.

Visit Wales is a vigorous champion of the country's tourism assets and we've been encouraged to see a much more sophisticated approach to selling Wales – striving to develop tourism from a seasonal windfall to year-round revenue by exploiting the appeal of our unique cultural treasures. The cultural and creative industries are increasingly being used to promote destinations and enhance their competitiveness and attractiveness.

We're discussing with Visit Wales how they can help us, and the cultural sector, to understand better the current dynamics of the visitor markets for Wales. Our discussions with Visit Wales, and particularly with the Major Events Unit have, on an *ad hoc* basis achieved some important outcomes. But we need to move from the sporadic to strategic, working harder to achieve the proper 'joined up' approach that's needed.

Our flagship cultural institutions continue to act as a magnet for visitors. And the 'Years of...' initiatives have already demonstrated their value in providing the context for major projects such as *City of the Unexpected*. We're working to encourage further projects for future Years. We also recognise that place-based projects (such as the A55 Cultural Corridor) offer further opportunities to persuade visitors to enjoy Wales' cultural assets.

Our investment, for example, in festivals in Wales currently tops £1m per annum. The richness and diversity of the festivals offer certainly deserves better generic promotion, and this would help drive visitor spend across the country.

Highlighting other cultural attractions, along with places to eat, shop and relax nearby, can help visitors discover more of Wales and have a great time too. Increasingly, today's tourists are looking for more than just the tick-box attractions – they want an 'authentic' experience of place. They're after genuine experiences that are memorable and distinctive. Arts and culture can provide this and we intend to work closely with Visit Wales to develop specific initiatives that ensure that visitor numbers continue to grow. This will connect to other aspects of our work, including the economic and cultural links that we're developing internationally.

The contribution of culture to **Regeneration** is now widely understood, although embedding culture in infrastructure projects is often more difficult than it should be.

The positive messages you include in the statement are exactly right, but I suspect we'll need your advocacy and leadership in ensuring that these messages are understood by key decision-makers. Culture is fundamental to the way that a city, place or community presents itself. This can be seen in the quality of life it provides, and the extent to which it offers engaged, inclusive and democratic opportunities to its citizens. We believe that there are significant opportunities right now to change the nature of the discussion about these matters.

New regeneration vehicles such as City Deals and the Capital City Region and Metro are re-defining how investment packages are assembled. But these developments cannot be justified solely on the basis of the physical infrastructure that they create. They need to be part of an holistic view of the way that a city lives and breathes and the well-being it creates.

Your colleague, Alun Davies AM, has asked us to consider how culture and the arts might feature in his new Valleys Task Force. He understands that culture holds a key – culture operating and recognised at all levels of community life, facilitated, mobilised, energised, supported, profiled, cherished, and fostered. Because regeneration is not just a matter of buildings and infrastructure.

Our *Ideas: People: Places* projects are developing important new ways for communities to engage with regeneration projects, offering new insights into how projects can work across the public realm to create better, more liveable environments. We look forward to sharing the outcomes as these projects move towards a conclusion. Many of the projects enhance the Government's investment through the Vibrant and Viable Places programme, and we're learning a lot about different ways of empowering communities through regeneration.

It's encouraging, in these challenging times, to see the emphasis that the statement places on **international** working. It's equally important for us.

Developing new international markets is becoming increasingly important as part of a broader strategy to build the financial sustainability of many of Wales' arts organisations. Wales Arts International, as the international arm of the Arts Council of Wales, spearheads this work and the programmes resulting from Arts Council's partnership agreement with British Council.

Under our well-established Wales Arts International 'brand', the Arts Council will continue to operate programmes on behalf of, and with, the Welsh Government in priority countries. And with the publication of the Programme for Government, and the importance it attaches to Wales's place in the world, it will be timely to explore further how we can work more efficiently with the Welsh Government to realise the full potential of international engagement.

We feel there's an opportunity to do more here together.

Culture and the arts enable Council and Welsh Government to profile Wales through developing our arts internationally. But growing international work at a time when investment in the arts is being cut at home is a challenge. Nevertheless, we see real opportunities in supporting the Government's enhanced cultural relations agenda in China and India.

We also believe that as withdrawal from the EU draws closer, the arts can contribute significantly to articulating the kind of outward looking nation that the Welsh Government wishes to see re-affirmed in Wales.

