

# THE NATIONAL ASSEMBLY FOR WALES

## AUDIT COMMITTEE

Report presented to the National Assembly for Wales on 2 July 2008  
in accordance with section 143(1) of the Government of Wales Act 2006

### The Arts Council of Wales – Supporting Major Capital Projects

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## Summary

1. The Arts Council of Wales (the Arts Council) funds projects by third party client organisations to build, extend or refurbish arts facilities across Wales. Financed from its share of Lottery money, the Arts Council's five year rolling programme of capital spending has amounted to around £7 million a year over the eight years 1999-00 to 2006-07, but is planned to reduce significantly to around £3 million a year over the next five years 2007-08 to 2011-12.
2. On the basis of a report by the Auditor General for Wales<sup>1</sup>, we took evidence on 13 March 2008 from two officials at the Arts Council: Peter Tyndall, Chief Executive, and Dr Katherine Davies, Head of Arts Funding. We examined whether the Arts Council was effectively managing the risks involved in supporting major arts capital projects.
3. We concluded that the Arts Council's processes for managing risk and safeguarding its financial exposure were demonstrably more robust than in the early days of Lottery funding. Nonetheless, there are considerable challenges ahead for the Arts Council: the provision of arts facilities is still insufficient at community and national levels, while the Arts Council's capital resources have significantly reduced and its revenue funding resources are static. There is scope to make better use of the limited funds available through developing more effective partnership working with local authorities, capitalising on available European funding, and evaluating the outcomes achieved from capital investment in arts infrastructure to date to inform future investment.
4. We therefore look to the Arts Council to be more proactive in supporting the continuing development of arts facilities and arts organisations in Wales and in promoting the benefits from its investment in the arts. And, of course, we expect the Arts Council to continue to improve the efficiency and user-friendliness of its own administrative procedures for handling capital grants, to benefit its client partners and funding partners alike.

### ***The Arts Council's selection of and spending on major capital projects is based on managing risks***

5. All major capital projects supported by the Arts Council are inherently risky, but some are more risky than others. In choosing which major capital projects to fund,

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<sup>1</sup> *The Arts Council of Wales – Supporting Major Capital Projects*, 31 January 2008

the Arts Council applies well-established processes for ensuring consistency in assessing the merits of project proposals, which reflect its strategic priorities. The Arts Council engaged well with project partners through key project development stages and in monitoring projects during and after construction.

6. The Arts Council has progressively improved its procedures for assessing and monitoring risks in recent years. It bases its own assessment of project risks on capital grant applicants' risk analyses and contingency plans; and it has accepted the need to standardise the sensitivity analysis documentation that applicants submit. It manages the risks of cost escalation through cost reviews at key stages of project development and by capping its final grant awards. It has introduced standard risk registers for major capital projects from the pre-tender stage; though there is scope to extend these to cover the full project life-cycle. It has incorporated project risks arising from the capital programme in its own corporate risk management procedures. And the Arts Council's monitoring of capital projects is now triggered by the scale of risk rather than simply the size of the grant, although there is scope to refine its project assessment to focus more explicitly on risk.

***The Arts Council works in partnership with many different organisations but should take a greater lead to meet future challenges successfully***

7. The Arts Council actively supports its client organisations to develop and complete their projects but relies on them to come forward with viable proposals, to secure project funding from other sources, to manage their capital projects and to ensure arts activity continues to take place once facilities are operational. It tailors its ongoing support on a case-by-case basis, helping to provide additional capacity where necessary and affordable. The Arts Council encourages informal mentoring between grant applicants and recipients but accepts the need to improve and formalise these arrangements. It is also looking at bringing the monitoring of its revenue-funded clients and its capital project clients together, to improve the efficiency and effectiveness of its spending on clients.
8. Local authorities are key partners for many capital projects. The Arts Council has strategic partnership arrangements with the local authorities in Wales but there are barriers to their working in practice and local authorities vary in the level of investment they make in arts facilities and in their engagement with the Arts Council. Given that the capital resource environment in which the Arts Council and the local authorities are working is restricted, we consider that the Arts Council should focus on actively stimulating local authorities to make the most of European

funding opportunities by helping them identify specific suitable projects and by promoting the contribution of the arts to community regeneration generally.

9. The Arts Council is improving its collaboration with the Assembly Government on funding capital projects but there is still much to do. In terms of structures, the Arts Council has no overarching strategic cooperation agreements with former funding partners now within the Assembly Government, other than the policy and resources framework agreed with its sponsor department. In terms of processes, we found the Arts Council's joint working with the Welsh European Funding Office (WEFO), its most important central funding partner, to be progressively developing; although the different compliance regimes for managing European and Lottery funding posed challenges. We welcome the Arts Council's agreement that it should take the lead on arts-related capital projects where it is the major funding partner. Further potential improvements to partnership working include systematic information sharing with other funding partners, and simplifying and synchronising information requirements.
10. The Arts Council is developing an approach to access private sources of funding but still has a long way to go. The Arts Council's client partners are required and encouraged to raise funds for capital projects from their own resources and from private sources, but many small organisations in particular lacked the time or the contacts to pursue these sources. Consequently, the Arts Council was intending to develop its support for client partners by identifying private funding from trusts and foundations, and to attract funds from legacies and individual giving. While we encourage this initiative we consider that the Arts Council could have done more to develop an approach in this area earlier.

***The Arts Council has not yet assessed the outcomes from its capital programme and should do so to target its reduced resources better***

11. Despite spending around £7 million a year over the past eight years, gaps in the provision of arts facilities remain, particularly at national and community level. Although the Assembly Government has not yet produced a successor to its 2002 culture strategy, the Arts Strategy Board is providing increased direction for the Arts Council and its capital strategy. The Arts Council is pulling together a revised capital strategy, various art form strategies and cross-cutting strategies, to be reflected in its latest corporate plan. Meanwhile, owing to a decrease in the availability of lottery funding, the Arts Council has reduced its capital planned

programme spending for the five years 2007-08 to 2011-12 to around £3 million a year and closed the programme to new entrants.

12. The Arts Council is improving its post-completion monitoring of capital projects but its evaluation of project impacts and wider benefits is inadequate. The Arts Council rightly safeguards its capital investment interests in the longer term by monitoring grant recipients' compliance with grant conditions after projects have been completed, through a process of self-reporting by grant recipients complemented by a cyclical programme of visits to client organisations. There is some room for improvement in these arrangements. But we were most disappointed to find that only a limited amount of formal assessment of the impact of capital funding on the arts had been undertaken in Wales. Without a programme for systematically assessing the impacts of projects that have received capital grants, the benefits of the Arts Council's capital programme cannot be fully assessed, nor its scarce capital resources targeted on the right future priorities.

## Recommendations

- (i) We endorse the Auditor General's recommendations, which we believe will address key concerns raised in this report, and note that the Arts Council has already accepted and is making progress on some of them. **We ask the Arts Council to respond to each of the nine recommendations in the Auditor General's report as part of their response to this report.**
- (ii) The Arts Council faces significant risks in meeting the challenges of managing its capital programme for the foreseeable future. It has progressively enhanced its procedures for assessing and monitoring risks in recent years but there is scope for the Arts Council to refine its approach to scrutinising project proposals. **We recommend that the Arts Council enhances its project assessment to make it more explicitly risk-focused, with quality and viability as the two main categories where project risk needs to be assessed.**
- (iii) The Arts Council's relationship with the local authorities in Wales is hugely important, particularly for fostering community-based partnerships and, in relevant areas, realising the potential of European funding for regeneration. **We recommend that, in an environment where the Arts Council and the local authorities have limited capital resources of their own, the Arts Council should work with local authorities in making the most of European funding**

**opportunities, by helping them identify suitable arts-related projects and by promoting the contribution of the arts to community regeneration.**

- (iv) The Arts Council is developing, belatedly in our view, an approach to supporting its client partner organisations to access private funding from sources such as trusts, foundations, legacies, and individual and corporate giving. **We recommend that the Arts Council develops a strategy to support its client organisations' access to sources of private funding.**
- (v) The Arts Council has not yet systematically assessed the impacts of or wider benefits from its spending on capital projects to date. Without such an evaluation of outcomes the Arts Council cannot effectively target its scarce capital resources on the right future priorities. **We recommend that, in determining the future strategic direction of its capital programme, the Arts Council takes full account of the impacts and wider benefits resulting from the capital projects it has invested in to date.**

## The Arts Council's selection of and spending on major capital projects is based on managing risks

### The Arts Council faces significant challenges and risks in managing its capital programme

13. Mr Tyndall highlighted a number of the challenges faced by the Arts Council in managing its capital programme. These included ensuring that sufficient revenue funding existed so that arts facilities were capable of operating effectively once they had opened, working with many client and funding partners on individual projects and on the capital programme overall, and achieving the right balance of quality and cost.<sup>2</sup>
14. Looking to the future, Mr Tyndall considered all the key challenges to relate to the scarcity of financial resources. They were:
  - the reduction in funding available for capital projects compared with what was previously available, resulting in the closure of the capital programme to new projects;<sup>3</sup>
  - no growth in the Arts Council's core revenue budget, leading to increased risks concerning the viability of client partner organisations;<sup>4</sup>
  - the need to fill strategic gaps in the provision of arts facilities while restrictions on capital resources mean that they cannot currently be funded;<sup>5</sup> and
  - the need to maintain and improve the existing built estate, given the restrictions on capital resources.<sup>6</sup>
15. The Auditor General's report made clear that the Arts Council's overall approach to managing the challenges and risks related to the selection and funding of major projects for its capital programme was broadly sound. While this approach has served the Arts Council well up to now, in our view the combination of ongoing and upcoming challenges creates a new combination of significant risks. The main risks are that the limited capital funds available may not be targeted on the right future priorities; that the poor fitness for purpose and poor condition of existing arts facilities that have not benefited from recent capital investment may get worse if capital funding is insufficient to maintain and improve them; and that certain arts facilities

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<sup>2</sup> Annex A, paragraphs 7 – 15

<sup>3</sup> Annex A, paragraph 13

<sup>4</sup> Annex A, paragraph 14

<sup>5</sup> Annex A, paragraph 15

<sup>6</sup> Annex A, paragraph 15

may cease to operate if client partner organisations cannot secure adequate sources of revenue funding.

15. We note that the Arts Council has become increasingly circumspect about choosing the projects it supports through its capital programme and the project partners it works with.<sup>7</sup> We also note that the Arts Council has been working to identify other sources of funding to run alongside the remaining Lottery funding.<sup>8</sup> And we welcome Mr Tyndall's assurance that the Arts Council has, if not the level of capital resources it has previously enjoyed, then at least the structures, processes and people in place to provide a robust basis for the future and to manage the new challenges and related risks effectively.<sup>9</sup>

### **All major capital projects supported by the Arts Council are inherently risky, but some are more risky than others**

16. Major capital projects are inherently risky for the Arts Council's client organisations to develop and complete, and for them to operate as viable facilities for arts activity in the longer term.<sup>10</sup> The development and implementation of major capital projects by client partners can take many years and involve changes to their scope and estimated cost.<sup>11</sup> Capital funding from sources other than the Arts Council can prove difficult and time consuming for client partners to secure.<sup>12</sup> And, for various reasons, actual costs can exceed estimates once building work is underway, as case studies in the Auditor General's report illustrate (for example, projects in Penygraig<sup>13</sup> and Newport<sup>14</sup>).
17. The Auditor General's report considered how well the Arts Council managed the risks related to choosing which major capital projects to fund.<sup>15</sup> Crucially, the Arts Council's approach was strategy driven and reliant on good partnership working.<sup>16</sup> The Arts Council had well-established processes for assessing the merits of major capital project proposals,<sup>17</sup> which included considering their strategic importance, arts

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<sup>7</sup> Annex A, paragraphs 14 and 29

<sup>8</sup> Annex A, paragraph 15

<sup>9</sup> Annex A, paragraph 17

<sup>10</sup> AGW report, paragraph 3

<sup>11</sup> AGW report, paragraph 2.7

<sup>12</sup> AGW report, paragraphs 1.16 – 1.22

<sup>13</sup> AGW report, paragraph 2.37; case study F, page 21

<sup>14</sup> AGW report, paragraph 2.37; case study Q, page 44

<sup>15</sup> AGW report, paragraph 1.2

<sup>16</sup> AGW report, paragraphs 1.3 – 1.8, and 1.12 – 1.22

<sup>17</sup> AGW report, paragraphs 1.32 – 1.34



activity benefit and architectural quality; and these processes were operating both systematically and consistently.<sup>18</sup>

