

# Capital Strategy 2012-2017

Summary of the consultation and our response

February 2012



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## Summary of the consultation and our response

### Introduction

In June 2011 we published our draft Capital Strategy 2012-17. We are proposing to reopen our capital funding programme which has been closed to new projects since 2007.

Capital investment will form a key part of the Arts Council's strategic activity over the next five years and we are keen to ensure that our proposals are well considered and appropriate. The input of clients, stakeholders and key partners informs and influences the way we intend to approach our capital funding programme.

By the closure of the consultation period (31<sup>st</sup> August 2010) we received a total of 21 submissions which are listed in the appendix. They can be broken down as follows:

RFOs	9
Local Authorities	5
Other	7

We have looked carefully at all of the responses that we've received. They are diverse and thought provoking and we are grateful to all of those who took the time to respond to the document.

## 1. The Policy Framework

This part of the paper provided a brief overview of previous and proposed capital investment. It also identified four key working priorities which should underpin our strategy, namely:

- Supporting the creation of great art
- Encouraging more people to enjoy and take part in the arts
- Growing the arts economy
- Developing the effectiveness and efficiency of our business.

The section ended with the first consultation question:

### Consultation Questions:

1. From your knowledge or experience of our previous approach to Lottery Capital, do you think that there are aspects of that Programme that achieved particularly important outcomes?

The comments received were fairly consistent in tone. The majority of respondents agreed that previous Lottery Capital programmes had a significant and positive impact on the arts infrastructure in Wales and noticeably enhanced the cultural offer.

“I believe that the investment by ACW Lottery has transformed the national arts infrastructure into one that is world class and modern.”

“Several of the Circuit’s members are a testimony to the power of lottery funding, from the major refurbishments at Theatr Mwldan and Aberystwyth Arts Centre to Theatr Brycheiniog as the centrepiece of Brecon’s canalside regeneration programme.”

“The important impact of the investment has been the way that organisations have been enabled to grow economically and artistically...The Lottery Capital scheme has empowered the sector to conceive and achieve their ambitions.”

A number of respondents noted that it is important for the Arts Council to invest further in those early capital schemes in order to ensure that they remain sustainable:

“(we) welcome ACW’s commitment to invest Capital Lottery funds into existing facilities and venues and recognition of the ‘false economy’ that can result from allowing assets to be used at less than their own potential.”

**Our response:**

It’s encouraging to note that there is widespread consensus regarding the benefits and achievements of our earlier capital programme. The strength of these responses should not, however, allow us to become complacent or simply to replicate earlier approaches to funding because they were effective at the time. In the same way that recipients of lottery funding need to respond to artistic, social and economic change, so must we continuously evolve and adapt.

## 2. Achieving a joined up approach

This section focused on the need to ensure that capital funding enhances and complements other sources. In particular we note that *“...capital funding priorities are aligned with the outcome of the Investment Review and used to support the new portfolio of Revenue Funded Organisations.”*

**Consultation Questions:**

1. Do you think that there are specific actions we could be taking to ensure a more ‘joined up’ approach through our Capital strategy?

The nature of comments on section 2 clearly fall into two categories: those respondents who agree that the capital needs of our new portfolio of revenue funded organisations (RFOs) should be prioritised; and those who believe that equal weighting be given to all potential applicants regardless of funding status. With the exception of 3 respondents, the consultation has shown that there is a greater consensus of opinion that RFOs should take precedence:

“The use of funds to support Revenue Funded Organisations also feels a logical conclusion of the Investment Review process. ”

“We appreciate the rationale behind your decision to put the new portfolio...at the heart of the Art Council’s Investment Review... In our view

it is right to focus the limited capital funding available on the core portfolio...”

And those who are less persuaded of the merits of this approach:

“...The Trust considers that to achieve a truly ‘joined up coherent approach’ across Wales applications from non-RFO organisations should be considered on their merits when there is an appropriate cause for doing so.”

“I would prefer to see applications measured against their fit with ACW’s basic principles and arts priorities rather than an assumed priority approach benefitting RFO clients.”

**Our response:**

It is clear that the general consensus is one of support for our proposals. We feel that it’s right that we should seek to ensure, through targeted capital investment, that the full value of our revenue funding to key organisations is maximised. But we must also be mindful that we should not present a ‘closed shop’ approach. The final document should re-affirm the proposed approach to those projects that are not Arts Council RFOs – *“where a project provides a strong and persuasive case for support, we should be prepared to consider it on the basis of its strategic merits.”*

A number of respondents elected to focus on the suggestion that an audit of capital needs would be instrumental in achieving the desired joined up approach:

“A comprehensive national audit of RFOs’ capital needs, informed by strategic dialogue with each sector would inform a thoroughly joined up approach.”