However, achieving the full international dividend requires appropriate investment and a 'joined-up' approach across Government, and between us and Government. For example, activity focused on China by our Head of Wales Arts International demonstrated a real appetite to develop economic and cultural links between our two countries. But it requires follow-through. This wouldn't need huge financial resources, but it does require some.

The initial meetings that we've had with the relevant Welsh Government officials have been positive. The potential is recognised. We must now achieve a clear agenda for action and a properly resourced support structure. But we mustn't lose momentum and we need your help in encouraging these discussions towards a practical conclusion.

Healthy and Active

You're aware, I know, of the growing volume of academic research that is demonstrating the positive impact that engaging with creative activity can have on **health and well-being**. A number of our projects and arts organisation have pioneered work in this area, and we've mobilised and advocated much ground-breaking activity across Wales. We know that the arts can improve the health of people who experience mental or physical health problems. But as activity, practice and research has developed, greater prominence has been given to the opportunities offered by the arts to prevent ill health.

The case we argue is that arts and health initiatives – generally low cost but high value – offer a good return on investment. In economic terms alone their capacity to create social capital and to build more resilient individuals and communities can engender a tangible pay-back in well-being. This accords well with wider Government policies to tackle poverty and social inequality. Arts and health can help to regenerate, strengthen and enrich some of our poorest communities and improve the quality of life of disadvantaged and vulnerable people. It's entirely right that this should be a priority, and one that we share.

If we're to have real impact, we must be very clear about the appropriate point of cultural intervention. We see a new Arts and Health initiative as having the same potential impact as Creative Learning through the Arts. However, as with the Creative Learning programme, whatever we decide to do has to be founded on a clear evidential base with absolute clarity around the intended outcomes.

We have previously suggested that the appropriate way to proceed would be for the Welsh Government to commission the initial research, which we would be happy to assist with. Creative Learning has worked because it was 'owned' from the outset across Government. Arts and Health deserves the same focussed approach.

We have been sent a copy of recent correspondence between Vaughan Gething AM and Eluned Morgan AM (who as you know is chairing a cross-party Assembly group on Arts and Health). It's a supportive letter, and this is very welcome. But it stops short of identifying any resource to the research phase of this project. We fully understand the many pressures facing Health budgets, but it is a matter of commitment, even at this early stage.

We're not arguing for large sums. However, we do believe that properly founded and targeted research and the collation of a growing body of current evidence – jointly commissioned by yourself and the Cabinet Secretary for Health – gives you both a stake in its eventual outcomes. Your most persuasive advocacy might be just the thing that wins the argument, and I hope we can encourage you to see what might be achieved.

Ambitious and Learning

We're pleased to see our joint project, Creative Learning through the Arts, so prominently featured in the statement. We have had an excellent response to this innovative **arts education** initiative from your Cabinet colleague Kirsty Williams AM who has noted in particular the interest being shown in the programme by the OECD. This might well prove to be an educational initiative where Wales is actually leading the world.

We now have 276 schools in the Lead Creative Schools programme, nearly 18 per cent of schools in Wales. And our latest round of applications will potentially see this number extended to over 530 by the third year of the programme. As well as supporting the roll out the programme to more schools, our strategic challenge is to ensure that creativity is firmly embedded in the new curriculum.

The four Regional Arts and Education Networks are coming to the end of their first year of operation and are now very well established in their respective regions. They also have a great deal to offer in terms of bringing together and disseminating expertise around the creative and expressive arts and their role in an educational context. We hope they too can play a key role in helping develop the new curriculum.

The success of our presence at the two SkillsCymru events held in November clearly demonstrated the interest our young people have in the creative and cultural industries. We're keen to build on these events to ensure more young people across Wales have access to information about entry to these creative professions.

We're at a point where the Creative Learning through the Arts programme is linking creative professionals and Arts Portfolio organisations in ways that are having a profound impact on young people's learning.

If we can dovetail the benefits of this approach with the next phase of curriculum development we might achieve the goal of embedding creativity as a characteristic of the education offer in Wales.

Time and again we've seen the important work the arts can do in reaching those at risk of not achieving through the usual educational routes. Our wider support for arts and young people addresses this. We are into the second year of RAW, a Festival shaped and delivered by young people. And our Criw Celf programme is now being rolled out across all areas of Wales, igniting a passion for the visual arts amongst young people.

