

National Assembly for Wales Audit Committee

The Centre for Visual Arts

Questions 184 – 368

Response from the Arts Council of Wales

[184] p.3 and p.4 Mr Edge

Mr Robert Edge was employed by the Arts Council of Wales as Senior Capital Projects Officer (South Wales) from 1996. He was responsible for overseeing large capital projects and was the project officer for the CVA from 1996 to 1998. He was later employed as Lottery Director from 1998 to 2001.

[189] p.5 Ms Weston

Appointment of Assessors

A Minute of the meeting of the fourth Lottery Advisory Board, 20th January 1995 confirms that Coopers and Lybrand were appointed to recruit external assessors. Recommendations were then made from a list of approximately 20 people. There is no further documentary evidence available to confirm how the assessment process developed from that point.

[191] p.6 Mr Jenkins

Local Government Reorganisation

ACW would concur with the views expressed regarding the effects of LGR. The uncertainties surrounding reorganisation certainly increased pressure on the stakeholders and project funders.

[193] p.6. Ms Weston. Error paragraph 2.33

The report states that a decision on the project "had to be made before April 1 1996" which was the case. The date of the actual decision taken, which was indeed March 1995, is correctly noted in both Figure 10 (p.14) and Appendix 3 (p.22).

[198] p.7 Mr Jenkins 1993 Policy Directions

The report contains on p.20 the Policy Directions issued to the Arts Council of Wales under section 26(i) of the National Lottery Act 1993. These are the current directions which ACW is working to and were

amended in 1998. The NAO report does not state that ACW was working to those directions included in the document at the time the decision on the CVA was taken.

It is worthy of note however, that sections A, B, C, D, H, J, K and M are common to both the 1993 and 1998 policy directions.

[218] p.10 Mr Jenkins Feasibility Study

Within the various responses from the Committee Witnesses regarding the feasibility study, there appears to be a tendency to distance the 1994 application from the feasibility study carried out in 1992. On p.10 Mr Jenkins states that the "comparator figures are 1991 figures, whereas we were doing this exercise in 1995", thus implying that the 1992 study had little or no bearing on the 1995 application. The application however, states quite clearly that the audience profile is taken directly from that feasibility study and the study was submitted in support of the application. Furthermore, the question of projected visitor figures was not raised in the ACW project officer report. Mr Jenkins comments on actual visitor figures for the National Museums and Galleries of Wales for 1993-94 but that research was not undertaken at the time to inform any decision made.

[229] p.13 Mr Jenkins

Marketing

A Communications Director was appointed to the CVA in December 1997 and in January 1998 the assessor noted that she had produced an 'outline and preliminary strategy for marketing'. The assessor also reported that 'a great deal of work remains to be achieved to develop the strategy in detail, particularly to add realism to the original targets' and this overall conclusion was that the Trust's ability to deliver the project was "currently fragile". Although Mr Jenkins states that "we did not ignore what the assessor had said" there is a singular lack of documentary evidence to show that the assessor's report was acted upon in any way. The document was circulated amongst the Senior Management Team of ACW and Lottery Division staff, yet no further action was taken despite the serious misgivings held by the assessor. There is also no evidence to show that the January 1998 report was forwarded to the applicant.

[234] p.14 Assessment of 1998 Application Ms Weston

The 1998 application was submitted in February 1998, shortly after the submission of the McCann Matthew Millman report, (which as noted above did not appear to have been acted upon). Ms Weston refers to a business plan prepared by Deloitte Touche, to which there is no reference by McCann Matthews Millman, and was not submitted in support of the application.

In the committee papers submitted with the application, the project officer clearly states "two grants have already been made and therefore there is bona-fide acceptance that criteria such as public benefit....

marketing, education and outreach etc have been satisfied".

Ms Weston states that ACW required further assurance regarding the business plan, but there is no evidence on file, and if such work was undertaken, it was not used to support the 1998 application.

[235] Jocelyn Davies

Visitor figures

The 1998 application states that "the total number of visits to the Gallery will grow from 252,025.....in the first year to 260,320 visits within 5 years". These figures were taken from the 1992 feasibility study.

[236] p.14 Ms Weston

Information from CVA

The files show that officers for both the Capital and Revenue aspects of the project faced immense difficulties in obtaining financial information. Indeed Ms Weston herself later refers to a number of occasions when ACW was threatening to withhold funding if the information from CVA was not forthcoming. [Q287 p.26]

[248] p.17 Mr Jenkins

Lead in times for exhibitions

Mr Jenkins comments in response to Alun Cairns' question as to why the centre was unable to deliver a Picasso exhibition, that such a venture would "need a two or three year lead-n-time". His statement is correct but he neglects to mention that it would be normal policy for a centre such as the CVA to plan its major exhibitions at least 2 years in advance. The director was appointed to the centre in 1995, four years prior to its opening. This period would have allowed ample time to programme a major 'blockbuster exhibition of the being discussed.