18. A notable characteristic of the Arts Council's approach to capital spending since 2002 had been to articulate and seek to implement a clear capital programme strategy.<sup>19</sup> Mr Tyndall told us that, as a direct result of having a more strategic approach, the Arts Council was now much more purposive and proactive than in its early days as a Lottery distributor; and that, where a particular project was a strategic priority for the Arts Council, it sought to identify project partners and to work closely with them to try to make the project happen.<sup>20</sup> We welcome Mr Tyndall's reassurance that there will be no going back to simply being a passive arbiter of bids for capital funding.<sup>21</sup> And we welcome the Arts Council's ongoing work to ensure that the criteria for all its grants, not just those for capital projects, will flow from its strategic priorities.<sup>22</sup>
19. The Auditor General's report also considered how well the Arts Council's capital spending on major building construction and refurbishment projects was safeguarded and the related risks managed.<sup>23</sup> The Arts Council adopted a staged process to supporting projects,<sup>24</sup> involving early project registration, progressive development of project proposals to established architectural standards, and the provision of advice and assistance to client partners on a case-by-case basis, to manage the risks associated with uncertainty over financial demands and commitments as projects are developed and implemented. The Arts Council's processes for assessing the viability of project proposals were sound and thoroughly applied, and included examining the financial standing and organisational capacity of grant applicants, and the robustness of their business plans, project cost plans and marketing plans.<sup>25</sup> The Arts Council also actively monitored major capital projects during construction<sup>26</sup> and, for ongoing compliance with grant conditions, after completion.<sup>27</sup>
20. We were reassured by the Auditor General's overall findings about the Arts Council's processes and practices. But given that all capital projects are inherently risky and that no two capital projects are the same, we were interested to ascertain what

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<sup>18</sup> AGW report, paragraphs 1.35 – 1.40

<sup>19</sup> AGW report, paragraphs 1.4 – 1.6

<sup>20</sup> Annex A, paragraph 29

<sup>21</sup> Annex A, paragraphs 45 – 47

<sup>22</sup> Annex A, paragraph 47

<sup>23</sup> AGW report, paragraph 2.2

<sup>24</sup> AGW report, paragraph 2.7

<sup>25</sup> AGW report, paragraphs 2.7 – 2.19

<sup>26</sup> AGW report, paragraphs 2.42 – 2.47

<sup>27</sup> AGW report, paragraphs 2.48 – 2.54

factors make the difference between a project that succeeds and a project that fails.<sup>28</sup> In the case of two particular past projects that failed to develop (Merthyr Tydfil<sup>29</sup> and Wrexham<sup>30</sup>), Mr Tyndall told us that the failure factors were different in each case.<sup>31</sup> As for success factors, Mr Tyndall highlighted two key issues for the Arts Council in managing project risks:

- having confidence in the capability of its client partners, gained through working alongside client partners during the design and development stages of projects;<sup>32</sup> and
- thorough scrutiny by the Arts Council of project proposals before the final decisions to go ahead on projects were made.<sup>33</sup>

### **The Arts Council has progressively improved its procedures for assessing and monitoring risks**

21. The Arts Council bases its assessment of project risks on capital grant applicants' own risk analyses and contingency plans<sup>34</sup>, including sensitivity analysis done by applicants to demonstrate the vulnerability to uncertainties of key assumptions in their business cases.<sup>35</sup> The Auditor General's report noted that there was variability in the quality of sensitivity analysis undertaken by client partners in support of their applications.<sup>36</sup> We were concerned that this inconsistency might compromise the Arts Council's ability to assess project risks.<sup>37</sup> So we were pleased to learn that, in response to a recommendation in the Auditor General's report,<sup>38</sup> the Arts Council intended to standardise the sensitivity analysis documentation that applicants submit.<sup>39</sup>
22. The Arts Council manages the risks of cost escalation on major capital projects primarily by capping its grant awards, thereby transferring these risks to other funding partners and the grant recipient organisations themselves.<sup>40</sup> The Arts Council also carries out cost reviews at key stages of each project and insists on

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<sup>28</sup> Annex A, paragraph 25

<sup>29</sup> AGW report, paragraph 1.11; case study B, page 17

<sup>30</sup> AGW report, paragraph 1.11; case study A, page 17

<sup>31</sup> Annex A, paragraph 28

<sup>32</sup> Annex A, paragraphs 31- 32

<sup>33</sup> Annex A, paragraph 32

<sup>34</sup> AGW report, paragraphs 2.20 & 2.21

<sup>35</sup> AGW report, paragraph 2.22

<sup>36</sup> AGW report, paragraph 2.22

<sup>37</sup> Annex A, paragraph 105

<sup>38</sup> AGW report, paragraph 24 ii b

<sup>39</sup> Annex A, paragraphs 106 – 108

<sup>40</sup> AGW report, paragraph 2.38

specific 'value engineering' exercises in particular cases where unanticipated cost pressures arise. We were interested in whether the need for specific value engineering exercises meant that there may have been shortcomings in the original assessments of project specification and cost on these projects.<sup>41</sup> Mr Tyndall told us that, while the Arts Council sought to ensure it set its grant awards at the point where it had a reasonable degree of certainty about project costs, the risk of cost rises could not be entirely eliminated.<sup>42</sup> Dr Davies also told us that, despite regular cost reviews on every project, detailed value engineering exercises were mainly post-tender, necessitated when construction tenders had come in surprisingly higher than expected.<sup>43</sup> We expect the Arts Council to continue to be alert to the various factors that drive up costs on major capital projects.

23. The Auditor General's report noted that in 2006-07 the Arts Council improved its internal monitoring of risk on major capital projects by introducing standardised risk register documentation for projects granted £100,000 or more.<sup>44</sup> The report recommended that the Arts Council's project risk registers should cover the full life-cycle of a project, in recognition that project risks can materialise early on, during development, as well as providing a means of reviewing and analysing risk factors that militate for and against success in different circumstances.<sup>45</sup> We endorse this recommendation.
24. As part of the Arts Council's system of internal control it has a policy and processes to manage its own operational risks.<sup>46</sup> While the Arts Council's capital team were responsible for managing the risks relating to individual capital projects, these risks were not formally incorporated into the Arts Council's corporate risk management system.<sup>47</sup> We note that the Arts Council has created a new post to ensure a greater degree of standardisation of risk management within the Arts Council as a whole; and we welcome Mr Tyndall's assurance that the Arts Council has now formally incorporated project risks arising from the capital programme into its corporate risk management system.<sup>48</sup>

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<sup>41</sup> Annex A, paragraph 126

<sup>42</sup> Annex A, paragraph 127 & 128

<sup>43</sup> Annex A, paragraph 129

<sup>44</sup> AGW report, paragraph 2.30

<sup>45</sup> AGW report, paragraphs 24 ii a and 2.30

<sup>46</sup> AGW report, paragraph 2.28

<sup>47</sup> AGW report, paragraph 2.29; Annex A, paragraphs 114 - 118

<sup>48</sup> Annex A, paragraph 116

25. The Auditor General's report noted that the Arts Council's processes for assessing applications and monitoring projects were geared to thresholds relating to the amounts of funds it awarded to capital projects.<sup>49</sup> We were pleased to learn from Mr Tyndall that the Arts Council's monitoring of capital projects is now triggered by the scale of risk rather than simply the size of the grant.<sup>50</sup> However, we were disappointed that the Arts Council does not appear to have adopted a more risk-focused approach to its project assessment as well. We endorse the Auditor General's suggestion that there was scope to refine the Arts Council's existing project assessment by separating its assessment criteria into two main categories, project quality, and project viability.<sup>51</sup>

## **The Arts Council works in partnership with many different organisations but should take a greater lead to meet future challenges successfully**

### **The Arts Council actively supports its client organisations to develop and complete their projects**

26. The Arts Council's clients include arts organisations, local authorities, higher education institutions, community and voluntary organisations and other bodies. The Arts Council relies on these bodies to come forward with viable proposals for projects to include in its capital programme, to secure project funding from other sources, to manage the design, development and construction phases of their projects, and to ensure that arts activity continues to take place once facilities have become operational.<sup>52</sup>
27. We asked Mr Tyndall what were the key characteristics of good partnership working with these client organisations.<sup>53</sup> Mr Tyndall told us that the best partners were not necessarily the easiest ones; but that the best partnerships were driven by people who combined a passion for what they were trying to achieve along with a broad managerial competence: in short, visionary doers.<sup>54</sup> The Arts Council looked for three key things as indicators of being able to work successfully with client

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<sup>49</sup> AGW report, paragraph 2.31

<sup>50</sup> Annex A, paragraph 124

<sup>51</sup> AGW report, paragraph 1.41 & Figure 5, page 29

<sup>52</sup> AGW report, paragraph 1.12

<sup>53</sup> Annex A, paragraph 45

<sup>54</sup> Annex A, paragraph 48

partner organisations: artistic and creative leadership, managerial competence and good governance arrangements.<sup>55</sup>

28. We were also interested in what action the Arts Council took if a client partnership started to falter.<sup>56</sup> Mr Tyndall told us that the Arts Council's response varied depending on the circumstances, but usually involved getting together with the client partner to identify the problem and help them find a solution.<sup>57</sup> In some cases it was a matter of finding a replacement partner, or taking a different approach with the partner, or trying to improve the partner's way of doing things, or helping build organisational capacity. Mr Tyndall told us that, in the recent past, the challenge for client partners often centred on being overstretched when faced with managing a major capital project on top of their existing job.<sup>58</sup> Where the people delivering a capital project lack adequate capacity to make it work, the Arts Council supports them by helping to provide that capacity.
29. Arts Council officials involve themselves early in the design and development of all major capital projects to help applicants improve the robustness and realism of their project proposals; and to help the Arts Council identify and pursue key areas of risk in project development, such as over-ambition, unrealistic capital cost projections, over-optimistic running cost impacts and ill-defined project benefits.<sup>59</sup> During the project assessment process, the Arts Council assesses applicant's organisational capacity to manage their capital projects and to deliver their planned artistic programmes after project completion.<sup>60</sup> And once a project is at construction stage the Arts Council supports its client partners on a case-by-case basis, drawing on a pool of professional advisers.<sup>61</sup> This has included funding professional project managers, fundraisers or consultants, where necessary.
30. The Arts Council encourages applicants for major capital grants to contact other similar organisations in Wales that have gone through the process of applying for capital funds and managing the development and construction of their own projects.<sup>62</sup> As the Arts Council's client partner organisations generally found the experience of managing the development and completion of their major projects

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<sup>55</sup> Annex A, paragraph 49

<sup>56</sup> Annex A, paragraph 50

<sup>57</sup> Annex A, paragraph 51

<sup>58</sup> Annex A, paragraph 52

<sup>59</sup> AGW report, paragraph 2.9

<sup>60</sup> AGW report, paragraph 2.13

<sup>61</sup> Annex A, paragraph 33

<sup>62</sup> AGW report, paragraph 1.34

challenging and testing of their skills and resources, we asked what the Arts Council was doing to be more proactive to facilitate shared learning between organisations.<sup>63</sup> Dr Davies told us that, while the Arts Council had so far encouraged informal mentoring, it recognised the need to look at how the arrangements could be improved and formalised.<sup>64</sup> We welcome Dr Davies' assurance that the Arts Council will be taking the Auditor General's recommendation in this area forward.

31. The Arts Council has also operated a pilot programme of revenue grants to help organisations applying for capital grants to become more operationally sustainable, rationalising what was previously a set of ad hoc grants for capacity building or financial stabilisation purposes.<sup>65</sup> We were pleased to hear from Mr Tyndall that this programme had been successful, resulting in additional revenue funding for a number of organisations.<sup>66</sup> But we were disappointed to learn that, despite its success, this programme had been discontinued;<sup>67</sup> although we note that the Arts Council does include project management capacity building, in particular, as part of some overall capital grant awards.<sup>68</sup> We look to the Arts Council to ensure that it manages the risk implications for its capital programme arising from the discontinuation of its sustainable arts programme of revenue funding.
32. The Auditor General's report showed the inter-relation and inter-dependency between the Arts Council's capital and revenue funding programmes.<sup>69</sup> We asked Mr Tyndall how he ensured that the Arts Council got the best value for money, in the round, from this combined spending on client partner organisations.<sup>70</sup> Mr Tyndall emphasised the Arts Council's monitoring of its revenue-funded clients and of the capital projects it supports. Though separate arrangements, this gives the Arts Council a complementary and holistic view of what its client partners achieve for the money they receive.<sup>71</sup> We note that the Arts Council has been discussing with the Wales Audit Office the merits of bringing all client monitoring arrangements into a single framework and support these moves, on the understanding that it

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<sup>63</sup> Annex A, paragraph 83

<sup>64</sup> Annex A, paragraph 84

<sup>65</sup> AGW report, paragraph 2.18

<sup>66</sup> Annex A, paragraph 102

<sup>67</sup> Annex A, paragraph 104

<sup>68</sup> AGW report, paragraph 2.19

<sup>69</sup> AGW report, paragraphs 2.24 – 2.27

<sup>70</sup> Annex A, paragraph 109

<sup>71</sup> Annex A, paragraphs 110 & 111

should improve the Arts Council's assessment of the efficiency and effectiveness of its spending on clients.