We welcome the endorsement of the findings of the research that we commissioned into the establishment of a new National Endowment for Music. We intend to move quickly to progress the set-up phase for this initiative to ensure that momentum is maintained. The initial investment from the Welsh Government is a serious signal of intent, and we potentially have here an internationally significant model made in Wales.

United and Connected

We're fully committed to the common goal of tackling **poverty and disadvantage**. This is one of Council's top priorities. But we recognise all too clearly that there are still too many people in Wales who are not being given the opportunity to enjoy and take part in the arts.

The root causes, we believe, are tied up in historic patterns of funding and development. The uncomfortable reality is that some of our most deprived areas 'enjoy' some of the lowest levels of arts funding. The Arts Council must accept its share of the responsibility but the commitment to addressing these shortcomings must be shared by other grant-giving bodies. Without investment, new opportunities will not be developed. And unless there is sustained investment in activity of quality and relevance, any new initiatives that do emerge will struggle to graft on and take root. The inequalities that we currently see cannot be tolerated, and Council is determined to play its role in seeing that real action is taken in this area.

Interestingly, the development of the "Fusion" areas – one of the responses to the 2014 report "Culture and Poverty" – has shown what can be achieved, even with relatively small sums of money. We are involved in each of the "Fusion" areas and are ensuring that our Arts Portfolio Wales gives appropriate attention to these issues in their work. We are currently in discussion with our National Lottery distributor colleagues to see if we could develop a joint approach to the next phase of "Fusion" development.

We should also comment on the Welsh Government's current review of Communities First, commissioned by your colleague Carl Sargent AM.

We have submitted evidence as part of the recent consultation. In it we recognise and applaud the many achievements of Communities First and have valued working in partnership with many.

Nevertheless, we recognise that refreshing the approach to building resilient communities in Wales also offers an opportunity to inject new impetus, new energy and fresh perspectives into the mix. In moving forward, we believe it would be crucial to learn from the best elements of the Communities First model and in particular the experience of the champions and activists at a local level. We must build on their successes where this is working well.

We welcome the emphases on Early Years, Employability and Empowerment and we know the arts can continue to contribute handsomely to all three priorities: arts organisations are already involved in Families First, Flying Start, Creative Learning through the Arts, and Night Out. This offers real points of connection with some of Wales' most disadvantaged communities.

Our workforce development strategy for the arts sector will encourage more initiatives for apprenticeships, mentoring and skills development and volunteering. We would also highlight that our community arts sector has a rich track record and body of evidence to show how the arts can empower people, build confidence and ambitions and at its best be transformative. The Vetch Veg project in Sandfields in Swansea is just one example of the extraordinary way in which local communities can become re-animated around cultural and social goals.

Our commitment to **equality** is fundamental to our work.

A fair-minded and tolerant society values and respects the needs, interests and creativity of everybody. It's a society that's impatient of disadvantage, which embraces equality and celebrates difference. We want the arts in Wales to include everyone. We know this will make the arts in Wales more vibrant, exciting and relevant. Our work in this area is set out in our Strategic Equality Plan.

There is urgent work both for us and the cultural sector if we're to translate well-intentioned plans into practical activities that achieve tangible outcomes. The uncomfortable truth is that progress in this area is slow and Council is determined in the future to be more challenging in this aspect of our work.

We're pleased to see the culture statement promoting the success of our Hynt ticketing scheme for disabled people and their companions. 39 Theatres and Arts Centres in Wales are now members of the scheme, and over 7,500 membership cards have been distributed since the official launch in April 2015. The scheme has been a runaway success and colleagues in Arts Council England and Creative Scotland have also shown interest in working with us to see how the initiative could impact in their countries.

One of the challenges in this area is building the capacity of organisations who have historically found it difficult to access public funding. Many of them are from diverse communities. Our Creative Steps programme has opened up new routes to funding and professional help, and this investment is starting to bear fruit. As you know, Jukebox became a new APW organisation as a direct result of us supporting them in this way. We're supporting other companies such as Ballet Nimba and cARTrefu Cymru (with support from the Baring Foundation).

We're a bilingual nation – legally, socially, culturally, and as individuals and communities. And nothing makes Wales more distinctive than the **Welsh Language**.

