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THE ARTS COUNCIL OF WALES: CENTRE FOR VISUAL ARTS

SUBMISSION BY EMYR JENKINS, FOLLOWING ASSEMBLY EVIDENCE SESSION 13 DEC 2001

This document lists the serious reservations I have with the above published Report.

Para 1.5

In 1995, when the initial decision to fund this project was taken, the sponsoring department was The Department of National Heritage.

Para 1.8

The Chairman of the Trust is currently President of the National Museum. He did not assume this post until late 1996, over two and a half years after leaving The Welsh Arts Council. This paragraph gives the impression that all three posts were held concurrently.

Para 2.4

Appendix 1 shows the Policy Directions issued under Section 26(1) of the National Lottery Act 1993 as amended by the National Lottery Act 1998. These Directions are different from the ones under which the first two capital grants were made to the CVA - in 1995 and 1997.

Para 2.7

The Auditor's Report, time and again, takes as its base point the 1992 feasibility study. This is misleading.

The feasibility study was a document prepared two years before the Trust was formed and two years before the National Lottery was established. It was followed by another preparatory document called The Next Steps in May 1993 which refined the original proposals and even these were further developed before the Trust submitted its first application for lottery funding in January 1995. Some aspects of the feasibility study survived this development process and some did not - as is to be expected of a document which was not prepared with a view to applying for National Lottery funds.

The correct base point as far as the ACW Lottery Unit is concerned is the Trust's initial application for lottery funding, in January 1995. It was at this point that the CVA plans were first subjected to rigorous assessment by ACW Lottery staff and all that had gone before was part of the development process leading to this stage. The 1992 feasibility study did not determine the forecast visitor numbers included in the first funding application. Whereas the feasibility study forecast the visitor numbers to be 282,000 in the first year, rising to 340,000 within ten years, the application presented to ACW forecast 252,025 visitors in the first year rising to 260,320 visits within five years.

Para 2.10

The comparator figures quoted here are taken from the 1992 feasibility study, i.e. they are 1991 figures and the Report shows the following totals for the National Museum of Wales.

Cathays Park St Fagans

Report 157,000 288,000

However, the latest available figures at the time the first application was being considered were:

1993/1994 244,337 408,043

These figures provide a much firmer comparison for forecasting a potential CVA audience of 250,000.

Para 2.11

It is correct that some of the comparators in the feasibility study had free admission, but the CVA first application did not replicate the potential audience figures of the study, and the two 1993/1994 comparators quoted above also had admission charges at the time the application was being considered.

As the Trusts first application states, the CVA had always been considered as part of a larger arts attraction in that it was intended to complement the city-centre arts provision - it was within a quarter mile of the Museum, within two hundred yards of Cardiff Castle and adjacent to St. David's Hall with its all-day activities which included art exhibitions.

In the light of the 1993/1994 comparator figures quoted above, the final sentence of this paragraph could well be true - but it supports the CVA figures, rather than undermines them..

Para 2.12

I would dispute strongly that the Oriel Gallery and the existing operation in the Old Library are 'comparable arts attractions'. Oriel was far too small to represent a meaningful comparator and the Old Library exhibitions were, on the whole, mounted voluntarily by the resident artists.

Para 2.15

Again, this paragraph is entirely concerned with the feasibility study, not the application form being considered for funding, e.g. it talks of the visitor figures reaching a 'plateau at a level some 20% above launch figures (i.e. 340,000)'. There is no mention of this figure in the Trust's application.

Para 2.18

The Trust's first application set the visitor numbers at 252,000 and, for reasons already explained, this is the figure which should be regarded as a base for future comparison, not the 282,000 quoted in the 1992 feasibility study. There is criticism that ACW did not consider the effect that reducing the visitor figures had on the business plan, but in 1992 no business plan had been considered for funding. Figure 9 should therefore be shown as:

First Lottery Application 252,000

Second Application 205,000 -19%

Third application 182,000 -28%

It follows from this that the first intimation that ACW would have had that visitor figures were falling was when the second application was being considered in 1997. The Report states that 'the projected visitor numbers in the business plan were reduced but without a corresponding adjustment in admissions income.' As shown below, this was not the case.