### **The Arts Council has strategic partnership arrangements with local authorities but there are barriers to their working in practice**

33. The reports of both the Wales Arts Review<sup>72</sup> and the Auditor General<sup>73</sup> note that the Arts Council's relationship with the local authorities in Wales is particularly important. The Arts Council has a strategic partnership agreement with the Welsh Local Government Association, and it invites senior representatives from all local authorities to sit on its three Regional Committees. But local authorities vary in the level of investment they make in arts facilities, faced with competing priorities for financial resources and the fact that investment in arts provision has been a discretionary matter for them. We were therefore interested in how well the strategic partnership arrangements were working in practice.<sup>74</sup>
34. Mr Tyndall told us<sup>75</sup> that the Arts Council met three times a year with the relevant chief officers in the local authorities and with officials from the Welsh Local Government Association on matters such as the Arts Council's capital strategy and other strategic issues. However, the position of these chief officers within their local authorities has tended to become less significant and influential over time. The take-up and attendance by local authority chief officers at the Arts Council's Regional Committees was variable, but the Arts Council's own regional officials met local authority officers separately on a range of matters. Where there were changes to funding proposals and decisions on particular projects, the Arts Council's officers would meet with the local authority.<sup>76</sup> And Mr Tyndall himself met local authority chief executives on issues of particular interest.<sup>77</sup>
35. We also asked Mr Tyndall whether it was realistic or feasible to expect more capital investment in the arts from local authorities.<sup>78</sup> Mr Tyndall's view was that, with local authority capital budgets under pressure and mostly directed to other priorities (such as schools), the most likely basis for project partnerships were those where

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<sup>72</sup> A Dual Key Approach to the Strategic Development of the Arts in Wales, November 2006, paragraphs 1.39, 5.2 & 5.12

<sup>73</sup> AGW report, paragraphs 1.23 & 1.24

<sup>74</sup> Annex A, paragraph 53

<sup>75</sup> Annex A, paragraph 54

<sup>76</sup> Annex A, paragraph 55

<sup>77</sup> Annex A, paragraph 56

<sup>78</sup> Annex A, paragraph 64

European funding was involved.<sup>79</sup> In this connection, we were further interested in the links between artistic endeavour and community regeneration as a basis for local partnerships.<sup>80</sup> Mr Tyndall stated that local schemes needed local partnerships to make them succeed, but the reality was that local authority capital spending on the arts was low and shrinking.<sup>81</sup>

36. We note that a particular aim of the Arts Council's strategic partnership agreement with the Welsh Local Government Association is to strengthen the case for investing in culture and the arts as a driver of economic and social change.<sup>82</sup> We heard from Mr Tyndall how the Arts Council's capital programme support was not just about enabling people in communities around Wales to enjoy the arts, but about the benefits that communities can derive from that; about the overall regeneration of communities.<sup>83</sup> Given the restricted capital resource environment that the Arts Council and the local authorities are operating in, there is scope for the Arts Council to do more with local authorities on making the most of European funding opportunities.

### **The Arts Council has improved collaboration with the Assembly Government on funding capital projects but there is much to do**

37. One of the cross-cutting objectives for the Arts Council's capital programme is to seek to maximise opportunities for attracting European Funding.<sup>84</sup> Of all the Arts Council's main central funding partners, the Welsh European Funding Office (WEFO) is arguably the most significant; and, as we learned from Mr Tyndall, the WEFO is also the most challenging because of the requirements of European funding.<sup>85</sup> We enquired about the structures and processes in place for collaboration between major funding partners, particularly the WEFO.
38. The Auditor General's report noted a consensus between the Arts Council and its main central funding partners that there was room for improvement in collaborative working<sup>86</sup> and that the Arts Council had already taken steps to enhance its strategic and operational relations with the WEFO in particular.<sup>87</sup> We also noted that, while the Arts Council has had strategic cooperation agreements with certain public

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<sup>79</sup> Annex A, paragraph 65

<sup>80</sup> Annex A, paragraph 81

<sup>81</sup> Annex A, paragraph 82

<sup>82</sup> AGW report, paragraph 1.23

<sup>83</sup> Annex A, paragraph 24

<sup>84</sup> AGW report, paragraph 1.26

<sup>85</sup> Annex A, paragraph 73

<sup>86</sup> AGW report, paragraph 1.28

<sup>87</sup> AGW report, paragraph 1.26



bodies in the past for specific sectors and sub-programmes, it has no overarching agreements with their successor operations in the Welsh Assembly Government, other than the policy and resources framework agreed with its own sponsor department (the Department for Rural Affairs and Heritage). The Auditor General's report recommended that the Arts Council should establish strategic partnership agreements with key funding partners in the Assembly Government, to improve knowledge of respective programme priorities and management processes, and facilitate cooperation on individual projects.<sup>88</sup> We endorse this recommendation.

39. The Auditor General's report also recommended that the Arts Council should take a lead partner role on arts and arts-related capital projects where it is the major funding partner, to improve coordination between funding partners and reduce the administrative burden on grant applicants and recipients.<sup>89</sup> We recognise that this would require the endorsement of the Arts Council's sponsor department in the Assembly Government (the Department for Rural Affairs and Heritage) and the agreement of other key funding partners.<sup>90</sup> We were pleased to learn that the Arts Council had already taken the effective lead on a number of capital projects and that Mr Tyndall fully endorsed this recommendation.<sup>91</sup>
40. We were also interested to learn what specifically was being done to improve processes for collaborative working with central funding partners in practice.<sup>92</sup> Mr Tyndall told us that the Arts Council had been much more joined-up in recent years when working with the Welsh Assembly Government on capital projects, sharing their assessments of business plans and the monitoring of project construction.<sup>93</sup> Working with the WEFO in particular was not so straight forward, because the technical compliance requirements were different for European funding and for Lottery funding.<sup>94</sup> And audit requirements on the Arts Council meant that it often had to impose on grant recipients more stringent requirements than other funding partners.<sup>95</sup> However, Mr Tyndall also told us that the Arts Council had created a post to work on, among other things, developing proposals for European funding.<sup>96</sup> And Dr Davies told us that there was scope for the Arts Council to do more with its

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<sup>88</sup> AGW report, paragraph 24 i a

<sup>89</sup> AGW report, paragraph 24 i b

<sup>90</sup> AGW report, paragraph 1.31

<sup>91</sup> Annex A, paragraph 69

<sup>92</sup> Annex A, paragraph 66

<sup>93</sup> Annex A, paragraph 72

<sup>94</sup> Annex A, paragraphs 73 & 135

<sup>95</sup> Annex A, paragraph 135

<sup>96</sup> Annex A, paragraph 78

central partners generally in looking at the detail of how they managed their funding of capital projects, to harmonise respective requirements and benefit grant applicants.<sup>97</sup>

41. From various responses, it was clear to us that both Mr Tyndall and Dr Davies were sensitive to the challenges for client partners and the need to make things easier for grant applicants and recipients in dealing with different funding partners on the same project.<sup>98</sup> We were heartened to hear that, in Mr Tyndall's view, there was great potential for simplifying processes relating both to grant applications and to project monitoring, particularly with direct capital funding from the Welsh Assembly Government.<sup>99</sup> But we were disappointed to hear that Mr Tyndall believed the very different compliance regimes for European and Lottery funding were unlikely to result in a single form for grant applicants to complete; although we were pleased to hear that the Arts Council would be exploring this with the WEFO once the precise arrangements for accessing the new European structural funds were in place.<sup>100</sup> Overall, we look to the Arts Council to expedite the potential improvements identified in the Auditor General's report, many of which were work in progress.

### **The Arts Council's approaches to accessing private sources of funding are relatively under-developed**

42. The Arts Council's clients are required and encouraged to raise funds for capital projects from their own resources and from private sources, as well as from the Arts Council itself and other major funding bodies.<sup>101</sup> In the Arts Council's experience, while many of its client organisations in Wales are quite good at raising funds, more could be done to secure financial contributions from trusts and foundations.<sup>102</sup> Small organisations particularly did not have the time or the contacts to pursue these possibilities. Furthermore, a problem for Wales in terms of private sector funding was that not many corporate headquarters were based here, so corporate giving is a fraction of what it is in areas such as the south-east of England.<sup>103</sup>

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<sup>97</sup> Annex A, paragraph 71

<sup>98</sup> Annex A, paragraphs 69, 71, 134,

<sup>99</sup> Annex A, paragraph 134

<sup>100</sup> Annex A, paragraph 135 & 136

<sup>101</sup> AGW report, paragraph 1.16

<sup>102</sup> Annex A, paragraph 78

<sup>103</sup> Annex A, paragraph 100

43. Mr Tyndall told us that there was some scope to develop attracting funds from legacies and individual giving, and that the Arts Council had a role in providing support to organisations seeking to access funds managed by trusts and foundations.<sup>104</sup> Consequently, the Arts Council intended to work in due course on identifying private funding from trusts and foundations and to develop ways of encouraging people who have an interest in the arts to think of the arts in their will. We welcome this initiative on the part of the Arts Council but consider it may be too little too late. It also strikes us as an example more of the Arts Council reacting to current financial constraints rather than of proactively developing an approach to help leverage private funds, particularly given that the Arts Council has received a number of legacies in the past<sup>105</sup> that should have pointed the way.

## **The Arts Council has not yet assessed the outcomes from its capital programme and should do so to target its reduced resources better**

### **The Arts Council has made progress towards achieving its original capital programme objectives but gaps in provision remain**

44. The Auditor General's report set out the Arts Council's capital programme objectives and priorities and summarised the steady progress the Arts Council has made since 1999 towards achieving them.<sup>106</sup> We asked Mr Tyndall how the Arts Council ensured that its own strategic capital programme priorities had been aligned with those of the Assembly Government, and how he saw the Arts Council's strategic objectives and priorities for capital investment developing over the next five to ten years.<sup>107</sup> Mr Tyndall said that the original strategic alignment was essentially because the Arts Council's own strategy document (*Supporting Creativity*)<sup>108</sup> had been based on the Assembly Government's former culture strategy document (*Creative Future*)<sup>109</sup> in the first place.<sup>110</sup> The Arts Council subsequently worked closely with the Minister and the sponsor division on particular priorities as they emerged. Capital planning was also included in the Arts Council's operational plan, agreed each year with the Assembly Government. The Arts Strategy Board now provided a forum to ensure a shared strategic vision

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<sup>104</sup> Annex A, paragraph 78

<sup>105</sup> Annex A, paragraphs 78 and 100

<sup>106</sup> AGW report, paragraphs 1.3 – 1.11, figures 1 & 2

<sup>107</sup> Annex A, paragraphs 18 & 22

<sup>108</sup> Supporting Creativity, Arts Council of Wales, April 2002

<sup>109</sup> Creative Future, National Assembly for Wales, January 2002

<sup>110</sup> Annex A, paragraph 19

overall and Mr Tyndall expected it to provide direction for the Arts Council's capital programme in the future.<sup>111</sup>

45. The Assembly Government has not yet produced a successor culture strategy to its 2002 '*Creative Future*'.<sup>112</sup> We note, however, that the Arts Council has just finished consulting on new art form strategies that, together with a revised capital strategy and various cross-cutting strategies, will form part of the Arts Council's new corporate plan.<sup>113</sup> Given that the Arts Council's capital programme for the five years 2007-08 to 2011-12 is planned to be around £3 million a year and that it has now closed its capital programme to new entrants (because existing projects will account for all the capital resources available for the foreseeable future),<sup>114</sup> it seems to us that any new strategic agenda for the Arts Council would be somewhat limited for the time being.
46. We were interested to learn more about the likely impacts of the Arts Council's reduced capital programme for Wales.<sup>115</sup> Mr Tyndall listed three sets of impacts:
- some projects that the Arts Council had hoped to fund have fallen out of the capital programme for the foreseeable future;
  - the unsatisfactory quality of existing arts facilities that have not benefited from recent capital investment will be increasingly evident; and
  - potential projects that ought to happen now cannot.
47. Mr Tyndall also drew our attention to gaps in the provision of arts facilities at national and community level which were likely to remain unrealised because the funds were not available. At national level Mr Tyndall saw a yawning gap in the adequacy of facilities to show major nationally important exhibitions of contemporary art or to do justice to existing collections.<sup>116</sup> At community level, while a situation where every community in Wales could have its own arts building was desirable, this was not realistically attainable within the resources currently available.<sup>117</sup> This was not to detract from what had been achieved in recent years at both national level (such as the Wales Millennium Centre), regional level (such

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<sup>111</sup> Annex A, paragraph 21

<sup>112</sup> Annex A, paragraph 19

<sup>113</sup> Annex A, paragraph 46

<sup>114</sup> Annex A, paragraph 13

<sup>115</sup> Annex A, paragraph 86

<sup>116</sup> Annex A, paragraph 88

<sup>117</sup> Annex A, paragraph 79

as the Aberystwyth Arts Centre, Galeri Caernarfon and the Oriel Davies Gallery)<sup>118</sup> and community level (such as in Penygraig).<sup>119</sup> Nor was it just a case of providing buildings for the arts, but also of bringing the arts into communities, such as through the Night Out scheme.<sup>120</sup> We were grateful for Mr Tyndall's overview on these matters, but are concerned that addressing these gaps should be on the Arts Council's list of future strategic priorities, irrespective of the current capital funding restraints.

