

## **Communities, Equality and Local Government Committee**

**Date: 9 October 2014**

**Time: 14:30 -15:30**

**Title: Evidence paper on the Draft Budget:  
Deputy Minister for Culture, Sport and Tourism**

### **Introduction**

1. This paper provides background financial information to the Committee regarding my spending plans as the Deputy Minister for Culture, Sport and Tourism – in respect of the **Culture & Sport budgets** within my portfolio, as outlined within the Draft Budget.
2. Annex A gives a breakdown of the Draft Budget figures for Culture & Sport, by Action, and by Budget Expenditure Line (BEL) within each Action.
3. The Committee has requested information on specific budgetary matters as set out in the Annex to the letter inviting me to attend the Committee session. Responses are incorporated within this Evidence paper.

### **Background and Summary**

4. The draft budget figures for Culture & Sport may be summarised as follows:

Spending Programme Area	Supp. Budget 2014-15 £'000	Indicative Plans 2015-16 £'000	Changes 2015-16 £'000	Draft Budget 2015-16 £'000
<b>Revenue:</b>				
Arts	33,408	33,158	-615	32,543
Museums, archives and libraries	37,045	36,695	-525	36,170
Sports and physical activity	23,739	23,474	-291	23,183
Media and Publishing	3,726	3,626	-100	3,526
The historic and natural environment	12,141	12,086	2,600	14,686
<b>TOTAL REVENUE</b>	<b>110,059</b>	<b>109,039</b>	<b>1,069</b>	<b>110,108</b>
<b>Capital:</b>				
Arts	355	355	0	355
Museums, archives and libraries	7,343	4,243	500	4,743
Sports and physical activity	345	5,345	0	5,345
Media and Publishing	25	25	35	60
The historic and natural environment	5,126	5,126	-725	4,401
<b>TOTAL CAPITAL</b>	<b>13,194</b>	<b>15,094</b>	<b>-190</b>	<b>14,904</b>
<b>TOTAL DEL BUDGET</b>	<b>123,253</b>	<b>124,133</b>	<b>879</b>	<b>125,012</b>
<b>Annually Managed Expenditure (Pension provisions)</b>	<b>2,740</b>	<b>3,013</b>	<b>0</b>	<b>3,013</b>
<b>TOTAL BUDGET</b>	<b>125,993</b>	<b>127,146</b>	<b>879</b>	<b>128,025</b>

5. The revenue budget figures include an additional non cash budget of £3m for the historic environment. If this is excluded, revenue budgets have reduced by 1.8% against the previous indicative plans, and by 2.8% compared to the Supplementary Budget figures for 2014-15. Further details are set out below.

### Budget Priorities

6. The Culture and Sport portfolio is at the heart of the Welsh Government's aim to enrich the lives of individuals and communities through our culture, heritage and sport by enabling more people to enjoy them. The portfolio also makes a contribution towards health and wellbeing, growth and jobs, educational attainment, and supporting children, families and communities, including the tackling poverty agenda.

7. Culture and Sport policies have sustainable development at their core, balancing the pressing short term needs and long term interests of the people of Wales. For example, improving participation in sport and physical activity is an integral and important part of our whole Government approach to raising levels of physical activity in Wales and improving the health and well-being of the nation.

8. In shaping the Budget proposals, alignment with the following priorities have been at the forefront:

- increasing rates of physical activity to help improve health;
- strengthening the contribution that the portfolio makes to the economy; and
- broadening appreciation of and participation in culture and heritage in support of the Tackling Poverty Action Plan, and particularly among young people.

