

Ken Skates AM
Deputy Minister for Culture, Sport and Tourism

27 January 2016

Dear Deputy Minister

Welsh Government draft budget proposals, 2016–17

Thank you for attending the Committee on 13 January 2016 to answer questions on the Welsh Government's draft budget proposals for 2016–17 specifically in relation to the Welsh language.

The Committee would like to draw your attention to the matters set out below, and looks forward to receiving your response, where appropriate, in due course.

1. Expenditure and prioritisation

Revenue budget within your portfolio is due to be reduced by a greater proportion than that for the Economy, Science and Transport portfolio within which it falls (5.8% in cash terms as compared to 4.1). During our discussions, you told us that there are a number of elements within your portfolio that are able to generate additional income, including Cadw, and that this would mean the overall net budget reduction would be broadly similar to that of EST.

Within your portfolio, there are a number of areas, including the arts, that receive funding from local government and, as we know, councils are themselves facing a 1.4% average reduction in funding in the draft budget. We discussed the arrangements in place between you and the Minister for Public Services to minimise the impact of local government cuts on areas within your portfolio, particularly spending on the arts. You confirmed that you have worked with the Minister on a number of projects, including the asset transfer toolkit, and that you



regularly meet with leisure officers to assess the impact of budget reductions on culture and leisure services.

We note the use of the “Fusion” programme as an initiative to tackle poverty by removing barriers to cultural participation. You agreed to provide an update on this programme, and we look forward to receiving this.

More generally, we welcome your announcement that you have appointed Baroness Randerson to lead a review of heritage services in Wales. We will follow the work of the task and finish group with interest, and would be glad to receive updates from you periodically.

The arts sector

This spending programme area faces a 4.7% cash terms reduction, within which the Arts Council of Wales’s revenue funding is also reduced by 4.7% in cash terms.

We were interested to hear that income generated by Revenue Funded Organisations (RFOs) has increased by more than 15% over the last two years, and that this compensates, to a degree, for the central funding reductions.

As the final budget agreement will not take place until March, we are concerned that RFOs in the sector have some time yet to wait until their funding allocations are confirmed by the Arts Council for Wales. This has obvious implications for their ability to plan ahead for the next financial year. We welcome your agreement to work with the ACW to provide provisional allocations to the RFOs in advance of the agreement of the budget, to enable this planning to begin at an earlier stage.

During the meeting, we discussed the review of Arts and Business Cymru, undertaken by ACW. We note that ACW reported on its findings in the summer of 2015, but that the contents of the report have not been made public for reasons of commercial sensitivity. You confirmed that, following that review, ACW is expected to produce a prospectus of development services that it wishes to see delivered, and that Arts and Business Cymru has been encouraged to bid for this work. We note that, on this basis, there is no allocation for Arts and Business Cymru in the draft budget.

Museums, archives and libraries

In the draft budget, revenue allocations for museums, archives and libraries has been reduced by 4.9%, cash terms, compared to the 2015–16 revised baseline.



Museums

We note that the Expert Panel appointed to review local museum services recommended the establishment of a transformation fund to facilitate the necessary changes in the museum sector in Wales, as well as the creation of three regional bodies to provide operational direction, management and support to locally delivered museums.

- i. When do you intend to publish your response to the expert review of local museum services?
- ii. Could you confirm whether the allocations for museums, archives and library services are intended to be used to take forward the recommendations from the expert review, particularly relating to a transformation fund, and the creation of three regional bodies to support local museums?

Libraries

In the draft budget, the Museums, Archives and Libraries capital budget has been reduced by 1.7% in cash terms. This area has previously supported the Communities Learning Libraries Programme which, you reported, has been very successful. We note your evidence that you wish to see the programme continue and have made provision for this in the draft budget, within the Museums, Archives and Libraries capital budget.

The historic and natural environment

In comparison with the 2015–16 baseline, combined capital and revenue funding for this Spending Programme Area will decrease by 7.4% in cash terms.

The capital budget for the historic and natural environment in 2016–17 is unchanged, meaning a real terms reduction of 1.7%. There is no indication in your paper about how you intend to use this budget.

- i. Could you set out how you intend the capital budget for the historical and natural environment to be used?
- ii. Given your previous comments that many owners of listed buildings do not have the necessary resources to maintain these properties, how will the allocations within your portfolio address this?



Cadw and the Royal Commission on Ancient and Historic Monuments in Wales

Revenue allocations for the historic environment (i.e. funding for Cadw and the Royal Commission on Ancient and Historical Buildings in Wales) have been reduced from the 2015–16 revised baseline of £14.7 million to £13.2 million, a reduction of 9.9% in cash terms.