It provides the means to understand and enjoy an extraordinarily rich literature and culture. We make sense of our identity through the languages that we speak. We take pride in belonging to a community that identifies itself through the words that convey its cultural beliefs and experiences.

So we'll promote vigorously the expectation that people have that they can explore the richness of their own culture, their own creativity, through the language of their choice, whether as audience, participant or artist. And we want to be an exemplar organisation in the way that we respond to the challenges set out in the new Welsh Language Standards.

Our involvement with the National Eisteddfod has helped arts content to flourish more on the Maes. It is starting to feel more of an Arts Festival, and of course it has Welsh language at its heart. Other cultural developments will take longer to have an impact. Council has identified the development of Welsh Language Theatre is an urgent priority. This will be challenging, as the partners that we can work with are limited in number. Nevertheless we recognise that new impetus is needed. We'll also be looking at Welsh Language writing informed, obviously, by the outcomes of the Welsh Government's Literature and Publishing Review.

In the past, our work with the **amateur and volunteer** sector in Wales has not been the highest of our priorities. We recognise, however, that voluntary engagement offers a range of opportunities for people to enjoy and take part in the arts. It can also be a stepping stone to education and training and sometimes into employment. We have a long-standing relationship with Voluntary Arts Wales (VAW) and we've been involved in a number of joint projects. However, this feels like an area where we have to look afresh at what the nature of our future engagement might be.

In the meantime, some important and interesting projects are happening.

2017 will see the second year of an initiative enabled through our partnering with BBC. Get Creative is a focal weekend in Spring to promote the liveliness of creativity throughout Wales and to give it a platform. This is set to be an annual celebration of the most creative of nations. (Last year Wales eclipsed the rest of the UK in the number and variety of participatory events in the Get Creative programme, an achievement we hope to repeat).

Our approach to **Digital** technology evolves and develops. We've tried to move away from Digital as a 'category' of activity or a project. The internet is no longer just a digital notice-board, but a social and creative space. We want arts organisations to embed the use of digital technology as a routine part of their day-to-day business activities. But we also want them to recognise digital technology as a creative tool, encouraging innovation and experimentation. We'll continue to make available funds that support creative research and development.

We have strong links with Wales' principal **broadcasters**. Arts Council of Wales, BBC Cymru Wales and S4C are the largest investors in publicly funded creativity in Wales. We share a strong commitment to deepening and widening audiences for the arts. And we're all engaged in national advocacy on behalf of arts and culture in support of the ethos of publicly funded arts and broadcasting.

Together we share a commitment to public engagement in the arts. We're also passionate about developing and supporting the best creative talent. Through our joint endeavours we work to make Wales more vibrant, inclusive and economically dynamic. By working together more closely, we believe that we can create more opportunities to support and nurture creativity – commissioning new work, backing innovation and risk-taking, and growing technical and craft skills within the creative sector. To achieve these goals, we're committed to working across the platforms between the 'live' and broadcast sectors. In recent years this has involved celebrating Dylan Thomas (in his centenary) and Roald Dahl in City of the Unexpected, the Horizons platform for Welsh bands, and the Get Creative project .

The Partnership between the Arts Council of Wales and **local government** provides the foundation of the arts in Wales.

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.

However, not only is the structural landscape across local government changing, but local authority budgets for culture are diminishing at a rapid pace.

There is no single solution to arresting this financial decline. We'll continue to work with local authorities on a case-by-case, doing our very best to persuade them of the value of cultural investment. And as Public Service Boards take shape, we're working with them to ensure that the arts are firmly on their agenda going forward. The absence of a mandatory requirement to fund cultural activity weakens our hand. However, the prominent place of culture in the new Well-being legislation has re-invigorated the debate and we're unashamedly promoting this as the route through which local authorities should re-visit cultural planning.

With this in mind, we have developed a promotional brochure to raise awareness of how the arts can actually target all 7 goals of the Act. The brochure is currently being sent to all Public Service Boards across Wales as well as Chief Executives of Local Authorities.

Welsh Government Programme Commitments for Culture

In addition to the topics referred to above, we note a number of further Programme Commitments.