### **Budget changes - Revenue**

9. Compared to the supplementary budget figures for 2014-15, the main budget changes for 2015-16, showing the reductions to the budgets (near cash revenue budgets) of the bodies funded from the Culture & Sport portfolio, are as follows:

<b>Organisation</b>	<b>Supp. Budget 2014-15 £'000</b>	<b>Draft Budget 2015-16 £'000</b>	<b>% reduction</b>
<b>Revenue (Near Cash):</b>			
Arts Council of Wales	32,621	31,671	2.9
National Museum Wales	22,236	21,886	1.6
National Library of Wales	9,921	9,721	2.0
Sport Wales	22,929	22,373	2.4
Cadw	9,110	8,820	3.2
The Royal Commission for Ancient and Historic Monuments in Wales	1,962	1,807	7.9
Welsh Books Council	3,726	3,526	5.4
National Botanic Garden	660	650	1.5

## Budget changes – Capital

10. The following additional allocations have been made to capital budgets:

Spending Programme Area	Supp. Budget 2014-15 £'000	Draft Budget 2015-16 £'000
National Library of Wales	3,300	200
Sport and physical activity	-	5,000
<b>Total</b>	<b>3,300</b>	<b>5,200</b>

11. The £3.5m National Library of Wales project is part of wider strategic investment in the Library's physical and technical infrastructure following the fire in April 2013. This funding will also enable the Library to develop its specialist storage facilities to conserve and maintain access to collections of national importance.

12. In line with the priority to increase rates of physical activity to improve health, funding of £5m is being allocated in 2015-16 for a Capital Loan Scheme for Sport and Leisure Facilities. The new pilot scheme will facilitate a strategic and integrated invest-to-save approach to Capital investment. It is aimed at improving the management and efficiency of sport and leisure assets and facilities, increasing participation in sport and physical activity and contributing to health outcomes.

## Annually Managed Expenditure

13. Annually Managed Expenditure budgets comprise provision for any pension charges which may be necessary in respect of the pension schemes of Amgueddfa Cymru – National Museum Wales and the National Library of Wales. The total for 2014-15 is £2.740m, increasing to £3.013m in 2015-16. This is a non cash budget.

## RESPONSES TO THE SPECIFIC INFORMATION REQUESTED BY THE COMMITTEE

14. Responses to the specific information requested by the Committee are as follows:

### Last year's budget report

15. A copy of the Budget Expenditure Lines is attached at Annex A.

## **Programme for Government commitments**

16. All Programme for Government commitments are deliverable from within the available budget. It is a question of prioritising the work from within the overall budgets. Clearly there will be pressures on budgets – particularly those of WGSBs who are responsible for delivering some of the commitments. However, discussions which my officials have had, have stressed the priority of delivering PfG commitments. This will be set out clearly in the Remit Letters which I will be issuing to the WGSBs.
17. We have a Departmental Evidence Plan which shows more generally the research and evaluation which grounds our work in evidence. Results Based Accountability (RBA) is driving the way in which we work. A strategic approach is being developed to evaluate how we deliver on health (physical activity) and on learning and poverty outcomes.
18. Delivery of commitments and their associated outcomes is monitored as we progress through the year. This includes the meetings I will be having with the Chairs and Chief Executives of the sponsored bodies, and the discussions at the Quarterly Monitoring meetings at official level. Achievement is then reported in the Programme for Government Annual Report. Evaluations are undertaken periodically and as appropriate in order to ensure that the desired outcomes are being achieved and that the investments are delivering value for money.

## **Key policies**

### Budget allocations

19. Extensive discussions were held with the organisations charged with delivering policies within the Culture & Sport portfolio as part of the process of deciding on budget allocations. The difficult budget position was discussed with all of the bodies during meetings at senior level. All of the bodies were asked to provide information based on scenarios for reductions to their budgets – indicating what the impacts would be, including impacts on the delivery of Programme for Government commitments and any equality considerations. The proposals have been fully evaluated to ensure to deliver savings whilst minimising the impact on services and programme delivery.