“...the Investment Review gave ACW an unprecedented opportunity to take a detailed look at some of the key issues and themes...A good deal of this information could be used to form the starting point for a needs audit of capital costs.”

Others favoured a much broader approach:

“...the Trust would support a national audit of the condition and ongoing Capital needs of facilities...as a basis for the formation of a national investment plan. We would want to see this extended to all theatre and spaces used for the performing arts.”

#### **Our Response:**

These are well-made constructive points and we will give further consideration to how this might be achieved in a pragmatic and cost-effective fashion. A more wide-ranging audit of capital needs would give us a clearer indication of the level of potential demand, and help us identify the common areas requiring investment. We must, however, be realistic as to the sources available to us and apply these within agreed priority areas.

### **3. Making capital investment work harder**

This section noted the proposed levels of capital investment over the next five years. It also emphasised the need to work with other agencies to maximise the impact of funding.

A key issue for discussion was the requirement to ensure that revenue assumptions related to capital projects should be rigorously tested. Local Authorities have a key role to play in safeguarding sustainability.

Only a limited number of comments relate to this section. No observations were made on the potential capital fund available for distribution. There was, however, widespread agreement on the need to test revenue projections:

“We strongly agree that the revenue consequences of capital investment need to be accurately and realistically identified, and that the means to achieve such revenue...are equally realistically established.”

One respondent encouraged “timely communication with local authorities on the impact of capital investment on assumptions concerning on-going revenue and maintenance costs,” whilst another wished the Arts Council to consider the

possibility of enforcing a “fixed revenue tie in with relevant partner funders for a minimum of five years.”

**Our response:**

These comments strongly reflect the lessons learned over the last 10 or so years of lottery capital investment. Gone is the over optimistic “build it and they’ll come” approach to business planning. Respondents clearly demonstrate awareness that realistic plans and prudent assumptions are vital for success. They also encourage the Arts Council to take a lead role in brokering appropriate funding arrangements.

This is something we will continue to pursue in our rigorous evaluation of business plans. It would be difficult for us to enforce a ‘fixed revenue tie in’. Neither would we want to find ourselves in a position where we would be ‘in dispute’ with a funding partner. Nevertheless, we feel that there might be merit in using our formal grant agreements in a more binding way to ensure that completed capital projects have sufficient funds in place, from the relevant range of partners, to function to full capacity.

## 4. Capital Scheme Priorities

The draft strategy identifies a total of 7 possible funding priorities:

1. Developing the arts infrastructure
2. Completing the national arts infrastructure
3. Maintaining the standard of the infrastructure
4. Improving the viability and sustainability of key arts organisations
5. Regeneration and creative industries
6. Equipping the arts to thrive
7. Encouraging exemplary public arts projects

**Consultation Questions:**

2. Do you feel that the priorities identified are appropriate?
3. Should other priorities be added to the current list?



The majority of respondents agreed broadly with the priorities identified:

“I feel the priorities identified are comprehensive, sensible and appropriate. With limited resources there have to be priorities, and we have to be realistic about what can be achieved.”

Whilst this view was shared by the majority, some respondents re-emphasised their concerns that the prioritisation of RFOs could result in a two tier system.

“Yes I think the priorities ACW has identified are correct. However I remain concerned that the stated intention of prioritising RFO clients runs the risk of perhaps allowing more lights to go out across Wales than is necessary and would ultimately be to the detriment of the arts economy.”

Unsurprisingly, the specific priorities identified generated more discussion than any other area of the draft strategy and the strength of the responses will provide a clear steer as we move forward with implementation.

#### **4.1 Developing the arts infrastructure**

Ongoing development of the arts infrastructure received near unanimous support. This was variously described as pragmatic, sensible and appropriate. Some respondents also noted the link between the positive impact capital spend can have on revenue budgets.

Exceptions to this widespread agreement again centred around the focus on RFO clients.

#### **4.2 Completing the national arts infrastructure**

Completing the national infrastructure in Wales elicited a greater range of opinion.

Some respondents firmly welcomed the potential developments at Theatr Clwyd and the Heads of the Valleys. Others were concerned that ambitious schemes of this nature could have a detrimental effect on more modest refurbishment / renewal projects by absorbing a disproportionate amount of the available budget:

“We share the priorities identified and agree that this is not the time to embark on major new building projects except those previously identified as key areas of need. It would be helpful for some indication of the scale of the theatre or arts centre or other building...there is considerable concern...that one or two flagship projects could swallow up all the available funding at the expense of other priorities.”