Para 2.19

Contrary to the Report's findings, ACW did indeed identify these changes and the Assessor's Report on the second application makes it clear that the Trust had already revised its business plan. It states as follows:

'The applicant's Business Plan has been prepared by Deloitte Touche in association with the Trust Director. While broadly based on assumptions carried within the original lottery application, the data have(sic) been thoroughly reviewed and, notably in the case of admission targets, revised with caution. The documentation contains comprehensive forecasts for profit and loss, balance sheet position and cash-flows.'

Para 2.21

Yet again, the Auditor's Report harks back to the 1992 feasibility study - except that it has now become a 'report'. This is an example of the lack of terminological rigour which causes difficulty later in the NAO Report.

There is a clear correlation between the fall in visitor forecast and the rise in admission charges - or, conversely, the impact of the rise in admission charges on the visitor forecast.

Paras 2.22 and 2.23

The Report claims that the use of the term 'contemporary visual art' in the first application represents a change of artistic policy which would have a detrimental effect on visitor numbers. It is correct that Mr Hugh Hudson Davies's letter of 19 April 1995 defines 'contemporary art' to mean the work of living artists, but ACW's offer letter to the Trust of 28 April 1995 makes it clear that the grant of £2 million was conditional on the acceptance by the Trust and the National Museum 'that the term 'contemporary art' includes art produced in the 20th century'.

The feasibility study mentioned Picasso (1881 - 1973), Matisse (1872 - 1944) and Mondrian (1869 – 1954), all of which are included in the above definition and it is difficult to discover the justification for the statement that 'the first lottery application moved away from this policy'. It did not and there was no reason to challenge the Trust.

The Report's description of ACW's Lottery Advisory Board as a committee that assessed applications and made recommendations to Council on projects over £50,000 is not correct. At the time of the CVA application, the LAB was scrutinizing every application for capital funds, not just those over £50,000. This is not an important point in itself, but illustrates once again the lack of attention to detail permeating this Report.

Para 2.24

This is another example of the lack of terminological rigour mentioned earlier. The Report claims that a 'Tourist and Citizen Information Centre area' was dropped from the final plans and lottery applications without a challenge from ACW. The brief given to AEA for the 1992 feasibility study mentions 'a citizen's information centre (dealing particularly with the arts and culture).'

The feasibility study itself proposes 'a tourist and citizen's information area' with 'its focus on cultural and historical orientation (interpreted in the widest possible way), rather than on provision of general information on holiday accommodation and transport.' No mention here of the 'centre' quoted in the Report.

The Next Steps document of May 1993 lists, among the contents of the scheme 'A foyer and information area (145 sq. m).'

The Trust's first application in 1995 lists among the project's main elements 'A Foyer and Information area (145 sq.m).'

This feature of the CVA was present throughout the design development and was a prominent feature of the building when it opened. The Report seems to consider this to be a Tourist Information Centre similar to those run by local authorities or by the Wales Tourist Board. This was never the intention and, when the CVA opened, this area of the CVA fulfilled the original intention. There was no omission, therefore no 'impact of this omission on visitor numbers'.

Para 2.25

The Report castigates ACW for not acting on the concerns of the external assessor regarding weaknesses in the CVA's marketing plans. These concerns were set out in the assessment of the first application in 1995. However, when assessing the 1997 application the external assessor wrote;

'Following observations in the previous assessment concerning weaknesses in planning for marketing, the applicant has acted swiftly and effectively to place marketing at the core of the project's management, including becoming a member of Cardiff Arts Marketing. An experienced arts manager has been employed as a consultant to address pre-opening and launch issues, including branding, naming and corporate identity; commission primary market research; and to begin to address longer-term marketing strategy. The analyses are

comprehensive, as is the proposed action programme.'

This observation shows clearly that the assessor's initial reservations on marketing had been communicated to the Trust and had been acted upon 'swiftly and effectively'. Indeed, all the external assessments were shown to the Trust and were the subject of a continuing dialogue.

Para 2.27

The external assessor did not state that the Trust was in need of more business expertise 'on its management team'. The assessor's words were;

'Regarding the Trust, it is acknowledged that some more business expertise would be helpful and, specifically, a person experienced in the management of visitor attractions.'

Clearly, the assessor had in mind here the appointment of another Trustee, not another employee. However the Trust was already very strong on general business experience at an extremely senior level, and contained several prominent experts in the arts world.