## Implementation of the Historic Environment Strategy

20. The budget allocation for the historic environment has reduced as follows:

	<b>2014-15 £m</b>	<b>2015-16 £m</b>	<b>% change</b>
Revenue – near cash	11.072	10.627	-4.0
Non cash	0.409	3.409	N/A
Capital	5.031	4.306	-14.4
<b>Total</b>	<b>16.512</b>	<b>18.342</b>	<b>11.1</b>

21. The reduction in the near cash revenue budget of 4.0% reflects ambitions for Cadw's income to increase. The budget figure for 2014-15 of £11.072m shown above is net of Cadw's income budget of £5m. It is anticipated that the income figure for next year will be higher as a result of the completion of the Heritage Tourism project which is developing visitor facilities, increased marketing initiatives together with price increases at key monuments. The latest estimate is some £5.3m, which would mean that next year's gross revenue budget would only be some 1% below this year's budget.

22. The capital budget has been reduced next year as the Heritage Tourism Project is scheduled to be completed this year. Cadw's capital requirements beyond 2015-16 will be reassessed as part of next year's budget round.

23. There are no additional costs arising as a consequence of the Heritage Bill in 2015-16, with the exception of staffing costs, because the Bill is not scheduled to receive Royal Assent until spring 2016, with implementation from the financial year 2016/2017 onwards.

24. Cadw's budget allocation supports the outcomes identified in my Historic Environment Strategy for the protection of our heritage and encouragement of public access, enjoyment and participation. Funded activities will contribute to the quality of place, enhance people's life changes and help to address the tackling poverty agenda through the development of skills and training opportunities.

### Decision not to merge Cadw and the Royal Commission and impact on budget allocations

25. The decision not to merge Cadw and the Royal Commission has had no material impact on the allocations for the historic environment. Had the bodies been merged, the intention broadly was to combine the budgets of the two bodies, and look for efficiencies over time. There has been a reduction of £250k (3.2%) for Cadw, and £155k (7.9%) for the Royal Commission. However, this has been due to the need to

find revenue budget reductions, and not due to the decision not to merge the two bodies. The budget reduction for the Royal Commission is higher because their budget was only reduced by £10k last year.

#### Allocations for the National Museums of Wales and the National Library of Wales

26. These budgets have been afforded a degree of protection to reflect the fact these are national institutions, and that some 75% of their costs relate to staffing – therefore there is a limit to what they can do to achieve reductions in their costs. Provision of free entry to these institutions is a Programme for Government commitment. The budget for the National Library has been retained at the planned figure for 2015-16, being a reduction of £200k (2.0%) compared to 2014-15; and for the National Museums has been reduced by £250k compared to the planned figure, giving a total reduction of £350k (1.6%) compared to 2014-15.
27. Following full protection afforded last year to the funding of CyMAL: Museums Archives and Libraries Wales in order to implement national strategies for the sector, the funding is being reduced by a total of £325k. The available funding will be prioritised to develop partnership working and sustainable services to maintain and develop these valued public services. There is continued support for the development of Casgliad y Werin Cymru – People’s Collection Wales, but with reduced funding of £100k (which forms part of the above total).

#### How has the continuing need to tackle barriers to arts participation and to promote access to the arts in schools impacted on budget allocations for the arts

28. Difficult decisions have had to be made on the arts, as with other budget headings. However the budget reduction for the Arts Council of Wales for 2015-16 has been limited to 2.9%, and this reflects the work which it will be undertaking in implementing Dai Smith's Review of arts in education, and in developing the role of the arts in tackling poverty.
29. As over 80% of ACW’s grant-in-aid is directed towards supporting the core costs of its 72 ‘Revenue Funded Organisations’ the reduced budget will clearly have some impact. However it was made clear to ACW in their Remit Letter that despite the budget pressures, improving access to the arts, and levels of participation in the arts, remain two of my key priorities for ACW.
30. ACW is also a lottery distributor. Under the National Lottery Act 2006, distributors cannot use lottery funds to replace ‘lost’ government funding. However, they can use lottery funds to supplement government funding. As confirmed in a joint Statement with the

Minister for Education and Skills in July, ACW has agreed to commit £10 million of its lottery money, over the next five years, towards our National Plan for Creative Learning. This will augment the additional £10m that the Welsh Government will provide, from the Education budget.

