

Ken Skates AM  
Cabinet Secretary for Economy and Infrastructure  
Welsh Government  
Tŷ Hywel  
Cardiff Bay  
CF99 1NA

16 November 2016

Dear Cabinet Secretary

### **Welsh Government Draft Budget 2017–18**

Thank you for attending the Culture, Welsh Language and Communication Committee's meeting on 2 November to discuss the Welsh Government's draft budget proposals 2017–18. You agreed to write to the Committee to provide some further information and there are also one or two areas where the Committee would be grateful for some further clarification.

#### *Cadw – Capital Programme*

You confirmed that there would be no reduction to the planned capital expenditure programme as a result of the cut in the capital budget and that income raised at Cadw sites would be used to secure that capital spending. You indicated that you would write setting out which Cadw sites would benefit from capital funded works over the next four years, confirming that there would be no fall in planned expenditure and, further, what additional work there will be at sites if yet more income is generated and allocated to capital expenditure by Cadw.

#### *Cadw – Income Generation*

It is not entirely clear what the impact will be on Cadw if it fails to meet its income generation target. The Committee would be grateful to know how any shortfall will be met if targets are not reached and for an assurance that any additional income generated by Cadw will be ring-fenced so that it is used to support



Cadw's work. In addition, the Committee would also be grateful for further information on:

- the extent to which additional income generated by Cadw in previous years was ring-fenced for use by Cadw;
- a breakdown of how Cadw's self-generated income was used in the current financial year; and
- the income target for 2017-18 as well as how it is planned this income should be used.

#### *Arts Council of Wales – Income Generation*

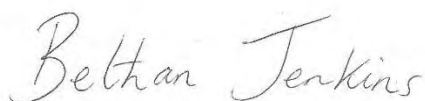
Like Cadw, it is not entirely clear what the impact will be on the Arts Council if it fails to meet its income generation target. The Committee would be grateful to know how any shortfall will be met if targets are not reached.

Committee Members were also somewhat sceptical as to whether the 'three thirds' funding model (i.e. funding is obtained from a third each of public funding, income generation and philanthropic sources) is realistic in the Welsh context because it has historically proved difficult to attract philanthropic funding to the same extent as in more affluent parts of the UK. The Committee would be grateful for your views on this and what plans there are for moving closer to such a model.

#### *Museums Expert Review*

Could you provide further details of progress towards a new museums strategy, and the extent to which budget allocations in this area may change depending on the shape this new strategy takes.

Yours sincerely



**Bethan Jenkins AM , Chair**



Ken Skates AC/AM  
Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith  
Cabinet Secretary for Economy and Infrastructure



Llywodraeth Cymru  
Welsh Government

Bethan Jenkins AM  
Chair  
Culture, Welsh Language and Communication Committee

29 November 2016

Dear Bethan,

I am writing in response to your letter dated 16 November requesting further information and clarification on some areas of the Culture 2017-18 Draft Budget following my attendance at the Culture, Welsh Language and Communications Committee meeting on 2 November.

The additional information requested is outlined in the attached annex.

Yours ever,  
Ken

**Ken Skates AC/AM**  
Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith  
Cabinet Secretary for Economy and Infrastructure

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

**ADDITIONAL INFORMATION**  
**CULTURE, WELSH LANGUAGE AND COMMUNICATIONS COMMITTEE**  
**2017-18 DRAFT BUDGET SCRUTINY**

**1. Cadw – Capital Programme**

The Cadw capital budget allocation reflects the planned and prioritised five-year programme of investment for the properties in our care which is being informed by systematic survey inspections of the condition of the monuments. As I outlined at the Committee, we have flexibility to look at our total budget across the cultural bodies. So where we generate additional income from Cadw sites, as we have been very successful in doing over the last couple of years, we can decide how best to utilise that additional resource. It is a matter of balancing our resource and capital requirements across the budgets for all our cultural bodies. Beyond this, I am also able to look at my resource and capital budgets across the whole of my portfolio, and make best use of any in-year flexibility to provide additional support where necessary.

**2. Cadw – Income Generation**

The Cadw allocation is informed by a detailed review of the financial requirements as part of the annual budget planning process and considered alongside the other priorities within my portfolio. The income generation target for 2017-18 is based on an assessment of its record commercial performance to date in 2016-17. As outlined above, if necessary, I am able to consider the total resource available across the cultural bodies and my wider portfolio in year against the budget requirement to support Cadw's planned activities. As in previous years, self-generated income in 2016/17 is being used to support the delivery of Cadw's objectives and planned in year activities such as the continued investment in marketing and events, customer service and general maintenance works. The provisional income target for 2017-18 is £6.7m (which represents 46.8% of the total Cadw resource allocation). This income will be used for the same purposes as in 2016-17.

**3. Arts Council of Wales – Income Generation**

In my Remit Letter to Arts Council of Wales (ACW) for 2016-17 I asked ACW to ensure that all of its revenue funded organisations are able to articulate a convincing approach to fundraising and income generation. I asked ACW to ensure that that all of these clients set three-year income growth targets, to start from April this year, as part of a wider strategy for leveraging in additional resources.

I will be asking the Arts Council to provide me with a year-end report on progress with this. It will need to include details of the targets that the revenue funded organisations have set, and their success in meeting them. Raising funds from other sources is not easy – there are skills and capacity issues to address so it will take time for the arts sector to improve in this area. However I am looking for ACW to be proactive, and to continue to help its clients to improve their performance.

The 'three thirds' funding model is ambitious, given the current funding context for the arts in Wales. However it is something we, and the Arts Council, are starting to address. Earlier this year my officials, in conjunction with ACW, organised a symposium that saw some of the biggest UK trusts and foundations come to Cardiff to engage with arts organisations, and to discuss ways in which the Welsh arts sector might succeed in attracting more funding. Organisations in attendance included the Colwinston Trust, Paul Hamlyn Foundation, Esmée Fairbairn Foundation and Scottish Power. I am keen for ACW to hold more such events, to support the sector to raise more from non-traditional sources, including sponsorship, trusts and foundations, philanthropy and crowd funding, and from greater commercial exploitation of each organisation's intellectual property. Some sources, such as philanthropy, are acknowledged to be challenging; however Wales does have significant numbers of 'high net worth' individuals, who could be a potential source of income for our arts sector.

I am also pressing ACW to provide more ambitious arrangements for providing arts organisations with tailored business development advice. This will include advice on governance, skills analysis, business planning, fundraising and the maximising of tax reliefs. ACW has also established a 'Resilience Programme' for its revenue clients. This is seen as a collaboration in which ACW and its portfolio clients work together to create better, more resilient organisations. ACW is confident it will secure some very positive outcomes.

#### **4. Museums Expert Review**

A focus group meeting was held with representatives of the museum sector in Wales in August, to discuss a new direction for museums in Wales. This valuable feedback will inform a draft strategy which I anticipate will be available from my initial review early 2017. The findings of the Expert Review of Local Museums Services will be a driving element together with the requirements of Working Together – our Programme for Government and the Well-being of Future Generations Act. The aim is to develop a way forward that will help build a resilient and sustainable sector, enabling museums to deliver excellent and efficient services to the public. Funding allocations will help to support this, building on work that is already under way following the Expert Review. This will be subject to future budget consideration.