

Howell Rees

Clerk to the Audit Committee

The National Assembly for Wales

Cardiff Bay

Cardiff CF99 1National Assembly

20 December 2001

Dear Mr Rees,

The Arts Council of Wales: Centre for the Visual Arts

You will remember at the Audit Committee session on 13 December Alun Cairns asked the witnesses to produce a note of errors in the Auditor General's report.

Please find attached my note that covers the points that I would have wanted to make had there been sufficient time at the hearing.

Please let me know if I can assist any further.

Yours sincerely,



Robert Edge

Comments on 12:24 the Auditor General for Wales' report "The Arts Council of

Wales: Centre for Visual Arts"

1	1.1	"contemporary and historical art"	Policy was contemporary art – defined as 20th Century art. This never changed.
2	1.5	All.	Accountability framework fails to mention the NAO's role in developing procedures and providing the statement of fitness.

3	1.5	"its Council manages it"	Incorrect. The relationship between governance and management has seemingly not been properly understood.
4	1.7	"The Arts Council. . . appoints an external project monitor on all projects in excess of £100,000.	Incorrect. This appears to be mixed up with the role of the assessor.
5	1.14	"how it managed the recovery of its funds and equipment"	While the Arts Council was a finder of the project, it only ever provided part funding. It is erroneous therefore to say "its equipment". ACW did not own any equipment at the CVA.
6	2.4	Policy Directions Appendix 1	The directions that have been appended were those issued following the 1998 National Lottery Act not those in force at the time of the application.
7	2.4	McCann Matthews Milman	Would be better described as arts marketing consultants.
8	2.7	"the 1992 study formed the basis for a number of key decisions throughout the project, including the forecast visitor numbers."	I was not aware that this had been the case. The decision was based on the information contained in the application submitted in January 1995. The 1992 study forecast 282,000 visitors.
9	2.10	The forecast number of ...visitors to the CVA was above the average for the comparators across the United Kingdom.	This is irrelevant and does not add to the argument.
10	2.12	Oriel Gallery	This is an unfair comparator. Oriel Gallery was tiny. It had one exhibition space that was no more than about 1000 sq. feet.
11	2.12	Old Library Building itself	This is also an unfair comparator. The condition of the Old Library before refurbishment was grim. Additionally the exhibitions referred to were put together on a very limited budget.
12	2.14	"because the nature of the visitor attraction changed fundamentally"	It did not. See 1.1 above.
13	2.15	"The research indicated that some seven per cent of the local	As stated above I do not believe that the 1992 study was relied upon.

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		<p>population attended galleries, significantly lower than the national average This conclusion of the feasibility study contrasts sharply with its projected visitor numbers for the Centre for Visual Arts being higher than the average of the comparator museums and galleries."</p>	<p>However, it is obvious that there should be a lower propensity to attend galleries in an area that does not contain many significant galleries.</p>
14	2.16	<p>"there was no explanation for these particular assumptions and no assessment set out in the report of the implications for the Centre for Visual Arts if these assumptions proved to be incorrect. The Arts Council of Wales did not press these points, or ensure there was a detailed marketing plan to underpin them."</p>	<p>This was a feasibility study. It contained the judgements of leading professionals in the UK at the time. Feasibility studies are essentially general indicators and do not contain detailed marketing plans. These come much later in the project development process.</p>
15	2.18	<p>Figure 9</p>	<p>This is misleading. The base figure should be the first Lottery application.</p>
16	2.19	<p>"The Arts Council of Wales did not identify these inconsistencies and did not challenge the Old Library Trust as to why their projected visitor numbers were falling."</p>	<p>This is not true. There is evidence on the files held in ACW that can prove otherwise.</p>
17	2.21	<p>"By the time the Centre opened to the public in 1999, the entry charges had risen to £3.50 full price and £2.50 concessionary.... .. Despite these various changes to the pricing structure, at no point was there any consideration of the potential impact these price increases might have on the projected visitor numbers as set out in the 1992 feasibility study report."</p>	<p>This is untrue. Each time the trust used a higher entrance price in their planning model, they reduced the forecast visitor numbers.</p>

18	2.22	All.	The programme did not change. See 1.1 above.
19	2.23	"a committee that assessed applications and made recommendations to Council on projects over £50,000."	In 1995 it made recommendations to Council on all Lottery applications.
20	2.25	All.	The report was copied to the Trust. They addressed these concerns.