48. Another area that concerned us was the shortfall in the provision of facilities in arts venues for disabled people. The Arts Council has made specific funds available to help arts organisations improve access and facilities for disabled people, but the take-up of these grants has been low and slow.<sup>121</sup> We asked what the Arts Council had been doing to encourage take-up and whether this was enough.<sup>122</sup> Dr Davies explained that the Arts Council had done an initial survey of all arts venues in Wales to evaluate the need,<sup>123</sup> had written to all eligible clients, had done a detailed audit of every building to estimate costs for each venue,<sup>124</sup> and continued to promote the grants when they visited particular organisations.<sup>125</sup> But take-up was still disappointing. Mr Tyndall additionally assured us that all newly built or refurbished buildings were brought up to the required compliance standard as a condition of the capital grant.<sup>126</sup> He also committed the Arts Council to raising the issue at annual review meetings with those of its revenue clients that were not yet compliant, to further encourage take-up. We look forward to learning what results this action achieves.
49. In the eight years 1999-00 to 2006-07, about two thirds of the Arts Council's income from the Lottery has been allocated to its capital programme (about £7 million a year on average) with the remainder on other financial support to individuals and organisations.<sup>127</sup> We were concerned about whether, as a result of the restriction on Lottery funds, capital project funding was now being sacrificed at the expense of

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<sup>118</sup> Annex A, paragraph 146

<sup>119</sup> Annex A, paragraph 147

<sup>120</sup> Annex A, paragraph 79

<sup>121</sup> AGW report, paragraph 1.15

<sup>122</sup> Annex A, paragraphs 35 & 40

<sup>123</sup> Annex A, paragraph 36

<sup>124</sup> Annex A, paragraph 39

<sup>125</sup> Annex A, paragraph 37

<sup>126</sup> Annex A, paragraph 42

<sup>127</sup> AGW report, paragraph 2.3

other spending streams.<sup>128</sup> We accept that the Arts Council has to balance its strategic priorities and make decisions on the basis of available funding.<sup>129</sup> We also acknowledge that in allocating its available Lottery funding to each of the three funding streams it distributes (grants for one-off projects, grants for individuals and major capital grants for organisations) the Arts Council faces difficult choices and that cuts have been made all round.<sup>130</sup> Mr Tyndall assured us that it was very difficult to make a case for continuing with the capital programme at its previous level and that there were strong reasons for rebalancing the Arts Council's Lottery income to honour commitments to individuals and slightly in favour of one-off project funding, without which it was difficult to sustain new capital projects.<sup>131</sup>

### **The Arts Council is improving its post-completion project monitoring but its evaluation of project impacts is inadequate**

50. To safeguard its capital investment interests in the longer term the Arts Council monitors grant recipients' compliance with grant conditions after the completion of major capital projects.<sup>132</sup> This is done through a process of self-certification by the grant recipient on standardised capital audit report forms, completed annually, complemented by a cyclical programme of visits to the recipient organisations. The Auditor General's report noted that the capital audit forms did not explicitly require information about the ongoing financial standing of grant recipient organisations<sup>133</sup>; we endorse his recommendation that questions about the financial viability of recipients of high value and/or high risk capital grants should be incorporated in them.<sup>134</sup>
51. In 2004-05 and 2005-06, over 90 per cent of relevant organisations returned their capital audit forms as required, but the completion rate fell below 80 per cent in 2006-07.<sup>135</sup> We asked whether the Arts Council had managed to improve the subsequent performance of grant recipients in completing the forms.<sup>136</sup> Mr Tyndall told us that part of the issue with the forms was that the Arts Council might not have been asking the right questions; and that, as part of reviewing monitoring as a whole across the Arts Council, it had undertaken a pilot exercise to obtain a better

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<sup>128</sup> Annex A, paragraph 93

<sup>129</sup> Annex A, paragraph 94

<sup>130</sup> Annex A, paragraphs 94

<sup>131</sup> Annex A, paragraph 98

<sup>132</sup> AGW report, paragraph 2.50

<sup>133</sup> AGW report, paragraph 2.51

<sup>134</sup> AGW report, paragraph 24 ii c

<sup>135</sup> AGW report, paragraph 2.52

<sup>136</sup> Annex A, paragraph 140

level of meaningful information from grant recipients.<sup>137</sup> We were reassured to learn that there was not a significant problem with persistent non-compliance in returning the forms or with post-completion issues in general.<sup>138</sup>

52. We were also interested in the Arts Council's systems for assessing and evaluating its capital programme.<sup>139</sup> The Arts Council formally requires recipients of capital grants to complete a standard project evaluation document immediately on completion of their capital projects<sup>140</sup> and, in recent years, the vast majority of organisations receiving major capital grants completed and submitted their project completion reports in the specified time.<sup>141</sup> The Arts Council has also periodically reviewed its capital grants for certain types of project and types of organisation in efforts to improve the effectiveness of grant schemes.<sup>142</sup> However, only a limited amount of formal assessment of the impact of capital funding for arts and arts-related projects has been undertaken in Wales.<sup>143</sup> And while these reviews have been informative about individual projects, they are not part of any coherent, Wales-wide evaluation strategy or programme.<sup>144</sup>
53. The Auditor General's report recommended that the Arts Council should establish a programme for systematically assessing the medium term and longer term impacts of projects that have received capital grants, as a basis for the continuous improvement of its capital programme.<sup>145</sup> We wholly endorse this recommendation. Without such a programme of evaluation the Arts Council cannot be in a position to ensure that the objectives and priorities of its capital programme are the right ones, nor gain evidenced-based assurance that it has spent its money to good effect. The results of such a programme of evaluation would help the Arts Council and its client partners in a number of ways: identifying success factors in projects and partnerships; assessing the linkages between the arts and areas such as community regeneration, further and higher education, and the creative industries; and helping target scarce capital resources towards key future strategic objectives and priorities. We very much welcome Mr Tyndall's comments that there should be

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<sup>137</sup> Annex A, paragraph 141

<sup>138</sup> Annex A, paragraphs 143 & 144

<sup>139</sup> Annex A, paragraph 145

<sup>140</sup> AGW report, paragraph 2.48

<sup>141</sup> AGW report, paragraph 2.52

<sup>142</sup> AGW report, paragraphs 1.42 & 2.56

<sup>143</sup> AGW report, paragraph 2.55

<sup>144</sup> AGW report, paragraph 2.57

<sup>145</sup> AGW report, paragraph 24 iii b

more evaluation of outcomes and that an emphasis on evaluation is timely.<sup>146</sup> In our view, systematic evaluation of the outcome, impact and wider benefits of the Arts Council's capital investment in arts facilities across Wales is well overdue.

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<sup>146</sup> Annex A, paragraphs 112 & 149



# Annex A





**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Y Pwyllgor Archwilio  
The Audit Committee**

**Dydd Iau, 13 Mawrth 2008  
Thursday, 13 March 2008**

**Cynnwys**  
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Procedural Motion

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,  
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau Cynulliad yn bresennol**  
**Assembly Members in attendance**

|                  |  |
|------------------|--|
| Lorraine Barrett | Llafur<br>Labour   |
| Eleanor Burnham  | Democratiaid Rhyddfrydol Cymru<br>Welsh Liberal Democrats                          |
| Chris Franks     | Plaid Cymru<br>The Party of Wales  |
| Janice Gregory   | Llafur<br>Labour   |
| Lesley Griffiths | Llafur<br>Labour   |
| Bethan Jenkins   | Plaid Cymru<br>The Party of Wales  |
| Huw Lewis        | Llafur<br>Labour   |
| David Melding    | Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor)<br>Welsh Conservatives (Committee Chair) |
| Darren Millar    | Ceidwadwyr Cymreig<br>Welsh Conservatives  |

**Eraill yn bresennol**  
**Others in attendance**

|                     |   |
|---------------------|---|
| Jeremy Colman       | Archwilydd Cyffredinol Cymru, Swyddfa Archwilio Cymru<br>Auditor General for Wales, Wales Audit Office  |
| Dr Katherine Davies | Pennaeth Cyllido'r Celfyddydau, Cyngor Celfyddydau Cymru<br>Head of Arts Funding, Arts Council of Wales |
| Peter Tyndall       | Prif Weithredwr, Cyngor Celfyddydau Cymru<br>Chief Executive, Arts Council of Wales                     |

**Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol**  
**Assembly Parliamentary Service officials in attendance**

|                  |                               |
|------------------|-------------------------------|
| John Grimes      | Clerc<br>Clerk                |
| Abigail Phillips | Dirprwy Glerc<br>Deputy Clerk |

*Dechreuodd y cyfarfod am 1.32 p.m.*  
*The meeting began at 1.32 p.m.*

**Ymddiheuriadau a Dirprwyon**  
**Apologies and Substitutions**

[1] **David Melding:** Good afternoon. I call the meeting to order, and welcome you all to the Audit Committee. I am pleased to welcome Bethan Jenkins to her first meeting as a full member of the committee. I know that she seconded for Helen Mary at the last meeting, and we extend our thanks to Helen for her contribution to the Audit Committee in the past few months.

[2] We will be joined in the public gallery a little later by a delegation from the Lesotho parliament, which is here to look at how scrutiny is conducted. I spoke to them this morning

and I think that a few others have as well. We hope that they will find it useful to observe our proceedings.

[3] I will make the usual housekeeping announcements. These proceedings will be conducted in English and Welsh. When Welsh is spoken, the translation is available on channel 1, and channel 0 amplifies the sound of our proceedings, for anyone who is hard of hearing. Please switch off all electronic equipment completely—and that means not putting them in silent mode—as it interferes with our recording. We are not expecting a fire drill this afternoon, so, should the fire alarm sound, it will be for real, and you should follow the ushers' instructions to leave the building safely. We have received no apologies and, in fact, we are fully constituted this afternoon, which is splendid. We can now move on to the substantive part of our agenda.

1.33 p.m.

### **Cyngor Celfyddydau Cymru: Cefnogi Prosiectau Cyfalaf Mawr The Arts Council of Wales: Supporting Major Capital Projects**

[4] **David Melding:** This is a follow-on report to the Auditor General for Wales's 2001 investigation into the Arts Council of Wales's involvement in supporting the former Centre for Visual Arts in Cardiff, which closed in late 2000 after only 14 months of operation. The previous Audit Committee asked the auditor general to test the adequacy and effectiveness of the revised procedures that the arts council had introduced to improve its assessment and monitoring of major arts capital projects. The projects concerned are major projects to construct, extend and refurbish art facilities around Wales, which are funded from the income that the arts council receives from the lottery. In managing its capital programme, the arts council faces many challenges, which we will explore this afternoon in this session. The purpose of this session is therefore to examine whether the arts council is managing effectively the risks involved in supporting major arts projects.

[5] I welcome Mr Peter Tyndall to the meeting, who is the chief executive of the Arts Council of Wales, and Dr Katherine Davies, the council's head of arts funding. On the committee's behalf, I congratulate Mr Tyndall on his recent appointment to the post of Public Services Ombudsman for Wales, but we welcome him this afternoon in his capacity as chief executive of the arts council. Our witnesses are probably very experienced, but I should tell them that we have a set of questions to cover that various Members will ask during the course of this session, and we may follow them up as we think necessary—off-script, as it were.

[6] I will start off the proceedings, with a question for Mr Tyndall. What, in your personal experience, are the most significant challenges dealt with by the arts council in supporting the development of arts infrastructure in Wales over recent years, and what do you see as the most significant challenges for the future?

[7] **Mr Tyndall:** To serve Wales as a country—and I am sure that, as an Assembly, you have spent considerable time talking about issues of infrastructure and travel around Wales—it is not conceivable simply to create institutions in the capital and expect them to serve all the people of Wales. With limited resources, it is absolutely essential that we are strategic in channelling those resources to provide access to the arts to people the length and breadth of Wales, where possible. So, our investment stretch, as you will have seen from the report, goes from Galeri in Caernarfon to the Riverfront in Newport, from the Torch Theatre in Milford Haven, which is shortly due to reopen, to Newtown, and so on. The biggest challenge was defining the task and determining an approach that was achievable within the level of resources available. So, in that sense, the challenge was to try to establish a clear strategic purpose, and to deliver against that.

[8] The second challenge, inevitably, and probably the one most pointed to the Centre for Visual Arts is revenue funding, and the importance of ensuring that what you create can be sustained. We have sought to be rigorous in our process of determining the capital costings of projects, so ensuring that projects are delivered on time and within budget, but also in ensuring that they are capable of operating effectively once they have opened.

[9] The third challenge comes down to being on time and within budget. The report is clear that capital projects, by their nature, are risky. You cannot enter into a major capital programme without being aware of the large risks involved. It is how you manage those risks that ultimately determines how successful the outcome is likely to be. So, the approach has been to identify where risk lies and then to manage it.

[10] It is always easier to deliver a capital programme if you are developing projects that are for you, and are to be managed by you. If you are a local authority developing schools, for instance, you have a degree of control, because they are your projects, and you will be running them once they are open.

[11] With the arts council's capital programme, we have been working through a series of partnerships, and the challenge with partnerships, inevitably, is that there can be so many of them. We have partnerships around capital funding, partnerships around who will be delivering and managing the projects, and partnerships around revenue funding. It is much easier to manage the risk when you control every aspect of a project; when you have a complex project with many partnerships, it gives rise to considerable challenges.

1.40 p.m.

[12] There is a challenge to us about quality. We have consistently taken the view that simply delivering sheds in which people can experience the arts is not our job; as an arts council, the commitment to creativity and to artistic talent has to be reflected in the quality of the buildings that are delivered. Architecture is one of those contentious subjects, is it not? Not everyone will like every building, but they must be statements. For instance, somewhere like Galeri is a key contributor; it is a statement about quality, creative intent, and regenerating in a way that is based on creativity. We are not churning out identikit projects; they are appropriate to their location. There has been a challenge on the design front, namely to get a design of the quality that we want, and to manage that within the budget that is available. Good design does not have to be expensive, but you have to ensure that you get that balance right. That has been one of the challenges.