The introduction of a Challenge Fund for **arts and sports** organisations will be a welcome new addition to the investment landscape. We have held initial discussions with our colleagues at Sport Wales and we hope soon to be in a position to discuss with you some concrete ideas. However, it would help us if we could have a little more information on scope and scale. In previous discussions you've suggested that you're keen for the Fund to focus on community-based activities and that levels of potential funding will be modest. Clarifying this will help us to develop realistic proposals that better reflect your objectives.

An intriguing new element in your culture statement is the inclusion of a feasibility study to examine the establishment of a **National Art Gallery**.

Back in 2008 we worked with Government and the National Museum to publish a feasibility study on a National Centre for Contemporary Art and a forward plan for the housing of Art in Cathays Park at the National Museum. Since then the overall proposal has been in abeyance given the likely cost that was identified at the time. But other visual arts developments did happen, including the East Wing block in the Museum as well as enhancement of projects outside the capital such as Mostyn in North Wales and the Glynn Vivian in Swansea.

It would be timely to re-visit some of this work and to explore what new thinking can be applied, and what new opportunities might be available. Before we go too far, it might be useful to get greater clarity around a handful of practical considerations. For example, are we talking about a National Art Gallery or a National Gallery of Contemporary Art; how might any future initiative relate to Wales' historic collections and how these might be distributed under new arrangements.

It would seem sensible to involve Amgueddfa Cymru National Museum Wales given the relevance of this issue to their overall mission. We've held initial meetings with the Museum and would suggest that if it were helpful, we could together develop a more specific shaping of the brief for the next stage of work. It is important that matters of scope and outcome are precisely defined to drive out the best use of public money in driving forward this feasibility work.

In conclusion...

I trust that you'll see from this letter that we're closely aligned to many of the goals in your culture statement. However, you'll forgive me, I hope, if I offer some observations on the resourcing of the vision in your statement.

The increase in next year's grant-in-aid has been very positively received. The sector has long recognised your personal support, but next year's settlement has confirmed that you're prepared to back up enthusiasm with real action.

This is tremendously important and we hope that this commitment will be repeated in future years. As you'd expect, we'd therefore very much support your ambition to offer **three-year funding settlements**. This is the missing part of the investment strategy that would allow our key cultural organisations to plan with more confidence for the longer term.

However, Government's welcome investment next year coincides with a serious downturn in projected **National Lottery** income already seen in 2016/17.

The statement calls for better collaborative working between Wales' Lottery Distributors. This is absolutely the right thing to do, and we are already discussing with our colleagues how this might be achieved. But at a time of real opportunity, there's now a growing likelihood that the "good causes" (of which culture is one) will receive significantly less income from the National Lottery this year and into the future.

Our modelling of National Lottery ticket sales suggests that our income this year could be between 11 and 16% short of the projection originally given to us by the DCMS. Poor performance of the main National Lottery game, the aggressive stance of competitor Lotteries (such as the Postcode and Health Lotteries) and the growth of online betting on Lottery results (Lottoland) are having a very significant impact. We're sufficiently concerned about the situation that I've included a specific briefing on the Lottery as an **appendix** to this letter.

These are clearly matters for the UK Government, but as the respective relationships between the UK and its nations are being negotiated, it's essential that Wales continues to receive its fair share of UK funding for culture. I realise that agreeing what constitutes a "fair share" is not straightforward. Nevertheless, I've been struck by recent announcements of funding to cultural infrastructure in England. You might remember that in the November 2015 Budget statement it was announced that the UK government would fund capital investments in culture across the country through a total of £1.6bn by 2020-21. This included a £78m capital funding in the Factory Manchester, £2.5m funding for the Museum of Science and Industry in Manchester, £5m for a new South Asia Gallery at Manchester Museum and a £4m in Birmingham Dance Hub.

I'm not sufficiently familiar with Government funding mechanisms to understand the implications of this. I'm obviously aware that Culture is a devolved matter. However, it was always my assumption that if the UK Exchequer allocated significant sums above and beyond a core Departmental allocation, there would be a "Barnett Consequential".

I don't know if this is relevant in the cases above or whether the significant investment in Manchester's Factory creates some sort of precedent for the wider UK. However, it strikes me that if Wales is to be able to afford major infrastructure projects (such as, perhaps, a National Art Gallery or the refurbishment of St David's Hall) then access to centrally held funds becomes very important and equitable access to exceptional Treasury investment in culture has to be factored into Wales's funding case.