**Our response:**

It is proposed that the Capital Programme will be allocated a sum of funding over a 5 year period. Council has yet to agree what that level of funding will be. But if, for example, Council agrees a nominal annual allocation of £5m, this would amount to £25m up to April 2017. This would allow us to adopt a more planned approach to assembling a ‘portfolio’ of projects. In effect we would have greater flexibility to plan for the financing of a small number of larger scale projects whilst ensuring that we also have a reasonable level of funding to support more modest capital schemes. A five year programme would mean that we can plan our expenditure more effectively.

Others noted that there may be “new gaps” emerging in the national infrastructure:

“You refer to two areas (Wrexham and the Heads of the Valleys) that at present have particular needs or lack resources. We also want to draw your attention to South Gwynedd (especially now Theatr Harlech has been dropped from the Portfolio) as a similar area and one where it is hard to reach audiences. With its high number of Welsh speakers, this area is important to our strategy.”

One respondent bewailed the postponement of plans relating to the creation of a national gallery for contemporary visual arts, noting,

“Cardiff lacks a local gallery or museum offering high quality contemporary visual art exhibitions on a regular basis...The city, to make a European comparison, lacks a major...space on a par with the Kunstmuseum or Staatgalerie in Stuttgart or Musee de Beaux Artes in Nantes.”

**Our response:**

We will continue to monitor access to the arts across Wales to ensure that any significant, or emerging, gaps do not go unnoticed.

Whilst we recognise the need for a national gallery for contemporary art, the funds available to us simply are not sufficient for a project of this scale. The feasibility study completed over three years ago indicated that a new gallery could cost somewhere in the region of £25m+ and would also require a significant revenue contribution. A contemporary gallery could potentially take up all of the available capital funding over the 5 year period.

There was widespread agreement for the initiative to create 'Dance Hubs' at venues, with a number of respondents expressing a wish to progress this without delay.

**Our response:**

Encouraging the development of high quality dance activity is one of our key priorities. One of the ways of encouraging this is through the development of a countrywide network of spaces where dance can be created, rehearsed and performed. We are therefore likely to look with particular interest on future projects that help achieve these goals.

#### **4.3 Maintaining the Infrastructure.**

There was clear, unequivocal support for this aspect of the strategy. It is encouraging to note a strong consensus emerging from a diverse range of respondents. The following extracts give a flavour of the comments:

"We welcome the potential of investment in existing facilities...as it would enable us to better serve our valleys communities as well as ensuring longer-term viability of our assets."

“The Trust supports the emphasis on redecoration, renewal, replacement and redesign.”

“Those (priorities) stated in the document are accurate. Of particular note: we believe that it is vital to continue the investment of equipment for the arts infrastructure.”

#### **4.4 Improving the viability and sustainability of key arts organisations**

The objectives outlined within this section were broadly supported. Indeed, a number of respondents expressed well considered ideas of their own which could enhance this priority. There was a particular enthusiasm to take forward projects which could maximise energy conservation and generation.

“We consider it incumbent on the sector as a whole to become more green energy efficient and carbon footprint aware. This can reduce pressure on revenue budgets, increase the business from like-minded organisations...Green capital applications should be considered a key priority and a high percentage of funding be considered accordingly. ”

“ ...with the advent of new technologies for power generation as well as saving, we feel that it will be important to help theatre and arts centres to move towards more self-sufficient models...”

There are equally well argued points which merit further consideration. Although current capital guidelines are specific on BREEAM requirements for major projects, it may be the case that the Arts Council could adopt a more pro-active role in encouraging and facilitating the use of green energy. One respondent suggests the introduction of a discrete scheme with lower partnership funding percentage rates. As such schemes could potentially have a positive impact on annual service charges, members may wish to explore this further.

#### **Our response:**

We’re committed in all of our activities to work more sustainably. This includes the organisations and projects that we will fund in the future. Climate change and environmental protection are amongst the most pressing issues of our time. They will be an important aspect of our future policy.

Another area which drew an enthusiastic response was the potential for organisations to adopt collaborative approaches. Although this was merely touched on within the document, it is clear that there is a hearty appetite for joint submissions. For example, one respondent suggested that

“Organisations with exemplary entrepreneurial Capital projects be allowed to make joint applications in partnership with others; an example which would be a lead joint application to set up a Wales-wide ticketing hub and web portal.”

Other respondents also noted that a collective approach to new box office systems would strengthen such initiatives and deliver economies of sale.

These suggestions build on the kind of model already established by Theatr Mwldan in its digital cinema scheme and earlier soft-subtitling projects.

#### **4.5 Regeneration and the Creative Industries**

Few respondents chose to comment on this priority. Those who did agreed with the broad thrust of the paper, but urged the Council to recognise and build on existing achievements rather than implement a strategy simply because it is perceived as being ‘politically fashionable.’ This is a good point to make. Many arts organisations are delivering strongly against this agenda, and could provide a template for other companies within the Creative Industry family.

