



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

**Y Pwyllgor Archwilio
The Audit Committee**

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

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

Eraill yn bresennol
Others in attendance

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

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

John Grimes	Clerc Clerk
Abigail Phillips	Dirprwy Glerc 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.