[13] So, those are some of the challenges in developing the programme. As for the challenges going forward, you will be very familiar with the principal one, namely the fact that the financial climate in which we now operate is very different from that when we embarked on the programme that features in this report. The funding available for capital schemes is now hugely reduced compared with what was available previously. The capital programme has had to be closed to new projects, because the projects that remain within the strategic programme will account for all of the resources available for the foreseeable future. Even then, we will be dependent on unlocking greater quantities of funding from other sources to make them happen.

[14] We are also in a different climate of budgets for revenue funding. There is no growth within our core revenue budget, and, consequently, issues around viability will become ever more pressing. To respond to that, it is fairly clear to us that there are several strategies that are fundamental to us. One is that we are working with larger institutional partners on almost all the remaining projects. For instance, we are working with Bangor University on Theatr Gwynedd, and the University of Glamorgan in respect of the Merthyr project. That is to ensure that the organisation that is dealing with a project has the capacity to run it in the

future, because, for a small, self-contained organisation, the revenue cost of running a theatre or an arts centre is huge, but it is more manageable in the context of a large institutional budget. So, that is one of the issues.

[15] We also see two other challenges going forward. First, there are gaps in provision that cannot currently be funded, and we are aware that we have a strategic view of certain elements that need to be provided for the future of Wales, to give the breadth of provision that the arts in Wales need, but which cannot currently be funded. Secondly, we have a worry about maintaining the built estate, given the restrictions on capital resources. Once buildings are in place, there will have to be more concentration on finding funding to maintain and improve them. So, we have been working to identify alternative sources of funding that can run alongside the remaining National Lottery funding, so that we can achieve those outcomes. Sorry if that answer was slightly long-winded.

[16] **David Melding:** It was a good introductory answer. We will go into detail on many of the points that you alluded to, but, if I may, I will just ask one follow-up question. Given where the arts council was around 2000 or 2001, and given the new challenges that are quite pressing, as you indicated, as you leave the arts council, do you believe that the structures are in place to manage those challenges effectively?

[17] **Mr Tyndall:** Yes, I do. This latest report reflects the fact that the new structures and processes were being put in place at around the time of the report into the Centre for Visual Arts. Those processes and structures have served us well, and are adequate—perhaps ‘adequate’ is unfair. It is easy for outgoing chief executives to take credit for other people’s work, and I shall be doing so—[*Laughter.*] However, to be absolutely fair to Kath and her colleagues, the quality of the team that they have built and the work that they have done have served the arts council very well, and provide a robust basis for the future.

[18] **Lorraine Barrett:** I am looking at paragraphs 1.5 to 1.8 in the auditor’s report, with regard to your strategic priorities being aligned with the strategic agenda of your main sponsor, the Assembly Government. Can you say something about how you have ensured that those priorities have been aligned over the years?

[19] **Mr Tyndall:** When the Welsh Assembly Government put its former culture strategy in place, ‘Creative Future: A Culture Strategy for Wales’, we put in place a strategy for the arts council, ‘Supporting Creativity: The Five Year Arts Development Strategy of The Arts Council of Wales’, which was designed to deliver on the key agendas within ‘Creative Future’. The capital strategy was formed from that strategic vision: a strategy designed to achieve the twin aims of showcasing excellence and serving people across Wales and providing opportunities for people to access and participate. So, it was a strategy that, in a sense, served well. As time has gone on, the strategy is certainly consistent with the current programme for Government, but there is not, as yet, a direct replacement for ‘Creative Future’ from the Government, so we work closely with the Minister and the sponsor division on the particular priorities that are emerging and ensure that there is a coherence. We include the capital planning within the operational plan, which is agreed each year by the Assembly Government, so, in that sense, there is a constant iteration and check.

[20] We have been directly asked to respond to the issue about the varying capacity of people in different parts of Wales to travel to and access the arts. The proposal for Merthyr Tydfil originally fell by the wayside because we were unable to achieve something that we felt would be fit for purpose and viable with the original project sponsors. In the final analysis, we and our partners in local government and elsewhere felt that it was not a proper proposition. However, we have worked hard as a development agency, as opposed to as a recipient of grant applications, to replace that and put a firm proposition on the table. That is an example of where Government has sent clear signals about its aspirations, and we have



sought to respond to that.

[21] In other respects, there is now an arts strategy board, which provides a forum to ensure that there is a clear overall shared strategic vision for the future of the arts in Wales. As we move forward, that will provide a greater degree of shape and direction for the work of the capital programme.

[22] **Lorraine Barrett:** I was going to ask you about the next five to 10 years, and obviously there will be the legacy that you will be leaving behind, and the foundations that you have built since you have been in post. You started to touch on the future, talking about the foundations that exist. How do you see the arts council's strategic objectives and priorities, particularly for capital investment, developing over the next five to 10 years?

[23] **Mr Tyndall:** There are real issues about the estate. Take, for example, the Sherman Theatre. We have a proposition to improve that building, which is typical of its era. It was built in the 1970s; it has flat roofs, worn out electrics, and all of those kinds of challenges. The same is true of Theatr Gwynedd. We have propositions for both of them, but we currently do not have a proposition for Theatr Clwyd, which is in better condition than both of the others, to be fair, but those issues will continue to arise in the foreseeable future. There is a point where we must accept that, yes, there are gaps and new things to be done, but we really need to attend to what we already have and ensure that that is brought up to the standards of the new.

1.50 p.m.

[24] I think that that is a challenge and I just cannot see any way around it. When you look at some of the issues—for example, somewhere like Theatr Gwynedd, or Merthyr Tydfil for that matter—you are looking at possibilities within European funding because they fall within the convergence programme. Frankly, I think that one of the other revolving elements was that what we sought to do, when we started off, was to think about building buildings for the arts, for people to be able to enjoy and access the arts, but, as time has gone on, that has changed. Places such as Galeri or Theatr Mwldan are about the arts and how they engage with higher education and the creative industries. It is about the overall regeneration of communities, with community arts, and developing the community over and above that; it is not just about enabling people within communities to enjoy the arts, but about the benefits that communities can derive from that. I think that as time goes on, those issues will become more pressing. I really think that what we did with Galeri in Caernarfon was to put something of quality into an area that was decrepit; it was a statement about commitment and belief, and about what people deserve and should be entitled to. I think that trying to do the same in convergence areas, such as Merthyr Tydfil, will be possible, but my worry is what will happen with those that are not in such areas, where there are no other obvious sources of funding. I think that that is a big challenge going forward.

[25] **Janice Gregory:** Peter, the steady progress that the arts council has made towards achieving its capital programme objectives are shown in paragraphs 1.9 to 1.11 and figures 1 and 2. You have mentioned Merthyr Tydfil and, of course, the other project that was of strategic importance for you was Wrexham. Both of those projects failed to materialise. Can you tell us what factors make the difference between a project that succeeds and a project that fails? You have mentioned Merthyr and I think that figures 1 and 2 go some way to explaining why that particular project was not taken forward with the trust.

[26] **Mr Tyndall:** I think that it is very complicated. It is important to say that the factors were not the same. The issue in Merthyr was really whether the vehicle for delivering the project had both the capacity and the financial capability to support a viable project, and the judgment, all around, was that it did not. Also, at the end of the day, I do not think that the

local authority had been persuaded by it and we would generally work in partnership with the local authority, so there were good reasons for that not happening. Wrexham was a different proposition because we were quite a long way down the track, but that was the result of a local decision about particular priorities. The council chose to prioritise capital spend in a particular way that meant that its contribution, which was fundamental to the scheme, was withdrawn.

[27] **Janice Gregory:** So, there were different factors in both cases.

[28] **Mr Tyndall:** Yes, there were different factors. In Merthyr, the gap remained entirely unplugged, therefore we have set about plugging it; in north-east Wales, we have been able to support other activity. It is not a complete replacement, but you have seen, for instance, the growth in the North East Wales Institute of Higher Education with the William Aston Hall, which has been refurbished and so on. So, Wrexham has that. It is also not a million miles from Theatr Clwyd and you have the investment that we made in Rhosllannerchrugog, so there is other provision available. Some of that other provision has been developed and we have also made revenue investment in some of the other provision to improve things. So, they are slightly different.

[29] It probably does highlight something else, which is one of the things that I think that the Stephens review said about the arts council and its importance. If you take something like the Centre for Visual Arts, when we started, although I would not say that the arts council was not involved in devising the proposal, essentially we were a lottery distributor—people wrote grant applications and we made decisions about their merit—probably the biggest difference now is that we have a strategic proposition, we know what we are trying to achieve, and we are much more proactive in trying to make projects happen. So, if the priority is a particular project we see ourselves as helping to identify project partners, working with them to develop the scheme and so on. Therefore, it is quite a different approach. However, if the project partner decides that it must spend the money on something else, it is beyond our control to do anything about it.

[30] **Janice Gregory:** Staying with the issue of identifying factors in projects that come to you, can you identify key success factors in advance when looking at projects to support? Would you assess some projects as inherently more risky than others? How do you manage the support that you would give to such projects? Would you dismiss them out of hand, or would you look at a way of supporting the project to its success?

[31] **Mr Tyndall:** From our perspective, managing the risk on the project is at the heart of our work. Fundamentally, we want to have confidence in the partners we work with; that is very much at the heart of it. We are actively involved in selecting the design teams and the consultants who carry out feasibility studies. Those are decisions that the partners must take and have ownership of, but we sit alongside them in making them to ensure both the quality of the advice they are relying on and that we are comfortable that the people with whom they are working can deliver for them. That is really important.

[32] There is a paradox here. It takes us quite a long time to reach a decision in the sense that the final go-ahead on a project and finally settling grant and design and so on take quite a long time. That is because we do a great deal of work; we like to ensure that, at the point the final decision is made, we have scrutinised things thoroughly and are confident that the decisions made are based on a sound footing. We know that, sometimes, our approach is a touch belt and braces, but, paradoxically, we have often been the first to get our money on the table. Doing things properly does not necessarily mean taking longer; you can be cavalier and still take a long time. We take a long time, but we do that in order to ensure that we are thoroughly across the detail. Kath can tell you more about that.

[33] **Dr Davies:** Following the detailed assessment process, once the project is on site and ready to go, we build up a team of professional advisers to support the client through the process. We would draw on a pool of quantity surveyors, project managers and architects, who work with the arts council's officers on a case-by-case basis. Some projects are easier than others, and you may need a visit once every four months; some may run into difficulties and you may need to take a very hands-on approach, visit monthly and stay in contact with the client, providing support daily.

[34] **David Melding:** I think that we have already covered question 4, so we will move on to question 5.

[35] **Bethan Jenkins:** I note from the report that specific funds have been made available for accessibility measures for disabled people in various locations. However, I note that the take-up has been quite low. The Committee on Equality of Opportunity has just completed a review of polling stations and accessibility. From that perspective, we learned that there are barriers to take-up. Therefore, what are you doing to encourage take-up?

[36] **Dr Davies:** We first undertook a survey of all the arts venues in Wales back in 2004, ahead of the Disability Discrimination Act 2005, to evaluate what needed to be done and what we could do to support organisations in achieving compliance. Following on from that, there was a specific budgetary allowance, and we wrote to eligible clients to encourage them to take up the grants on the table. Surprisingly, the response was quite disappointing.

2.00 p.m.

[37] Even though, on three separate occasions, we encouraged arts organisations to take that particular route, I think that we had concrete applications from only five. It is something that we continue to do and try to promote when we visit organisations. Also, if someone is making an application to look at provision within an auditorium, we will advise that they perhaps need to consider access in other areas of the building. However, it has been disappointing.

[38] **Bethan Jenkins:** Have you identified specific needs in the different areas?

[39] **Dr Davies:** Yes, very specific. An audit was carried out of every building—from the auditorium to nosings on staircases; it was very detailed. There was also an estimated project cost for each venue.

[40] **Bethan Jenkins:** Do you think that in the light of the Disability Discrimination Act 2005, encouraging them is enough, or should there be more rigid obligations on centres and auditoria alike to make these provisions?

[41] **Dr Davies:** It is difficult. When an organisation makes an application to us for any capital award for equipment, we would build that into an application. From the capital point of view, I do not know what else we can do.

[42] **Mr Tyndall:** All of the buildings that have been newly built or refurbished have been brought up to compliance standard. As Kath said, the leverage that we have depends on whether we are giving a grant. If we are giving a grant, we can add a condition to that grant of compliance, otherwise they are independent organisations. So, you can prompt and offer grants. Where we have leverage, we use it. However, I take your point that a further set of reminders would not go amiss. I think that most of our revenue-funded clients are in compliance, but we can certainly ensure that, in the annual review meeting that we undertake with each revenue client, where we know that they are not in compliance, we will raise it with them again and are suitably more persuasive in relation to the outcomes.

[43] I would like to mention one other thing that we have done. When people think about access, they automatically think about wheelchair access or access for people with physical disabilities. One of the things that we are especially proud of is work that we have been doing at our own behest to provide subtitling provision for cinema and audio description for cinema. Kath can say a little more about this, but we have provided equipment in Wales. So many people see cinema via their local arts centre because access to multiplexes is not realistic in much of rural Wales. We are a more significant cinema provider than, for example, Arts Council England, the Scottish Arts Council, or the Arts Council of Northern Ireland probably would be. So, we did that as a specific initiative.

[44] **Dr Davies:** The system was put into 10 participating venues throughout Wales, and a second phase will follow on from that.