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21	2.27	All	The report was copied to the Trust.
22	2.29	"However, little work had been carried out to attract private sponsor to back the project once it was open. The project was thus heavily dependent on visitor numbers to achieve its revenue targets."	Untrue. There was a reasonable mix of revenue sources (see Appendix 2 of report), which included considerable private sponsorship from the Colwinston Trust.
23	2.29	"The external assessor advised the Arts Council of Wales did not act."	The assessor's report was copied to the trust.
24	2.32	Figure 10	There is an error here. The first lottery application was made in January 1995.
25	3:3	All.	Monitoring also took place at the time of each claim on the grant. The nature, amount and detail of the claim provided valuable monitoring information, which could flag up actual or potential problems. Project Officers noted their concerns, if they had any, on every payment requisition form.
26	3.4	"The Council also appoints project monitors..."	This is incorrect. See 1.7 above.
27	3.5	"the Arts Council of Wales had a responsibility to ensure that lottery funds were used for the purpose intended, to assess and monitor the risks involved in the project and to ensure that the project was completed successfully and on time."	If I remember correctly, the financial directions did not say more than "to ensure that lottery funds were used for the purpose intended".

28	3.7	"The Arts Council of Wales did not assess the full extent of these risks and no contingency plan was developed "	There was no obligation on ACW to do either of these things. Risk assessments were brought in following government guidance c. 1998. Developing a contingency plan was a matter for the Trust.
29	3.8	"The Council has revised its procedures".	While this is technically correct, it is misleading. These procedures were revised in 1997.
30	3.10	The Arts Council of Wales has revised its guidelines to require that all recipients submit their claims for payment on a monthly basis.	Again this is misleading. In most construction projects grant architect's certificates trigger claims for drawdown of grant. These certificates are usually issued monthly. Contractors normally have to be paid within 14 days of issue of the certificate. Thus during the

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			construction process most payments were made on a monthly basis.
31	3.10	"The Arts Council of Wales has told us that it will in future withhold the monthly draw down of funds if it is not satisfied with the progress of the project."	Payments were withheld on a number of occasions during this project. There should be evidence of this on the files held at ACW.
32	3.11	"This meant that the Arts Council of Wales received financial statements too late to ensure that it had adequate time to act on any concerns."	As stated above ACW did act on its concerns and did, on occasion, withhold payments.
33	3.12	"Thus the Council's monitoring detected this change too late in the project to correct the design of the construction."	It was not ACW's role "to correct the design", if such a concept exists. The responsibility for the design rested with the Trust. ACW did however contact the trust to raise this issue immediately.

34	3.14	<p>"the project monitor raised serious doubts about the financial viability of the Centre"</p>	<p>I think it unlikely that the project monitor would make such a comment.</p> <p>Professionally he is an architect and was employed for his knowledge of construction projects not business plans.</p>
35	3.16	<p>"the Arts Council of Wales had no action plan in place to overcome the financial difficulties"</p>	<p>This was the role of the Trust. ACW did commission the Elford report to assist in this respect.</p>
36	3.17	<p>"However, the Arts Council of Wales have agreed not to invoke the clawback provision of the lottery award "</p>	<p>At this time the Accounting Officer of ACW was the Permanent Secretary of the National Assembly. The Trust had few assets that could be realised for clawback. Furthermore any such decision would have forced the Trust into insolvency and a liquidator would have been appointed. His fee would have needed to be met from the proceeds of asset sales and thus fewer, if any, of the assets would have been transferred to other arts organisations.</p>
<p>Robert Edge</p>			