#### Priorities for the media and broadcasting policy in Wales and how these are reflected in budget allocations

31. Welsh Government funding for the publishing industry is channelled through the Welsh Books Council. This includes funding for a Welsh-language on-line news service, *Golwg 360*, which has an average daily visit rate of over 8,000 and support for Welsh-medium news and current affairs publications *Golwg*, *Y Cymro* and *Barn*.
32. Budget provision for the Welsh Books Council is being reduced by £200k in 2015-16. The funding to the Books Council also supports English-language magazines which cover several areas including current affairs/culture. The magazines franchise has recently been re-advertised and will again include provision for a general magazine covering topical Welsh affairs. It is intended that the budget provision for the media element of the Welsh Books Council's budget will largely be protected.
33. The Programme for Government commitments in terms of broadcasting involve staff resource (funded from the Central Services and Administration MEG) as opposed to programme funding from the MEG.

#### Impact to date of budget reduction for the Welsh Books Council and discontinuation of funding for the Community Radio Fund

##### Welsh Books Council

34. I am conscious that the budget allocation for the Welsh Books Council is very challenging as they strive to sustain the quality and selection of books produced in order to ensure the best possible provision for readers. Inevitably, budget constraints will result in a small reduction in the number of books published.
35. So far the Welsh Books Council has accommodated the reductions without impacting on book sales. This was reflected in the fact that sales through the Welsh Books Council during the 2013-14 financial year showed an increase of 5% on the previous year. Sales for the first five months of this year have also shown a slight increase.
36. The Welsh Books Council is a relatively small organisation within a small portfolio and has to make the best use of its resources therefore further reductions to its budget will inevitably have an impact on the

services the Council can provide. However, I am confident that the Welsh Books Council will be able to continue to support the publishing industry in both languages.

### *Community Radio Fund*

37. The Community Radio Fund (CRF) was established in 2008 in recognition of the important role played by community radio stations within their communities. It was set up as a five year Fund with the specific aim of helping to meet the core costs of running community radio stations. Being a five year Fund, the CRF was due to come to an end in 2012-13 but a decision was taken to extend it for a further year, giving community radio stations an opportunity to investigate alternative sources of funding and to prepare to become self-sufficient post March 2014.
38. During the final year of the Fund the Welsh Government liaised closely with all community radio stations who were in receipt of a grant from the CRF to advise them of other pots of funding which may be available from the Welsh Government. The community radio stations were alerted to the launch of the Community Facilities Programme on 3 February. In addition, the Minister for Communities and Tackling Poverty announced on 22 January that voluntary organisations that provide services to communities across Wales were to benefit from £7.2 million of new Welsh Government funding this year. Some community radio stations could have been eligible to access funding from those schemes, if they met the relevant criteria.
39. In February 2014 the Department for Culture, Media and Sport published a consultation on community radio. Recommendations included:
  - lifting the restrictions which prevent some community radio stations from taking any income from on-air advertising or sponsorship if they overlap with a commercial radio license whose coverage includes 150,000 adults or fewer
  - lifting the restrictions which prevent community radio stations from taking more than 50% of their annual income from on-air advertising and sponsorship.
40. The Welsh Government responded to that consultation stating that it welcomed any relaxation of the restrictions and/or changes to the restrictions which would assist community radio stations affected by the regulations, to enable them to continue to provide the valuable service they offer within their communities. The Department has not yet responded to the consultation.



## Sport and active recreation

41. The letter from the Committee asks 'Bearing in mind your comment to the Committee in June 2014 that the last year has seen 'a significant reorientation in policy' with regard to sport and active recreation, how has this been reflected in draft budget allocations'?
42. The budget allocation for Sport Wales reflects the importance of the sport and physical activity agenda. I will be discussing with Sport Wales how we can prioritise the programmes they deliver, to achieve our objective of increasing participation, and to achieve the benefits that brings in terms of wellbeing and improved health.
43. For 2015-16, in line with the priority to increase rates of physical activity to improve health, funding of £5m is being allocated for a Capital Loan Scheme for Sport and Leisure Facilities. The new pilot scheme will facilitate a strategic and integrated invest-to-save approach to Capital investment. It is aimed at improving the management and efficiency of sport and leisure assets and facilities, increasing participation in sport and physical activity and contributing to health outcomes.