[45] **Huw Lewis:** Thank you, Peter and Katherine, for your answers so far. Looking at things from the outside, it seems to me—although I might have got the timings wrong—that one of the great legacies from Peter's time at the arts council is the shift from its being a passive recipient of bids—a kind of refereeing role for the arts council—to being a proactive development agency for the arts in Wales. Could you first of all reassure us that there is no going back, because the former model was disastrous in terms of what it delivered, particularly for the more deprived communities in Wales; it just did not work for them. Secondly, being proactive obviously demands partnership working. Could you put your finger on the key characteristics of good partnership working? I do not mean in terms of people getting along swimmingly, because there is nothing wrong with a bit of creative tension. What is a good partnership that also delivers in your experience thus far? How can you spot one and foster it?

[46] **Mr Tyndall:** On the point about no rowing back, the best reassurance to offer is that the council has just finished a consultation across Wales on a new strategy for each of the art forms. Those, along with the revised capital strategy and the various cross-cutting strategies for arts and young people or for arts and economic development, will form part of the new corporate plan that is due to be published later this year, probably by the summer. So, there will be a restatement of the strategy, which will pick up at least the next three years, although, the horizon is to 2012, which is the point at which, hopefully, the lottery income will increase.

[47] So, that is an example of a systematic approach. In some ways, the tightness of the money gives you some of that assurance because when you need to do things, you have to ensure that strategies are in place otherwise you simply cannot control things. It is hard to tell people that it is not worth their while submitting an application. However, to manage things properly, you have to be able to give people clear directions and show them the road that is being travelled; you have to be able to tell them that unless their project fits clearly into that, then putting a lot of time and effort into preparing it is unlikely to lead to a successful outcome. So, in that sense, there will be a restatement of the strategic vision that will hopefully provide the framework against which decisions will be made, going forward. Flowing from that will be annual operational plans that set out the precise targets for that particular year. Clearly, the criteria for grants, not just within capital projects but all grants, will flow from the strategic priorities, so there is a structure in place and it is being reviewed. Kath and I were at a meeting with senior managers and colleagues from the council on developing that this morning. So, that is ongoing.

[48] On good partnership, the thing about the arts is that you want to be able to say things about institutions in terms of partnership and so on, but, at the end of the day, it is people with vision, competence and energy who make things happen. The best partnerships are driven by people who manage to combine a passion for what they are trying to achieve—a passion for their local community and for their art form, along with a broad competence. They are not

just people of vision; they are doers. Often, as you suggest, they do not necessarily make easy partners; the best partners are not necessarily the easiest ones.

[49] You can look at projects that have been successful, and, in some cases, the partnerships have been very strong and hugely amicable, but if you look at others that have been successful, it has often felt like a battle from beginning to end. However, you usually end up friends. That is one thing that you cannot get away from in the arts—you can tick every box in the world and follow every risk management strategy in the world, but if you do not have people with talent and vision, you cannot achieve anything of worth. However, you must also be able to identify that the people with whom you work either have the capacity to achieve that or that they are surrounded by such people. In some instances, you can look to individuals and say that within their organisation, they were the champions of a certain project and they carried it, but, in other instances, you would have to say that that person has brilliant artistic vision but you would not let them anywhere near an architect or quantity surveyor. We talk about it in arts organisations, and it is about three things: artistic and creative leadership; managerial competence; and governance. For example, they have to be organisations with a board that holds the management to account. When you get all three of those working properly, then you can say that these are people with whom you can do business.

2.10 p.m.

[50] **Huw Lewis:** That summary was very thought provoking and hit the nail on the head in many ways. What happens if things go wrong and partnerships falter? We always have to remember that the people who lose out when something goes wrong are the people who ultimately pay for all of this, and it is okay for all of us to sit on these partnerships and talk to each other, and have creative tension, or whatever it happens to be. There are communities out there who benefit or who do not. What happens if a partnership starts to falter? What is the backstop? Do we just let it run quietly into the sand, or is there a place for you as the chief executive to say, ‘This is going wrong; we need to fix this quickly if we are going to deliver for the community’?

[51] **Mr Tyndall:** Yes there is, and yes we do. Sometimes, you have to find replacement partners. In relation to the people with whom you are working, you sometimes have to recognise that things will not succeed and you need a different approach. Usually, you have to identify where there are problems and get beside people and work with them to help them to find a way through. Sometimes, you have to tell people that they need to work together and cannot stand alone, that they do not have the capacity as an organisation, or that their way is not the most effective way of doing things.

[52] To answer the question of whether I take a personal role, yes I do. If Kath or her colleagues have concerns, then whoever has the necessary skills or influence will bring those to bear. We work as a team. It is difficult, because, in the recent past, the problems with our partners have often been to do with the fact that those we work with have been overstretched and are struggling to manage; they are trying to do a day job and manage a major capital project. Therefore, for example, we habitually put project managers in. In the case of the Torch Theatre in Milford Haven, Peter Doran was not struggling, but we recognised that the capacity was not there for him to do everything on his own. So, as part of the project, we put someone in to work with him. As it turns out, through funding from the Assembly Government, we have been able to make that post permanent. So, you have the artistic director with a manager working alongside, and you get the balance. However, no two projects are the same, in that the challenges that you get are different. It is often a question of whether the people delivering a project have the capacity to make it work. If they do not, we look at what we need to do to give them that capacity.

[53] **Chris Franks:** I would like to look at paragraphs 1.23 and 1.24. Can you tell me a little about the relationship between the arts council and local authorities? My strongest connection is with the Vale of Glamorgan Council, but I am not particularly aware of many strong links with the arts council. Perhaps you can fill in a few gaps in my education.

[54] **Mr Tyndall:** At an all-Wales level, we meet three times a year with the chief officers for recreation and leisure—the people who lead on the arts within their local authorities—and the Welsh Local Government Association. So, there is a systematic process. One of the observations that they would make, as would we, is that their position within their local authorities has tended to become less significant over time. At the outset, many of those people would have been directors in district councils and would have sat on the chief executive's management board for the council. Increasingly, those posts have become less significant within authorities. So, it has changed. However, that contact is regular and systematic, and there is formal consultation. Things like the capital strategy, and other strategies, are discussed with them at that level, and we have an interchange. We also have the regional directorates of the arts council, and the regional offices have relations with the offices for their patch. They meet with them separately, but also with all of the cabinet members, and chief officers are entitled to sit on our regional committees. Take-up is varied; some never miss a meeting, while others come less often. Certainly, the structure is in place to enable take-up.

[55] With regard to funding decisions, we meet with each local authority if there are any changes to funding proposals. So, we actually meet collectively, but within the regions, all the authorities during the run-up to any major changes. We will hold meetings about specific topics.

[56] On the Vale specifically, I have recently met, on numerous occasions, members of the senior management team, the leader and the culture spokesperson. I would meet chief executives of local authorities when there are issues that are of particular interest. I have fairly regular contact with the culture spokespeople. We also invite them all to our annual conference, at which we try to hold a separate meeting with the Minister, the cabinet members for culture and the lead officers for culture.

[57] **Dr Davies:** With regard to the Vale of Glamorgan, we are currently working with officers to develop a major public art scheme for Barry. That is something that we have been doing in recent weeks.

[58] **Chris Franks:** I am pleased to hear that, because it partially answers my supplementary question. The town of Barry desperately needs—I have to be careful that I am not lobbying. [*Laughter.*]

[59] **David Melding:** We do not want to get into particular issues; just use it as an example.

[60] **Chris Franks:** I am delighted with the response, because places such as that town need more investment.

[61] **Mr Tyndall:** Curiously, my chairman says that, too.

[62] **Chris Franks:** Yes; he would.

[63] That was going to be the basis for my supplementary question, but I think that I will leave it there.

[64] **David Melding:** There is an issue, in a more restricted capital environment, of getting

more in at that level from councils. Is that on the agenda? Is it feasible?

[65] **Mr Tyndall:** We are working with local authorities, but their capital budgets are very constrained. They are mostly concerned with issues such as schools. Consequently, we think that the kind of partnership projects that we will have with them will likely be those where European funding is involved.

[66] **Irene James:** I would like to look at strategic co-operation with central funding partners. It seems that there is room for improvement for collaborative working. Basically, what is being done to improve working with central partners?

[67] **Mr Tyndall:** Yes—

[68] **Irene James:** You seem very thoughtful. [*Laughter.*]

[69] **Mr Tyndall:** No; it is just that we do not disagree at all with this being an important issue. It is often very confusing for clients to have a number of funding partners, each of which, properly, has its own funding aspirations. Sometimes, they feel that they are being asked for the same information in different ways, several times. It becomes very difficult for them to raise the bar. We have taken the lead on a number of capital projects, and we would endorse the recommendation that, where we are the major funder, we should be taking a lead. We have examples of working closely with other funders. We are particularly involved, for instance, with the Heads of the Valleys regeneration project and working jointly. We are looking at partnership.

[70] Some of the barriers, ultimately, will be difficult to overcome, because the compliance regimes in which various funders operate are different. On occasion, we need things that other people do not need, and vice versa. However, we have worked, wherever possible, with other partners, and we will certainly pay heed to the particular recommendation. Do you want to mention some examples, Kath?

2.20 p.m.

[71] **Dr Davies:** We perhaps need to work with partners to look at the nitty-gritty of how we manage projects and ensure that our requirements relate to each other, so that we take a little pressure off the poor applicant who is struggling with quite complex projects in many instances. So, perhaps we need to look at the detail of how we can make it easier for applicants.

[72] **Mr Tyndall:** When we have worked particularly with the Welsh Assembly Government in recent times on capital projects, we have been much more joined-up, and you will see evidence of that eventually. We have shared things like business plan assessments and the management of the monitoring of on-site works and so on. So there are ways in which we can do that and we will do it as much as we can.

[73] The bigger challenge is in working with the Welsh European Funding Office. The compliance requirement for European funding has been quite different to that for lottery funding and finding ways to square the two will be a challenge that both of us will need to face up to in the future. As I said, that is going to be the principal source of joint financing for projects, and we will be looking to work with WEFO on that.

[74] **Eleanor Burnham:** Yr oeddwn am drafod ychydig yn fwy yr heriau sy'n wynebu cyrff celfyddydol sydd yn edrych am arian mawr. Mae gennym ni i gyd bryderon **Eleanor Burnham:** I wanted to discuss the big challenges faced by arts organisations that are looking for large sums of money. We all have parochial concerns—I am concerned

plwyfol—yr wyf yn poeni'n fawr iawn am gyflwr pafiliwn Corwen, er enghraifft. Yr wyf yn dal i ddisgwyl am ateb i e-bost a anfonais tua phythefnos yn ôl at brif weithredwr Cyngor Sir Ddinbych ynglŷn â beth mae'r cyngor yn gallu ei wneud ac ynglŷn â'r sefyllfa ddiweddaraf, ac yr wyf yn edrych ymlaen at drafod hynny gyda chi. Gwn mai un enghraifft yn unig o fater datblygu cymunedol yw hyn a bod eisiau gwneud llawer mwy o waith tebyg mewn cymunedau bach difreintiedig. Mae gan Corwen y safle hwn ond mae mewn cyflwr ofnadwy ac mae'r gymuned am gael yr arian hwn. Yr wyf yn cydymdeimlo'n fawr gyda chi, gan mai dim ond hyn a hyn o arian sydd ar gael. Beth ydych yn ceisio ei wneud? Yr ydych wedi sôn am WEFO. Gwn fod her o safbwynt WEFO, fel y dywedasoch, ond, yn y pen draw, mae cymunedau fel Corwen, â'i phafiliwn hanesyddol, am gael tipyn o hwb. Mae Corwen yn edrych am tua £1,000—*peanuts* yw hynny i ddweud y gwir, ond mae'n bwysig i'r gymuned. Mae Corwen wedi bod yn aros am flynyddoedd—mae wedi cael addewidion ers tua 15 mlynedd. Felly, beth hoffech chi ei wneud i'w helpu?

about the condition of the pavilion in Corwen, for example. I am still awaiting a response to an e-mail that I sent about a fortnight ago to the chief executive of Denbighshire County Council to see what the council can do and to see what the latest position is, and I am looking forward to discussing this with you. I know that this is just one example of a community development issue and that a lot more of this work is needed in small, disadvantaged communities. Corwen has this site but it is in an awful condition and the community wants this funding. I sympathise very much with you, because there is only so much funding available. What are you trying to do? You have mentioned WEFO. I know that there is a challenge with WEFO, as you said, but, at the end of the day, communities such as Corwen, which has a historic pavilion, need a boost. Corwen is looking for about £1,000—that is peanuts really, but it is important to the community. Corwen has waited for years—promises have been made for about 15 years. Therefore, what would you like to do to help?

[75] **David Melding:** I would like us to remain with the general question about leveraging in other funds rather than discuss the specifics of a pavilion in whichever seaside town you might choose.

[76] **Eleanor Burnham:** My other questions had been used up.

[77] **David Melding:** Order. You have mentioned the European issue several times. What is going on to raise this as a possible source of funding among potential bidders out there?

