

HK/MLW

4 June 2024

Committee Chair and Members
Culture, Communications, Welsh Language, Sport, and International Relations Committee
Welsh Parliament
Cardiff Bay
CARDIFF
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Dear Chair and Members of the Culture, Communications, Welsh Language, Sport, and International Relations Committee,

Thank you for your letter of 23 May 2024.

We are pleased to be able to provide further information regarding the Magazine Franchise Tender and we are answering your questions as follows:

When it comes to the appeals process for unsuccessful applicants (that is, following the tendering process in 2023), you noted that the appeals were heard by the Chair of the Magazine Panel and the Head of the Publishing Development Department. Could you confirm what role, if any, either of those persons had in the initial decision-making for awarding grants?

The complaints we received from *Planet* and *New Welsh Review* were reviewed by the Chair of the Magazine Panel (who is also Vice Chair of the independent English-language Subcommittee), and the Head of Publishing Development of the Books Council.

As a member of the English-language Subcommittee the Chair of the Magazine Panel has full voting rights with regards to awarding grants and tenders. He was part of the unanimous decisions reached by the full panel during the magazine franchise round. The entire process is coordinated by the Publishing Development Officer, who also provides the secretariat. Other members of Books Council staff attend meetings in observing roles and may answer questions by panel members but have no voting rights. In short, the Head of Publishing Development was present during all interviews but did not take part in the decision-making process.

When, and why, did the Books Council decide to retain a portion of money from the 2023 tender process? Why wasn't this funding (approx. £85,000 in 2024) distributed in 2023?

There was no decision as such to retain any money, but rather it was the end result of the process which took place over two days on the 9th and 10th of November 2023. A total of 9 franchise applications were evaluated against all relevant criteria; five applications did not meet these criteria and weren't funded at all, three were funded, but to a lesser extent than they applied for, and one was funded in full. Once these individual decisions were reached, and mindful of the stated purpose of the Magazine Franchise Grant, the panel then considered the funding that remained unallocated and the thematic gaps that remained in the portfolio. It concluded that a proposal for one new literary magazine would be the best way of fulfilling the

requirements of the grant, and the most effective use of public money. This, in turn, led to the current tender, which was advertised in March 2024. The tender is for a brand-new magazine with unsuccessful applicants from the previous round welcome to apply. However, none of the unsuccessful applicants decided to take up this new opportunity.

What evaluation process has the Books Council undertaken of its tendering processes over the past three years?

As a small organisation experiencing standstill funding for over a decade, resources are limited. Determined to keep administration costs to a minimum, we believe in an agile approach to evaluating our grant awarding processes which take place throughout the year. This means ongoing internal review of grant guidelines and terms and conditions, collecting feedback from participants and external experts, and asking subcommittees to review and discuss them regularly.

In our earlier letters to this committee, dated 20 December 2023 and 29 April 2024, we outlined the entire process undertaken during 2022 to review the funding procedure for magazines in advance of the next magazine tender period in Summer 2023.

This included independent external advice which informed the internal report we shared with this committee in April which included current funding models; the eligibility, criteria, and rationale for funding magazines; funding levels; working conditions at funded magazines; publishing formats; and readership accessibility. Also included in scope was to improve fair representation of diverse backgrounds and experiences at funded magazines, following the BCW's report on this area, and to make recommendations on how the BCW could better support the industry to make it fairer and more diverse.

The considerable hours spent on external review of all aspects of our process and subsequent discussions in both the Magazine Panel and full Subcommittee meant that the preparation for this tender round was robust. We are confident that our guidelines and process set out for this funding round were in line with the commitments we have made in our strategic plan and our obligations as a registered charity. All our processes acknowledge our fiduciary responsibilities as a funder who is dispensing Welsh Government grants; take account of the capacity and pressures of applicants with regarding to time and administration; and ensure that the language used is accessible and jargon free.

What effect have levels of Welsh Government funding in recent years had on the range and volume of services that the Books Council can fund?