Para 2.29

It is difficult to see justification for this criticism and the external assessor's report in fact expresses quite the reverse opinion. The MDAM assessment of the second (1997) application contains the following paragraph:

'In broad terms, the expectation is that the Project will run at an annual loss which, at its peak in the first five years, will be some £250,000. This is stated before revenue funding from ACW of £200,000 per annum to 2002/2003. A private Trust has offered a guarantee against loss of £250,000 in total for the first three years of operation, with the possibility of further support thereafter. Hence, certainly for the opening years, the Project is financially secure, assuming that it meets its Targets for earned income and limits expenditure in line with forecasts.'

It would have been impossible for the Trust to attract private or commercial sponsors to a visual arts centre which was not yet open and which could not demonstrate a successful track record. The Report dismisses the charitable organization which was covering the first three years' deficit - but in 1997 that was the only way in which the CVA could establish a track record with which to attract further sponsorship. This strategy was noted by the external assessor in the assessment of the second application:

'sponsorship and trusts: the target here is £100,000 per annum from year 2 onwards.'

The 1997 estimates showed that the CVA was solvent for the first three years. The problem was that the estimated admission income did not materialize, not that private sponsorship was absent.

Para 2.31

This paragraph suggest that ACW has only `now' adopted a three-stage consideration of large capital projects. This three-stage procedure was adopted as far back as 1997 but it was too late to subject this project to that procedure. At the time this application was received, there was no guidance specifying to which RIBA stage the building plans needed to be developed.

Para 2.33

The decision to go ahead with the project had to be made before 1 April 1995, not 1 April 1996 as stated in the Report. If the project was to go ahead, Cardiff City Council had to include the capital commitment in its final budget, for the 1995/1996 financial year.

Para 2.36

This section repeats the misleading conclusions of the previous paragraphs.

Para 3.2

ACW did establish monitoring and evaluation systems to administer lottery capital grants. These were validated by the NAO and there is no suggestion in the Report that these procedures were not operated fully. It should be noted here that the NAO was also ACW's external auditor and none of the criticisms in this Report was expressed during this annual process.

Para 3.5

No formal risk assessment was required in 1995, in the early days of the National Lottery. Today, this seems to be an obvious omission. However, it is difficult to see what `contingency plan' could have been adopted apart from stopping the grant and aborting the project. To do this half-way through the development would have ensured that no lottery-funded project would ever again attract matching finding from any other source.

This is not to say that there was no contingency provision throughout the development. The N1MM assessment of the first application comments thus about the initial budget forecast;

`It incorporates a realistic element for contingencies. Cash-flow projections appear sound.'

And again;

`The applicant has subjected financial projections to a sensitivity analysis of 10% and expects to be able to reduce expenditure should this be required in the event of income streams failing, while remaining aware of the need to sustain a quality product. Overall,

sensitivity has been a major issue for the applicant, particularly during protracted negotiations with the local authority.'

In the event, a sensitivity analysis of 10% proved insufficient in the light of the actual visitor numbers, but, without the benefit of hindsight, it was deemed reasonable at the time.

Para 3.7

This is an extract from the Trust's first application form;

'The original Steering Group and subsequently the Trust have taken seriously the issue of realistic costing and planning from the outset. Financial contingencies are built in at every stage. These contingencies represent normal and prudent allowance (based on advice from the Architect and Quantity Surveyor) for alteration and refurbishment projects of this nature. A control system will be agreed with the Architects through the Quantity Surveyor to ensure satisfactory management of contingency monies. The Trust has no staffing contracts which leave it or the project exposed at any stage so no structural work will be undertaken until the funding is secure.'

Then, in answer to the question, 'What are your contingency plans in the event of substantial problems arising with this project?', the Trust replies;

'In addition to the above, a named Trustee (Michael Clarke) will take responsibility for project monitoring at Trustee level. The Trustees will appoint a professional in-house project manager once funding allows the project to go ahead and the Director has been appointed. Davis Langdon and Everest will, in addition to their role as Quantity Surveyors, be retained as cost and risk assessors and will report to the Trust at regular intervals.'

It is difficult to understand how this response justifies the Report's comment that the Trust 'did not answer this question but just provided the name of the Trustee that they planned to make responsible for project monitoring.'

Para 3.9

It is difficult to know when to commission a formal report from the project monitor if not when 'a specific problem arose or at appropriate work stages of the project.' There is correspondence on file, however, which confirms that the project monitor was in monthly contact with the ACW Grants Monitoring Officer.

Emyr Jenkins

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