[78] **Mr Tyndall:** The first thing that we have done is recognise that we need to have people who have the expertise and time to do the work, so we have created the post of business development manager, and that person is working on developing proposals for European funding, broadly within the strategy that we talked about earlier. That person will also, ultimately, work with trusts and foundations, because we are reasonably persuaded that, although many organisations in Wales are quite good at leveraging in funds, we do not get our fair share from trusts and foundations, and that small organisations simply do not have the time or the contacts to make that work for them. As Huw alluded to earlier, the civic capacity in some of our more deprived communities means that there are not the people there with the connections and the time to go and do that work, so we have a job to do.

[79] A situation where every community in Wales can have its own arts building is highly desirable. However, realistically, it is not attainable within the resources that are currently available. What we have tried to do is to look at how you get that, if there is not a dedicated arts building, or a community building that takes the arts. Separately to our capital programme, we have been running the Night Out scheme, which helps communities to bring the arts into their communities. In some ways, you can say that, if we cannot provide a building in every community, at least we can ensure that there are opportunities for people, of



themselves and with support, to create access to the arts. It is not just a question of you going to the arts, but of us ensuring that the arts come to you.

[80] I have sympathy with this point. There are many fine buildings around Wales that many colleagues around the table have spoken to me about at one stage or another, and it would be wonderful to be able to revive them all, and to provide them with enough resources, not just to be revived, but to be run. However, for the foreseeable future, I believe that it will be a smaller proportion that we are able to support.

[81] **Eleanor Burnham:** On partnership, the whole point that I was trying to tease out of you was that it should not, in my humble opinion, just be looked at as an artistic endeavour, but more of a community regeneration. I mentioned this particular pavilion, which is of historical consequence, because it has been let down on many occasions; the money has nearly been there, they have nearly grabbed it, and then it has gone, which is very frustrating. It is a collaborative partnership, is it not?

[82] **Mr Tyndall:** I accept the general point that, in the end, some of these local schemes will need to have local partnerships in order to make them succeed. There is that sense about how we prioritise investment in the arts. However, one of our concerns is that local authority expenditure on the arts is well down, and shrinking. Therefore, it is not just the difficulties that we face—there is a multiple impact happening.

[83] **Lesley Griffiths:** Paragraph 1.34 notes that you encourage applicants for major capital grants to contact similar organisations that have already gone through the process of applying and managing capital projects. I believe that it is a consistent view that arts organisations find the experience of managing and seeing a project through very challenging. What more can you do to facilitate shared learning between arts and other organisations on this matter?

[84] **Dr Davies:** It is a difficult experience, because the people responsible for managing these large, complex projects have day jobs as well, and we have to put the support mechanisms in place to help them. We have been able to encourage an informal mentoring system, but again, time is hugely precious, and it is difficult to put something in place that can give the consistent help that an organisation will need for the duration of the project. This is one of the recommendations that we need to take forward, to look at how we can improve and formalise that, and how we can have a more formal structure where people can get together and share experiences and offer advice, as well as the advice that they receive from arts council officers, because, as we gain experience, we are also better able to support. However, we need to take that forward.

[85] **David Melding:** We have covered a fair bit in this question, but do you want to tease anything else out, Lorraine?

2.30 p.m.

[86] **Lorraine Barrett:** Yes, I would like to tease out some more on the future capital programme. You have already said, Peter, that it is a case of looking after what we already have, improving on that, and refurbishing as and when it is possible, rather than building lots more that will all need the same financial commitment for years to come. Given that, in your spending plans, you are looking to spend £3 million a year on average on the capital programme, which is half of what the annual spend has been over the past eight years, what do you think are the implications of that reduction in funds for the capital programme? You have also said that you have now closed your capital programme to any new applicants, therefore, what impact do you think that will have on the arts across Wales?

[87] **Mr Tyndall:** There are three sets of impacts. There was a set of projects that we had hoped to fund, but we have had to go back to them and say, ‘Sorry, there is not going to be enough money’, so, some things have fallen out of the programme for the foreseeable future, and my suspicion is that some of them will never happen. We have talked about the second issue, namely the estate and the challenges of maintaining the quality of the existing estate. I will not labour that point again.

[88] Thirdly, it seems to me that there are some things that ought to happen. Ivor Davies, who is an important artist in the Welsh context, with a strong European reputation, had a retrospective of his work in Bratislava; it could not happen in Wales because there is not a gallery in Wales capable of taking on the exhibition. There is a distinction here, is there not? For example, if you go to Spain, there is a difference between the Museo Nacional del Prado and the Guggenheim Museum, if you go to Ireland, there is the National Gallery of Ireland and the Irish Museum of Modern Art, and it is a similar situation in Scotland. In Wales, we are not able to do justice to the collection, if truth be told, because too much of the national museum’s collection cannot be put on display because of the inadequacies of its space. Neither do we have a home for major exhibitions of contemporary art—the kind of thing that would be seen in Tate Modern or somewhere similar. There is nowhere in Wales where you can show that work. The work that we are doing with Oriel Mostyn in Llandudno will produce a fine home for work of a certain scale, similarly with Ruthin Craft Centre, which is due to reopen. However, for the foreseeable future, you cannot see how something will happen on the scale on which it should happen in Wales given its aspirations and creativity. That is a personal disappointment to me. There are geographical gaps in regional provision, but, in terms of national provision, there is a yawning gap. Another disappointment was the loss of the scheme at Margam for Ffotogallery, which was a complex scheme that had partnership funding. However, we are not in a position to say to Ffotogallery that we will fund an alternative. We are working with it, and we will work through it and find a successful outcome, but that is a straightforward consequence of financial restraint. There is no sophisticated or hidden reason for that; there just is not enough money.

[89] **Lorraine Barrett:** Do you think that there is an opportunity for some innovative thinking in the future and the use of other buildings that belong to other partners, whether they are local authorities, libraries or whatever? There are some beautiful buildings out there that could be used for a dual purpose, perhaps through sharing facilities. I do not know whether that might be possible, but I am throwing in that point as something that we could look at for the future.

[90] **Mr Tyndall:** The straightforward answer is ‘yes’. The multiple use of buildings, as happens in Galeri in Caernarfon, and as we expect in Merthyr, will be the way of the future, partly because if theatres are just theatres, they tend to be open for three or four hours at night, which does not provide a justifiable return on investment these days. You need something that serves the community 16 hours a day.

[91] **Darren Millar:** I was pleased to read about the support for Ruthin Craft Centre in the report—Ruthin is in my constituency and I welcome the investment in the arts there.

[92] **David Melding:** You are not going to dwell on that, are you? [*Laughter.*]

[93] **Darren Millar:** No, I will not dwell on it. In paragraph 2.3, the report mentioned the historic base of your expenditure, in that two thirds of it has gone into capital projects, with the rest going on revenue grants. How do you allocate the proportion of funds that you distribute between capital and revenue funding? On what basis do you do that?

[94] **Mr Tyndall:** It is a matter of balancing strategic priorities; the council makes that decision on the basis of the funding available, and it looks at the competing demands, with

advice, and makes a decision on that. For example, there are three strands within lottery funding—project funding, funding for individuals and capital funding. Despite the fact that the funding has been reduced, the council has made a decision to protect the levels of spend on individuals because it sees that the creativity of the individual artist is the seedcorn for the future and that you cannot afford to allow that to be lost, despite the constraints. The council has rebalanced the funding between capital and projects, but, to get a feel for it, lottery projects in the regions will have budgets of around a third of what they had three or four years ago. So, there has been a reduction all round, but the precise balance comes from looking at the strategic priorities. As I said, the council has made a particular commitment to individuals, but, otherwise, it took a view about the appropriate balance between projects and the capital programme in the regions concerned.

[95] **Darren Millar:** So, would it be fair to say that capital projects are being sacrificed as a result of the restriction on the funds available for you to distribute because of the reduction in lottery cash?

[96] **Mr Tyndall:** ‘Sacrificed’ is a more emotive word than I might have used.

[97] **Darren Millar:** But that is what is happening, is it not?

[98] **Mr Tyndall:** Project funding and capital funding are being sharply reduced, and the balance has probably gone more in favour of project funding. There is a further strategic underlying reason for that in the sense that if you cannot fund project activity, it is difficult to sustain new capital projects; without further revenue funding being available, it is very difficult to make a case for continuing with the capital programme at its previous level. So, there are strong strategic reasons for the balance and rebalance.

[99] **Darren Millar:** You made reference in your opening remarks to the fact that you would like to see the arts council being able to distribute alternative funding streams—other cash that you are permitted to distribute. What types of streams do you envisage?

[100] **Mr Tyndall:** We have talked a lot about European funding, and that is certainly a part of it, but we are also looking to identify trust and foundation funding where it might be appropriate for us to act as a channel for that—where it is trust and foundation money that has not come into Wales. The problem that we have in Wales in terms of private sector funding for the arts is that there are not many corporate headquarters here, so corporate giving in Wales will always be a fraction of what it is in the south-east of England, and it will not be proportionate because people do not spend their money here. If you take our Collectorplan scheme as an example, on which we worked with Principality building society, there is scope for more developments of that kind; I do not want to exaggerate the scope, but there is some scope for more developments of that kind. We are also looking to develop legacies and individual giving. We have received a number of small legacies, but encouraging people who have an interest in the arts to think of the arts in their will is another area of work that we are looking to develop.

[101] **Irene James:** Paragraphs 2.17 to 2.19 explain how the arts council assesses capacity within organisations applying for capital grants and the steps that the council takes to support capacity building and financial stability in arts organisations. How successful has your sustainable arts programme been?

2.40 p.m.

[102] **Mr Tyndall:** It has been very successful. In almost every example given in the report, we have worked to identify additional revenue funding for the organisations that we have worked with, including Ruthin Craft Centre, and Oriel Mostyn. However, we have also

worked with organisations to improve their management, to improve the training of their staff, to improve ticket sales—for theatres, and so on—and to improve marketing. We have worked with people to develop their capacity, and we think that that work has been particularly successful. The first example, which pre-dates our stabilisation programme, was our work with the Welsh National Opera, where we co-operated with Arts Council England on a sustainability and stabilisation programme. We have seen the Welsh National Opera move away from its traditional deficit and onto an even keel. So, we would look to that example, and to organisations such as the Torch Theatre, which we described to you, which have benefited from the programme and have done well from it. So, it has been successful.

[103] **Irene James:** So, you have undertaken a planned review of the sustainable arts programme, and you have learned from it, have you?

[104] **Mr Tyndall:** Yes, and it was reported back to our council. One thing that we learned is that we cannot afford to continue with it, sadly, but there we are.

[105] **Darren Millar:** One thing that you ask of applicants for major capital grants is a sensitivity or risk analysis of their project. The Auditor General for Wales picked up that there were inconsistencies in how they were carried out by applicants. How do you assess whether there is a significant risk or not, given that you have these inconsistent reports?

[106] **Dr Davies:** In our application guidelines, we request that organisations complete a sensitivity analysis. As is laid out in the report, there is a difference in interpretation of what is actually required. When the application is submitted, for every project in excess of £100,000, we appoint a professional business consultant to review the sensitivity analysis to see whether its premise is reasonable. The business consultant reports back and, on occasion, tells us that it was not adequate and needs to be done again more thoroughly. That is the process that we have used to date. However, we recognise the need to standardise the documents that applicants submit, so that there is a level playing field. That is another recommendation that we will take forward. We feel that the procedures that we have in place are sufficiently robust to identify major problems, but we accept that there is a need for greater standardisation.

[107] **Darren Millar:** How do you intend to implement that standardisation? Will it just be a matter of standard forms in the application process?

[108] **Dr Davies:** My team and I will look at the guidelines, and at the models that have been successful in the past, which have gained the approval of the business consultant. We are looking to learn from those successes and to work with clients to move towards those models, rather than accepting something that they might have devised themselves.

[109] **Bethan Jenkins:** You have already outlined the problems that you will have in initiating new capital projects. However, paragraphs 2.24 to 2.27 show that there is an interrelation and interdependency between the capital and revenue funding programmes in the plans that you already have in place. In light of that, how will you ensure that you get the best value for money in the round, given your interconnected capital and revenue financial support, from an investment in your client organisations?

[110] **Mr Tyndall:** Compared with some other lottery distributors, it is one of our strengths that we also distribute revenue funding on behalf of the Welsh Assembly Government, so we can take a holistic view of a project. We recognise that we are in a privileged position, having access to both funding streams. Our monitoring of the revenue side, and monitoring of the projects that we have funded, is very complete. Each year, with revenue funding, there is a meeting with the revenue client, there is detailed analysis of the client's activity during the year, and each client completes a survey giving details such as attendances, and so on—so we

are in a good position to analyse the data.

[111] No two projects are the same, so you cannot make crude comparisons. I have often said that one of the things that we sometimes do is fund people to have smaller audiences—as one local authority never failed to point out to me, if our grant went down, there would be more performances from Roy ‘Chubby’ Brown. So, I do not mean that we are funding smaller audiences, but we are funding quality, and therefore we assess the quality of what is being provided as well as the attendance, and we also look closely at finance, and so on.

[112] We have had discussions with colleagues in the Wales Audit Office about bringing all our monitoring arrangements into a single framework. Broadly speaking, we have both been content that all the elements are there, but it would work better if it was written up as a single framework, and treated as a single framework. There is also a case to be made for more evaluation of the outcomes—I think that that is an appropriate point to consider. What I will say is that, when you look at the performing arts centres that are funded with capital from the lottery, and then additional revenue funding from the arts outside Cardiff funding stream, we work very closely with those clients—not just through the capital programme, but once they have re-opened or opened, we work alongside them constantly. Therefore, we are very clear about what is being achieved, and if it is not meeting the standards that we or they would want, then we will work with them to improve things.