In January of this year, we wrote to this Committee and several ministers to request support to avert, or at least reduce, the proposed cuts of 10.5% in 2024/25 alas to no avail. These cuts came on top of a decade of standstill funding during which time rising costs and severe inflationary pressures have exacerbated the very challenging financial situation. We laid out in detail the impact of those cuts both on the sector we support and on our organisation. Please find below some examples of the inevitable consequences of those cuts:

- A decade of standstill funding against rising cost and severe inflationary pressures meant that grants to the publishing sector have effectively been decreasing. These grants are currently at the level they were in 2004. Every effort has been made to sustain the numbers of books and magazines produced but that has not been possible and is becoming increasingly difficult as publishers are squeezed between cuts on the one hand and inflationary price increases on the other.
- Examples of these pressures were presented by the campaign to safeguard Welsh periodicals in an open letter to the Books Council, Creative Wales and the Welsh

Government Officers last summer. The letter emphasised that grant conditions and levels of grant funding the Books Council is able to provide had “...led to a race to the bottom in working conditions for magazine and website employees, and low contributor fees.”

It is inevitable, therefore, that publishing models will have to adapt and / or fewer titles will be supported from an ever-shrinking pot of money as we seek to support fair and sustainable business models and working conditions.

- As well as the pressures on English-language magazines, we will inevitably support fewer Welsh-language books and while the Welsh-language magazines were spared a cut in this financial year, thanks to a £100,000 one-off grant from Welsh-Government, a saving of 10.5% will have to be found for April 2025.
- This cut in Books Council funding happened against unprecedented increases in paper, print and postage costs, making already small margins shrink further. These increases are expected to continue throughout this financial year.
- The Books Council support a number of editorial and marketing posts at English-language publishers. The grants originally aimed to support 75% of salary costs. However, due to inflationary pressures and increased competition in the labour market this is now often closer to 30%. Compared to the rest of Europe, retail prices of books in the UK have been largely stagnant leading to an ever-decreasing profit margins. With challenging economic conditions and flat year-on-year sales, many publishers have been unable to retain staff they trained and invested in, or to recruit at the needed level of experience.
- Fair and open competition is an essential principle of awarding public sector grants. Maintaining a healthy balance between providing continued support to established publishers whilst giving opportunities for new entrants to flourish means increased competition. Coupled with the severe cost pressures the sector has been experiencing it inevitably leads to less money available to individual publishers, illustrators and authors.
- A core function of the Books Council of Wales is to fund the publishing industry in Wales on behalf of Welsh Government. We have a long-standing commitment to keeping administration costs as low as possible whilst also raising income via our self-funded Distribution Centre. The integrated nature of our organisation means that we can add extra value and make limited funding go further, or as is the case at the Distribution Centre, provide indirect subsidies to publishers by providing services which, on the open market, are typically charged for. Another strength of the organisation is that we are able to take a strategic overview, liaising with schools, libraries and readers to ascertain the needs of the market which do not necessarily align with the most profitable ventures. This means that we can utilise the grant for important strategic interventions such as the hugely successful learners’ series Amdani, which we developed in partnership with the National Centre for Learning Welsh.
- Over the past ten years BCW staff numbers have reduced from 50 to 36, and the most affected by redundancies were field-based sales representatives, schools’ officers and administrative staff. As a result, much larger areas are now covered by fewer people leading to less support and services for schools, libraries and booksellers; administrative tasks have either been reduced or automated which severely reduced capacity to absorb project administration.
- Added to the inevitable impact this has on the support we provide to the book sector in Wales, the jobs lost at the Books Council were Welsh speaking, fairly remunerated roles and based in rural Wales; at a workplace which invests in training and skills and has proactively supported several non-Welsh-speaking staff to become confident and able to conduct business through the medium of Welsh.

Notwithstanding the challenges we have outlined, we would like to acknowledge and express our thanks for a number of inspiring projects Welsh Government have supported in recent years, such Schools Love Reading, Iechyd Da (scheme to support children's health and well-being), Rhyngom, Reading Well, New Audiences Fund as well as emergency support during COVID and the cost-of-living crisis. All of this investment had a positive impact and was very much needed.

It does not however address the key issues our sector, like all creative industries, face. With long development and lead-in times, baseline security is necessary to plan and invest in projects, skills and new talent. By its very nature one-off annual project funding with quick turnaround times does not address these challenges in any meaningful way and, in this particular context, can only be described as a sticking plaster however welcome it is in other ways.

In fact, we would argue that it exasperates the situation by opening the door to much-needed new talent, yet we don't have the resources in place to provide them with ongoing support as well as continuing to support businesses providing core outputs. Inevitably this will lead to difficult decisions and disappointments as competition increases for the limited funds available.

Thank you for the opportunity to provide further information on this matter.

Yours sincerely,



HELGARD KRAUSE
Chief Executive