Film-related initiatives were (unsurprisingly) cited as positive examples to draw upon. Again the Mwldan digital cinema scheme was held up as a model as is film production itself. One respondent stated:

“Film has a role to play in regeneration bids as evidenced in the outcomes of the Reach the Heights Film programme...similar regeneration objectives are at the heart of the Film Agency’s current Big Lottery bid to their ‘people and places’ strand.”

Another organisation draws our attention to:

“...the economic supply chain benefits arising from theatre and performing arts spaces. Theatres should also be considered as workspaces (within) the creative industries as they are hubs of activity and have the potential to deliver economic and social benefit and build creative capital.”

## 4.6 Equipping the arts to thrive

Again, few respondents chose to comment on this section. Those who did however, were strongly in favour. One organisation noted that investment in appropriate equipment was fundamental for companies to “maintain high production standards” whilst another stated, “of particular note, we believe that it is vital to continue the investment of equipment.”

There was however, one respondent who felt that the definition of ‘equipment’ should be extended to cover instruments:

“To single out for exclusion the purchase of musical instruments is both morally wrong and potentially elitist in its statement.”

### Our response:

An evaluation of our earlier Lottery schemes (which did fund the purchase of musical instruments) showed that this did not provide the best value for money. A number of musical instrument loan schemes already exist, and the provision of musical instruments for children is generally a matter for the relevant local authority. Some of the other UK Arts Council’s do provide funding to support a loan scheme called *Take it Away* for the purchase of musical instruments. However, this is financed through grant-in-aid rather Lottery. We will explore separately the case for introducing such a scheme in Wales.

## 4.7 Encouraging exemplary public art projects

Very few respondents chose to comment on this priority. Those who did were supportive but had slightly differing views as to how public art should be approached in general. Whilst some believed that stand alone commissions, or those which are part of town regeneration strategies were a positive enhancement of our cultural and physical landscape in Wales, others were of the view that ‘individual object-based commissions in the public realm’ should not be a priority. The focus should lie on the incorporation of public art strategies within building-based projects and exerting influence on planning development processes.

### **Our response:**

These suggestions have merit. Indeed, individual stand alone pieces of public art have long been a subject for discussion within the Arts Council's Capital Committee. These discussions have led us to conclude that we should not be supporting public art projects unless they are part of a coherent, wider strategy. The policy relating to public art as a component within building projects is already in place. We agree that there is more scope for working with Local Authorities, for example to ensure maximum benefit through Section 106 for example.

## **5 Managing the financial resources**

This brief section presented a range of options regarding appropriate levels of partnership funding.

### **Consultation Questions:**

4. Do you think that the proposed percentages of Lottery funding are appropriate?
5. Is there anything you think we need to review with regards to the development of large Capital projects?
6. Are there any other issues that you'd like to comment on?

The majority of respondents commented on the second of these questions, and there were three main strands to the comments received.

There was a stark division on the RFO/non RFO allocation of 75% and 50% respectively. Those respondents drawn from the portfolio showed clear support for the proposed tier approach, with some suggesting that the level of Lottery funding should go up to as much as 90% in some cases. The opposing view from those respondents outside the portfolio, was that the proposed limit to funding could create a two tier system with the the gulf between the 'haves' and 'have nots' growing progressively wider. One respondent suggested that grants should be allocated upon the basis of relevance with artform strategies rather than status within any funding portfolio.

**Our response:**

Capital projects, at whatever scale, present a wide range of different challenges. Often they will have funding partnerships that are unique and particular to that individual project.

Knowing how best to respond to these challenges will always require careful and rigorous assessment, but also the application of judgement and common-sense. Given the pressures on Lottery funds in the future, it will continue to be important that we consider projects individually on a case-by-case basis. Our consideration will be informed by our experience, the application of decision-making principles that we know to be effective, and the framework provided by our arts policies (including our artform strategies). Helping us to chart our way through our decision-making process is Council's Capital Committee and our access to specialist technical advisers. Both will continue to be an essential part of our management of the new Capital Programme.



## Appendix:

### List of respondents

Blaenau Gwent County Borough council  
Borough Theatre Abergavenny  
Caerphilly County Borough Council  
Carmarthenshire County Council  
Chapter Arts Centre  
Creu Cymru  
The Circuit  
Earthfall  
Ffotogallery  
Kerry Davies  
Mission Gallery  
National Dance Company Wales  
Newport City Council  
Prompt  
Rhondda Cynon Taff County Borough Council  
Theatr Genedlaethol Cymru  
Theatr Mwldan  
The Theatre's Trust  
Torch Theatre  
Ucheldre Centre  
VAGW