[113] **Chris Franks:** Thank you. I have a question in reference to paragraphs 2.29 to 2.32. Can you show that you now have sufficiently robust internal risk management processes in place? Do you think that the comments contained in these paragraphs are a fair reflection of your situation?

[114] **Mr Tyndall:** They are an accurate description, certainly. One of the things that we have done is to create an information and compliance manager, to ensure a greater degree of standardisation of risk management within the council. We have consistently improved our risk management, again with support from the Wales Audit Office, over a number of years. We have always risk-managed capital projects, but the question was whether that was all being captured in the corporate risk management system. That system has been changed to ensure that it is all captured going forward, and we now have a proper, regular, routine review of high-level risks across the council. However, it is that sense in which you must have ownership of risk; major risks will always have to sit with the council itself, and with the senior management team, and then you will have hierarchies of risk within that, being owned by a particular team. The capital team has always owned its own risk, but it is about ensuring that that is properly integrated into the overall systems and structures, and that is now happening, partly because we have clearly identified someone who is responsible for that—not responsible for managing the risks, but for ensuring that the systems are in place, and are operational, and that the people with ownership of the risks are reminded of their responsibilities.

[115] **Chris Franks:** I interpret what you are saying as meaning that each risk existed in a silo, and there was no corporate overview of the situation.

2.50 p.m.

[116] **Mr Tyndall:** The capital project risks would fit that description. They were not formally incorporated. As a senior management team, we would have discussed the individual projects, but what was not happening was that they were not incorporated into the formal risk-management structure across the council, and that is what we have changed.

[117] **Chris Franks:** So, it could have been a case where all the risks, if you added them together, could have become overwhelming. Was there a danger of that happening?

[118] **Mr Tyndall:** I do not think so. The risks were being managed in respect of each project. I suppose that the only way that—no, I do not think so, to be honest. That particular issue was about whether we were we keeping everything within a single structure or whether we were operating separate structures. I think that we would accept that we needed to maintain that overview within a single system and that is what we have set about doing. Another thing that is worth saying is that the restructuring also meant that the team that Kath heads up now has responsibility for all grant-giving across the council, so there is a much more integrated structure for the process of grant-giving. Decisions about project grants are still made within the regional teams, but decisions in terms of managing grants are now all made in the same place and that actually facilitates the integration of risk management.

[119] **Chris Franks:** Do you intend to adopt all of the suggestions in figure 5 on page 29?

[120] **Dr Davies:** If I am right, I think that that table refers to the specific risk registers that we hold for individual projects.

[121] **David Melding:** I think that what we are after is that you should have a more focused risk policy. Rather than something generic, you should have something focused that will really enable you to identify risk.

[122] **Mr Tyndall:** I hope that that is what we have introduced. We have responded positively to the report and have made changes since it was drafted, to actually change the way in which—

[123] **David Melding:** So, rather than just having certain trigger mechanisms if the grant is above a certain level, you now have a more qualitative approach.

[124] **Mr Tyndall:** Yes. Within our project grants, for example, we have set levels against which monitoring is triggered by the scale of the risk, rather than the size of the grant necessarily. However, obviously, if the grant is very big, you assume that there is a greater level of risk, just with the scale of it.

[125] **David Melding:** Yes, of course. I think that we can now move on.

[126] **Janice Gregory:** Peter, paragraphs 2.38 to 2.41 talk about ‘value engineering exercises’. I think that we all understand the issue of cost pressures and what you have to do to mitigate those. However, do you think that the subsequent cross-review exercises, or value-engineering exercises, would show that the original assessment of the project specification and cost was perhaps not as robust as it could have been? The one thing that struck me was that you insist on having these for certain projects, but not all projects. Do you think that there would be any value in undertaking such cost reviews of every project? I am not pre-empting your answer, but I would accept that that would be labour intensive.

[127] **Mr Tyndall:** One of the things that we have sought to do is to make sure that we finally set grant levels at the point where we have a reasonable degree of certainty about what the project costs will be. There may be changes in the construction market and other things may happen, such as the contractor going bust while on site, resulting in you having to bring somebody else in who costs more, so I do not think that this will ever be an entirely exact science. I think that what we have got quite good at is working with people to try to strike a balance between retaining the quality of the project and staying within the financial envelope. Sometimes that becomes more of an issue than at other times.

[128] There are things that can certainly fall within the risk envelope, but sometimes things go wrong that you simply cannot account for. The other classic problem is that you will not

know everything until you actually get on site, particularly with older buildings, where, once you start stripping away, you might find things you had not anticipated. So, you need to be thorough in your preparation, but you will not always get it exactly right.

[129] **Dr Davies:** Cost reviews are undertaken at every stage of the project. So, we take a cost review at RIBA stage C, a much more detailed cost review at stage D, and we have a look again at stage E. It is quite interesting that, where we have had to undertake the detailed value-engineering exercise, to which you were referring, it has tended to be post-tender, when we think that we have the safeguards in place but the tenders have come back in at a surprisingly high level. In those cases, we have had to work with the applicants to see how we can get the project costs back under control and what we need to do to reduce costs while maintaining the integrity of the project. If we had the ability to foresee those situations, we would bottle it and keep it.

[130] **Mr Tyndall:** I am pleased to say that I have had the opportunity on more than one occasion to say that projects have come in on time, and even under budget—usually by thruppence ha’penny on £10 million, but nonetheless under budget.

[131] **Eleanor Burnham:** Fel rhywun sydd wedi cael profiad o brosiect gartref, deallaf yr hyn yr ydych yn sôn amdano. O ran gwybodaeth ar fonitro prosiectau, a pharagraff 2.46 yn benodol, gan fod partneriaethau canolog yn awr yn ran o’r Llywodraeth—yn y gorffennol, cyrff cyhoeddus a noddwyd gan y Cynulliad oeddent—sut yr ydych yn symud ymlaen i symleiddio ffurflenni cais er mwyn lleihau’r baich gweinyddol ar gleientiaid? Sut ydych yn symud ymlaen o ran argymhellion penodol yr archwilydd cyffredinol o ran monitro prosiectau yn ystod y cyfnod adeiladu?

**Eleanor Burnham:** As someone with experience of a project at home, I know exactly what you are talking about. Regarding information on project monitoring, and paragraph 2.46 specifically, given that central partnerships are now part of Government—in the past, they were Assembly sponsored public bodies—how are you getting on with simplifying the application forms to reduce the administrative burden on clients? How are you progressing with the specific recommendations of the auditor general regarding monitoring projects during the building phase?

[132] **Dr Davies:** A ydych yn sôn am symleiddio’r gwaith papur pan fo’r cais yn cael ei wneud inni?

**Dr Davies:** Are you talking about simplifying paperwork when applications are made to us?

[133] **Eleanor Burnham:** Ydwyf, ac yr wyf hefyd yn sôn am y ffaith nad oes rhaid gwneud gwahanol mathau o geisiadau, gan fod pob corff canolog yn ran o’r Llywodraeth bellach. Yr oeddent yn wahanol gyrff o’r blaen, pan oeddent yn gyrff cyhoeddus a noddwyd gan y Cynulliad. Mae’r argymhellion yn dweud y dylech leihau’r baich yn awr, a chael un math o gais a ffurflen.

**Eleanor Burnham:** Yes, and to the fact that there is now no need to make different kinds of applications, because all central organisations are incorporated into Government now. They were separate bodies previously, when they were ASPBs. The recommendations state that you should now reduce the burden and have one kind of application and one form.

[134] **Mr Tyndall:** We touched upon this with European projects. A great deal depends on the compliance framework within which people operate. Therefore, with straightforward Welsh Assembly Government direct capital funding, that is entirely possible. There are not the same complications now that VisitWales and so on are within Government. There is great potential for simplifying the process. With European projects, we have found that the different compliance frameworks within which they operate means that they are asking for

things that we do not need and vice versa.

[135] Certain requirements are placed upon us as a result of audit. For example, we must be sure that we have secured the investment by way of a charge on the building; we secure future access, and we secure a return on the asset if, for any reason, it ceases to be used for the purposes for which the grant was given. Quite often, we find that we have to impose more stringent requirements than others, which has led to a difficulty in achieving this in practice. However, we must continue to work on this. As I say, I think that that should be much less of an issue with Welsh Assembly Government funding. I am still not persuaded that the very different compliance regimes for Europe and the lottery will allow for a complete coming together in a single application form. However, it is certainly one to explore, and there will be discussion with the Welsh European Funding Office.

3.00 p.m.

[136] Part of the issue at the moment, as you will know, is that the precise arrangements for accessing the new structural funds are not in place. So, on the question of whether our forms will be compatible with convergence application forms, no-one has seen a convergence application form yet. That is an opportunity, but it also means that I cannot give you a definitive answer.

[137] **Eleanor Burnham:** That is a little behind what you would expect. You would expect the convergence application forms to be available by now.

[138] **Mr Tyndall:** I could not really comment on that. I do not know how long the process of negotiating with the European Union, and so on, should take, but one suspects that it is quite a long time.

[139] **Eleanor Burnham:** How long is a piece of string?

[140] **Huw Lewis:** I have another question on paperwork. With regard to the monitoring by the arts council of the compliance of grant recipients with grant conditions, have you managed to improve the performance of grant recipients in completing their annual capital audit forms since 2006-07?

[141] **Dr Davies:** As Peter mentioned earlier, we have moved into a new unit and we are reviewing monitoring as a whole across the arts council. We are moving forward quite significantly on how we achieve from the applicant a better level of information that is meaningful. We started a pilot just before Christmas, the first cycle of which will come to an end in March. We will then review it. When we move forward, we will implement the findings from that pilot and seek to improve further. Part of the issue with the previous returns was that perhaps we were not asking the right questions.

[142] **Huw Lewis:** I wish that politicians could say that more often, particularly to journalists. [*Laughter.*]

[143] How does it look so far? Is there a significant amount of persistent non-compliance? Is it largely a comforting picture, or do we not know yet?

[144] **Dr Davies:** It is, largely. Since the report on the Centre for Visual Arts was produced, our assessment and monitoring procedures have been strengthened and, therefore, the post-completion problems related to projects that we have funded are of a lesser degree. In many instances, though not all, we have been able to anticipate with the applicant what those problems may be and work with them to resolve them. So, we have not faced issues where the original business plan was not deliverable in any sense. It is an iterative process, the business



plan will be changed, and an arts organisation may wish to focus on different areas of delivery. However, we have had no cases to date where the initial premise was not feasible in any sense.

[145] **David Melding:** I will ask the final question. It is about the capital funding programme as a whole. I would like to hear your views on how successful you think it has been during your term. How robust are the systems of assessment and evaluation, so that we can be confident that strategic objectives are being set?

[146] **Mr Tyndall:** We take a lot of pride in what has been achieved over the last few years. You can now see buildings of significance across Wales that have helped with the broader agendas around regeneration, have become hugely valued by their local communities, and have made a significant contribution. These include, for example, Aberystwyth Arts Centre, Galeri, and Oriel Davies Gallery in Newtown. The arts landscape in Wales has been transformed, and we take some pride in what is being achieved. The people who use and run those facilities also take considerable pride in them. For example, I know that we were a minority funder in relation to the Wales Millennium Centre, but in the case of the twenty-fifth anniversary of Diversions, you could see how people worked to develop an organisation and a building and how both came together to make significant step changes in terms of what is conceivable. Diversions was struggling to stage dances in the New Theatre, but it is now on the stage of the WMC.

[147] The other example was the opening of Galeri, which featured Bryn Terfel, Llio Williams and Catrin Finch. We are giving these people stages on which to perform. There is also the example of Penygraig, where you will see hundreds of young people from the Rhondda engaged in drama, dance and so on. If you look at what the investment has secured, we would say that it is delivering a return and will continue to deliver a significant return in the future. So, from that point of view, when we look back on it, we will see that it was money well spent.

[148] The systems are much more robust than they were in the early days of the lottery and this report reflects that. There was a sudden rise in funding and people were anxious to ensure that there was an impact and they were sometimes probably less aware of the risks. I think that people now have a much better understanding of the risks and a much clearer sense of purpose in terms of strategies.

[149] As I have said, a renewed emphasis on evaluation is probably timely, and that will be important. There are challenges in terms of ensuring that the revenue funding continues and in sustaining the quality of the buildings. For example, we have been able to use regeneration money to renew equipment in some of the theatres in the arts centres in the Heads of the Valleys. So, we recognise the problems, but this is also about getting out there and finding ways to solve them. That will be the measure for the future, but we are confident that we can do that.

[150] **David Melding:** On that optimistic note, our questions have come to an end, so I thank Mr Tyndall and Dr Davies, and I wish Peter well in his challenging new post. Thank you for giving evidence this afternoon.

### **Cynnig Trefniadol Procedural Motion**

[151] **David Melding:** I propose that

*the committee resolves to exclude the public from the remainder of the meeting in accordance*

*with Standing Order No. 10.37(vi).*

[152] I see that the committee is in agreement.

*Derbyniwyd y cynnig.*

*Motion carried.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 3.08 p.m.*

*The public part of the meeting ended at 3.08 p.m.*