Finally, I finish where I started – by welcoming this important statement of intent.

You hold out the hope that the document will promote more debate around the value of culture. That was certainly the case around the Council table. Arts and culture touch all aspects of the Welsh Government's cultural, economic and social agenda. Your continuing advocacy and championing of culture across Government will be one of the key things that enables success. And you can rely on us to work closely with you to make sure that the benefits that the arts can offer are in turn woven across all relevant areas of the Government's activity.

With best wishes



Phil George
Chair

Briefing

Reductions in National Lottery income

1. The public has raised £35bn for Good Causes the length and breadth of the UK through playing the National Lottery since its inception. As the Arts Council of Wales we have invested this in over **11,621** projects in Wales, to a value of **£261m**. Other National Lottery distributing colleagues (Sport Wales, Heritage Lottery Fund and Big Lottery) have similarly impressive results to show.
2. These projects vary enormously from the small grant that helps a local community to flourish, projects that support and celebrate our rich cultural life, to the funding that inspired sporting success in Commonwealth, Olympic and Paralympic Games. The National Lottery is a true success story for the Government, existing only for public benefit.
3. But recent trends in National Lottery income have been a cause for real concern across the Lottery family. We are seeing a reduction in Good Cause income that could have a significant effect on the communities we serve. Camelot currently predicts a 'good causes gap' of between £165m and £235m against DCMS's projections for this year. However, when measured against the actual figures for last year, this gap widens to a potential 11-16% – decrease in money going to Good Causes in this financial year.
4. National Lottery income has in the main been stable and predictable over the last decade. This current trend is therefore troubling and has substantial implications for Good Causes. Our analysis suggests that there are changes in the wider Lottery market that are having, and will continue to have, a sustained impact on Good Cause income if they are not addressed.
5. As a Lottery Distributors we will do what we can to address these issues. Alongside Camelot, we are actively considering how we can re-invigorate the National Lottery's image by asserting the unique investment in the Good Causes made possible by the purchase of a ticket. It is clear the long term success of the Lottery brand will be heavily dependent on it being more Good Causes led. Distributors in Wales have committed to being more active in protecting and enhancing the National Lottery brand. We will work with all those interested in its health to articulate and promote the case for the National Lottery.
6. These efforts can only go so far in protecting National Lottery income, however. There are levers that the UK Government can use to address the issue, primarily through lottery and gambling regulation.
7. As Distributors we strongly support ways to make it easier for small, local lotteries to raise revenue for grass-roots causes. We see these as an important part of the funding ecology. However, we remain concerned that large, private lotteries, many of which use an umbrella model in order to market themselves at a national level, pose a significant risk to National Lottery Good Causes.

8. The House of Commons Select Committee Report on Society Lotteries, March 2015 recognised the need for different regulation for large, 'umbrella' society lotteries including a cap on operating costs and incentives to increase the proportion of ticket sales going to good causes. The Report also recommended setting overall limits on the amounts that may be raised or paid out in prizes, as well as a number of options to limit the size of umbrella lotteries or to treat the constituent societies of larger society lotteries differently. We believe that the recommendations of the Select Committee should be considered carefully now that the effects of umbrella lotteries on National Lottery income have become clearer.
9. Tighter regulation of certain types of Lottery will help to protect the distinctive role of the National Lottery. But ultimately, we believe that significant action to redress the decline in income to the good causes can only come from a 'resetting of the proportion of the Lottery £ that currently goes to the good causes. At present, the 'traditional' Lotto draw delivers 28 pence in the £ to good causes, but its sales are decreasing. In contrast Scratchcards – a growing market – deliver just 10 pence in the £.
10. As a commercial company, Camelot is rightly proud of its year-on-year increases in overall sales. But when income to good causes (the founding rationale for the National Lottery) is falling, this feels like a Pyrrhic victory. We appreciate that changing the terms of a licence agreement mid-term is problematic, but we would argue that it is in everyone's interests to work together to turn round what is becoming a growing crisis.
11. National Lottery Good Cause funding is widely regarded as a vital and secure source of funding for culture, sport and civil society, particularly for smaller organisations which in this financial climate can find themselves vulnerable. Continuing reductions will seriously affect the capacity of many hundreds of third sector organisations to provide services that benefit the public across Wales. Action is needed now if this is to be prevented.