

Response to the report of the National Assembly Audit Committee's report on:

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

Committee Report AC(3) 05-08 – July 2008

We welcome the findings of the Report and following discussions with the Arts Council of Wales, offer the following response to the five recommendations in the Report. Item (i) of the recommendations also asks the Arts Council of Wales to respond to the nine recommendations in the Auditor General's Report of the 31 January 2008, as part of the response to the Audit Committee's Report.

We propose to deal with those recommendations first.

- 1 To make more of its funding partnerships the Arts Council should establish strategic partnership agreements with key funding partners in the Assembly Government (WEFO and the new Department for the Economy and Transport), to improve mutual knowledge of respective programme priorities and programme management processes and facilitate operational co-operation on individual capital projects.**

Recommendation Accepted – the Arts Council will work, through the sponsor department in the Welsh Assembly Government, to establish more formalised partnership relationships with key funding partners in the Assembly Government on future capital projects. These formalised partnerships will be in the form of a Memorandum of Understanding and will be developed with key funding partners during 2008/09.

- 2 To make more of its funding partnerships the Arts Council should take a lead partner role on those major projects where it is the major funding provider, with endorsement from its Assembly Government sponsor department (the new Department for Rural Affairs and Heritage) and with the agreement of other key funding partners, to improve co-ordination between funding partners and reduce the administrative burden on grant applicants and recipients.**

Recommendation Accepted – as above, the Arts Council will work, through the sponsor department of the Welsh Assembly Government, to formalise working relationships with key funding partners on future capital projects. These formalised partnerships will be in the form of a Memorandum of Understanding and will be developed with key funding partners during 2008/09 and will seek to agree project leadership and reduce the administrative burden.

- 3 To make more of its funding partnerships the Arts Council should in relation to grant applications, systematically share information with major funding partners on applicant organisations and their project proposals, to improve operational efficiency and responsiveness to clients.**

Recommendation Accepted – the Arts Council already share information with

major funding partners on applicants and their projects proposals, however this is currently done on an informal basis. The Arts Council will formalise this process, as part of the development of the Memorandum of Understandings, to ensure that this occurs on a systematic basis.

- 4 **To make more of its funding partnerships the Arts Council should in relation to monitoring projects during construction, consult with its major funding partners and arts organisations about simplifying routine information requirements from grant recipients and synchronising reporting timetables, to reduce the administrative burden on grant recipients and improve the consistency and comparability of reported information.**

Recommendation Accepted – as above, the Arts Council will work with the Welsh Assembly Government sponsor department to formalise its relationships with key funding partners on future capital projects. These formalised partnerships will be in the form of a Memorandum of Understanding and will be developed with key funding partners during 2008/09. An element of the MOU will be to seek to simplify the grant process and remove unnecessary duplication.

ACW will also consult with other partner funders including the Heritage Lottery Fund and the Big Lottery, to work on simplifying information requirements and avoiding duplication.

In October 2006 the Arts Council undertook a comprehensive consultation process with a total of 85 organisations which had received capital awards during that year. A total of 51 responses were received. The consultation focussed on the assessment process and asked recipients to comment upon which areas were effective and which were less so. Organisations were also asked to make suggestions for improvement. The findings were reported to the ACW Capital Committee in December 2006, and were in the main very positive. Capital Guidelines and application forms were reviewed and amended accordingly in early 2007. A similar evaluation of monitoring during and post construction could be built into the comprehensive evaluation proposed in Point 9.

- 5 **To improve its risk management further, the Arts Council should in recognition that project risks could materialise early, have risk registers in place for each major capital grant award to cover the full life-cycle of the project, not just from the pre-tender stage.**

Recommendation Accepted – the Arts Council have already implemented this recommendation and now have risk registers in operation for the full life-cycle of each capital project.

- 6 **To improve its risk management further, the Arts Council should promote a standard sensitivity analysis methodology for grant applicants to undertake on key business case assumptions for high value and/or high risk projects, to demonstrate the vulnerability of their business plans and**

financial projections to uncertainties.

Recommendation Accepted – the Arts Council will work with grant applicants during 2008/09 to develop and implement a standard template sensitivity analysis for all grant applicants.

- 7 To improve its risk management further, the Arts Council should incorporate in annual capital audit forms, questions on the financial viability of recipients of high-value and/or high-risk capital grants.**

Recommendation Accepted – the Arts Council will incorporate the questions into the audit forms.

- 8 To capture and promote lessons learned for future improvement, the Arts Council should actively facilitate mentoring between grant applicants and recipients, to improve the transfer of knowledge and experience about applying for capital grants, managing capital projects and sustaining arts activity.**

Recommendation Accepted – the Arts Council recognises the importance of sharing experience and lessons learned between grant applicants. The Arts Council will continue to facilitate the sharing of information and best practice between applicants, and will work with grant recipients to actively encourage such information sharing.

ACW will encourage Capital Grant recipients to share their experience with others and incorporate this recommendation within its Capital Guidelines. Feedback from applicants at the post completion stage should be captured within the evaluation proposed below and ACW will incorporate findings and advice within Capital Project Guidelines.

- 9 To capture and promote lessons learned for future improvement, the Arts Council should establish a programme for systematically assessing the medium-term (three-five years) and longer-term (10+ years) impacts of projects that have received capital grants, as a basis for the continuous improvement of the Arts Council's capital programme.**

Recommendation Accepted – the Welsh Assembly Government and Arts Council of Wales accept the need to undertake a systematic evaluation of the medium-longer term impact of capital projects, in order to assist in the future strategic planning of the Arts Council's capital programme and the strategic planning of arts provision across Wales. This requirement will need to be planned into the 2009-2011 budgetary considerations for the funding of the Arts Council.

Referring back to the other recommendations in the Audit Committee's Report.

- 10 We recommend 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.**

Recommendation Accepted – the Arts Council of Wales has already implemented this recommendation by formalising their practice. They now require all applicants to submit comprehensive risk assessments of the project at RIBA Stage D. Additionally, external assessors are now required to comment specifically on risk. The Arts Council report currently contains a section on risk and this is being made more comprehensive and central to the process.

- 11 **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.**

Recommendation Accepted – the Welsh Assembly Government currently requires the Arts Council to investigate opportunities for European funding in their annual remit letter for 2008/09; and the Arts Council is currently working with a number of local authorities on funding proposals. The Welsh Assembly Government sponsor department and Arts Council will work together during 2008/09 to strengthen the partnerships with local authorities by developing regional partnerships, which could further take advantage of the opportunities for European funding and promote the contribution of the arts to community regeneration.

- 12 **We recommend that the Arts Council develops a strategy to support its client organisations' access to sources of private funding.**

Recommendation Accepted – the Welsh Assembly Government currently requires the Arts Council to investigate alternative funding models as part of their annual remit letter for 2008/09. An element of this work will involve the Arts Council examining how it can best support client organisations' in accessing sources of private funding. This work will result in a strategic document on the future funding model for the arts in Wales, and will include information on both public funding and supporting organisations to access sources of private funding.

- 13 **We recommend that, in determining the future strategic direction of its capital programme, the Arts Council takes full account of the impacts and benefits resulting from the capital projects it has invested in to date.**

Recommendation Accepted – As above, the Welsh Assembly Government and Arts Council of Wales accept the need to undertake a systematic evaluation of the medium-longer term impact of capital projects, in order to assist in the future strategic planning of the Arts Council's capital programme and the strategic planning of arts provision across Wales. This requirement will need to be planned into the 2009-2011 budgetary considerations for the funding of the Arts Council.