In your evidence, you state that the reduction in Cadw’s revenue budget will be largely covered by projected increases to its income of around £800,000. Taking into account the completion of the Heritage Tourism Project, along with other work, the income target for Cadw for 2016–17 is £6.2 million which you told us would, if achieved, contain Cadw’s revenue budget reductions to 2.1% in cash terms. We note that you are confident about the income target being met, and that adjustments would need to be made in the event that it was not.

In relation to the 10.6% reduction (in cash terms) in the revenue budget for the Royal Commission on Ancient and Historic Monuments in Wales, we note your evidence that savings in the region of £100,000 in accommodation costs will be able to be made following the Commission’s co-location in the National Library building.

More generally, you told us about the work undertaken by organisations within your portfolio, including Cadw and the National Library, in relation to events, activities and exhibitions to draw in greater visitor numbers.

- iii. Has any assessment been made of how the additional income generated from major events in Wales can be used to alleviate the funding reductions in your portfolio?

Historic Environment (Wales) Bill

In your evidence, you stated that Cadw’s budget has been afforded a degree of protection to reflect the additional costs involved in delivering the Historic Environment (Wales) Bill, and that the balance of funding between Cadw and the Royal Commission will be reviewed “based on the precise costs of delivering the Bill”.

During our Stage One scrutiny of the Historic Environment Bill, a general concern was raised by witnesses that the existing financial challenges facing local authorities, and the heritage sector more generally, would be a barrier to the



effective implementation of the Bill's provisions. In your evidence, you confirmed that the costs of delivering the Bill would be "modest" and that most would be met by the Welsh Government by restructuring some of the funding programmes within the Cadw budget.

Media and publishing

We welcome your decision not to reduce the funding for the Welsh Books Council, as originally proposed in the Government's draft budget. You told us that the funding for the Council will come from the wider Economy, Science and Transport portfolio. Can you confirm:

- i. which part of the EST portfolio will be reduced in order to provide funding for the Welsh Books Council?
- ii. is your decision about funding for the Council indicative of your intentions for future budgets?

Separately, we note the allocation, in the current financial year, of an additional £184,000 in capital funding to the Welsh Books Council for the upgrade of its IT system and to enable essential work to be carried out to the distribution centre in Aberystwyth.

Sports and physical activity

Preventative spending

In your paper, you state that spending to increase physical fitness is "the most obvious example of preventative spend in my portfolio". You also note that there is a "clear evidence base" that substantiates the link between physical fitness and healthy life expectancy, and that there are "a huge number of activities that take place (...) where I work closely with the Minister for health". Further, the Strategic Integrated Impact Assessment discusses the importance of rebalancing the health system in Wales towards prevention. In light of these statements:

- i. why you have decided to reduce revenue allocations for sports and physical activity by 5.3% (cash terms), whilst the health and social care budget has increased?
- ii. what assessment have you made of the impact of these funding reductions?



- iii. what assessment has been made of the effectiveness of the various schemes/activities in place as a result of joint-working between you and the Minister for Health and Social Services?

Funding for sport and physical activity in Wales

The vast majority of the draft budget allocation for sports and physical activity goes to Sport Wales. However, as you acknowledged, this government funding is a relatively small part of the overall spending on sport and physical activity within Wales. During our meeting, you told us that "something in the region of £153 million a year is spent by local authorities on sport and leisure services." You also pointed to the "sizable increase in investment by some of the national governing bodies themselves in activities, especially within schools: for example, the Welsh Rugby Union's school-club hub programme".

We note your evidence that it is difficult to provide an exact figure for the total investment in sport and physical activity in Wales, but we believe that collecting data about the largest contributors would enable a fuller understanding of the total spend in this area.

- iv. Are there any arrangements in place to collect information about the financial investment provided by the largest contributors to sport and physical activity in Wales? If not, will you give consideration to putting these in place?
- v. More generally, what infrastructure is in place within Wales to provide support and assistance to smaller sports clubs and associations to aid their development? Does the Welsh Government have an overview of this?

Sports facilities capital local scheme

We note that this was a £5 million pilot scheme in the 2015–16 draft budget, and that it is your intention to carry out an evaluation of it. You also stated that your aim is to make it a recyclable loan scheme.

Can you confirm:

- vi. that you will publish the results of the evaluation of the capital loan scheme?



Yours sincerely

Chris Chapman

Christine Chapman AM

Chair

cc. Jocelyn Davies AM, Chair, Finance Committee