[257] p.19 Ms Weston

'Grassmarket in Edinburgh'

Should be 'Fruitmarket' which was included in the feasibility study.

[258] p.19-20 Mr Jenkins

Mr Jenkins states that the figures under discussion were not part of the first application. This is rather

misleading as the 1992 feasibility study was submitted in support of that application, and information included on the form itself is derived directly from the feasibility study. The applicant also submitted a copy of the original brief to the feasibility study. Mr Jenkins states that "we went on the information that was given by the Trust in the application" – that information was in fact drawn from the feasibility study, and this is stated by the applicant.

[269] p.22 Ms Weston

3 stage application process

Ms Weston states that the three stage application process was put into place in 1997 rather than 1999 as stated in the report. This is somewhat misleading. Of the 21 Lottery projects awarded in excess of £100K from 1997 to 1999 only two were subject to the three stage process. A total of 17 had not undergone either the feasibility or development stage. The remainder had either feasibility or development carried out. From 1999 however, every single project without exception underwent the three stage process. Furthermore, guidelines for design and development applications were not published until November 1999, and this document makes the first reference to an obligatory three stage process.

[275] p.23 Ms Weston

Ms Weston states that on "the third application we were getting close to the point where the centre was close to opening". The third grant was awarded in May 1998 whereas the Centre did not open until September 1999.

She stated that the Marketing Plan was assessed by the ACW marketing officer. There is however no evidence of this on file, and that officers assessment does not feature anywhere in the project officer report which made the recommendation for funding.

[287] p.26 Sir Richard Lloyd Jones

States that there is a fundamental conflict of interest between the ACW's Capital and Revenue funding streams. It should be the case that the thorough assessment and evaluation of Capital Lottery projects would ensure that subsequent revenue funding is not put at risk. The systems currently in place specify that only following a positive assessment of the business plan (which may or may not include ACW revenue funding) would a decision be made to release Capital funding. Both streams of funding should be complementary.

[288] p.27 Ms Weston

Ms Weston again states that "we moved quickly to the point where we did go through the three stage process" see note above. [Q269]

[295] p.28

Ms Weston states "The Arts Council does not appoint a project monitor to see it all the way through". This is incorrect; a monitor (and in some cases two) is appointed for every project in excess of £100K, soon after the grant has been awarded. The monitor works on that project until it is satisfactorily completed and will also undertake a post-completion evaluation study. In some cases, a monitor may also have been responsible for the assessment of the original application.

[310] p.31

Ms Weston states that "we quickly moved to the point where ACW carried out formal risk assessment". There were some procedural amendments i.e. project officers were requested to provide comments on the risk associated with each project. It was not however, until 1999 that the applicant was required to undertake risk analysis and assessment themselves.

[311] p.31 Ms Weston

99 year lease period

Ms Weston is correct in stating that charges are now being placed retrospectively on Lottery Funded Buildings. ACW also continues to insist on a minimum 25 year lease period. It should be noted that although the 99 year lease period offers a degree of comfort to the lessee it does not in any way protect ACW investment.

ACW now places a charge on every new project in excess of £100K and these terms are incorporated within the legal contract for those projects in excess of £500K.

[321] Assessment of third application

We have examined the ACW files following the committee, and can state categorically that there is no separate assessment of the 1998 application. The architect assessed the material aspects of the bid but there was no assessment of the business aspect of the application. This is confirmed by the project officer report which states that certain criteria did not need assessment because they had "been satisfied".

In reference to the McCann Matthews Millman – Ms Weston says that the assessment "was carried out 3 months earlier" i.e. the assessment was carried out prior to the receipt of the application.

The McCann Matthews Millman report was submitted on the 13/1/98, the application for funding was submitted on 17/1/98.

[342] p.36 Mr Edge

Mr Edge refers to "the thick agreements for all grants over £1million". Mr Edge was in fact responsible for introducing one single funding agreement – that for Wales Millennium Centre. There were no other funding agreements (legal contracts between ACW and the applicant organisation) until 1999. Those agreements are statutory for all applications in excess of £500K. The agreements put great emphasis on the applicant supplying regular information, and state quite clearly that ACW can withhold payment if the information is not forthcoming. They do not simply "elaborate" on the standard conditions.

[344] p.35 Ms Weston

ACW can confirm that CVA meetings were regularly attended by officers, either the Senior Visual Arts Officer or the Access Development Director.