## What work have you undertaken to monitor and mitigate the impact of the reduction in local government funding on the delivery of local services within your portfolio area (e.g. library, museum and archive services; local sport and leisure services; smaller and third sector organisations working in the fields of the historic environment and the arts)

44. All local authorities in Wales face extremely difficult budget pressures, in particular on how to maintain services and facilities provided on a non-statutory basis. How local authorities set their budgets in relation to non-statutory services is a matter for those authorities and the Welsh Government does not possess the power to intervene.
45. All local authorities have been encouraged to take full account of the extent to which culture, leisure and sport are valued by the many thousands of citizens that use them and the value they bring. Whilst I recognise the difficult challenges all local authorities face I will be working to promote best practise, in terms of approaching decisions in a way that is joined up and in examining alternative service delivery models. Many authorities are now actively pursuing this, for example by forming - or considering forming - independent trusts and other non-profit distributing organisations (NPDOs).

## How equality, sustainability and consideration for the Welsh language have influenced budget allocations

46. Integrated impact assessments have been undertaken this year for the budget lines showing the most significant budget reductions within

the Culture & Sport portfolio, namely the Arts Council. The results of these, and the impact assessments undertaken last year for all budget lines where budgets were reduced, is that there are unlikely to be disproportionate impacts on groups with protected characteristics, or in terms of sustainability or the Welsh language.

47. The nature of my portfolio is that much of the work is discharged by the organisations which I fund. I will be asking these bodies again this year, in their Remit Letters and Funding Letters, to ensure that they fully take into account equality, sustainability and Welsh language considerations in the detailed decisions they will be taking on budget allocations.
48. Monitoring and evaluation is carried out in such a way that is tailor made to the individual activity, within the wide range of policy areas of my portfolio.

### Preventative spending

49. The most obvious example of preventative spend in my portfolio is spending to increase physical fitness. There is a clear evidence base that substantiates the link between physical fitness and healthy life expectancy. This was a factor that was taken into account in deciding the allocation of the budget to Sport Wales. We do of course need to continue to improve the effectiveness of our spending in this area, and evaluate how far increases in habits of physical activity among young people are maintained into lifetime habits, if spending is to really deliver the potential of being “preventative” in terms of reducing public spending on health in later life.
50. I would also highlight other respects in which spending in my portfolio has the potential to be preventative:
  - Most parts of my portfolio (e.g. sport, the arts, libraries, heritage and access to the historic and natural environment) are likely to make a contribution to mental well-being. The costs of mental illness to the Welsh economy are significant. *The First Incomplete Field Guide to Wellbeing in Libraries* highlights the contribution made to support the health and wellbeing of people across Wales. The research on the health benefits of intensive engagement with creative and cultural activities through art therapy and workshops led by artists is well recognised in the literature on cultural impact, although there is little evidence on whether any benefits could also be gained from less intensive engagement, such as attendance at arts events.
  - Dai Smith’s Report “The Arts and Education” flags the international evidence that the arts can contribute to raising educational attainment, particularly of children from lower socio-

economic backgrounds. Museums and heritage organisations can contribute similarly. Helping to raise educational attainment is likely to raise people's life chances and therefore has the potential to be preventative in terms of public spending. That is one of the reasons why I am working to increase the contribution that the arts and heritage can make to raising educational attainment, working with the Education and Skills Minister to follow-up Dai Smith's Report and the Baroness Kay Andrews Review on culture and poverty.

- Cadw's work with young offenders and school referral units contributes to Welsh Government education and employment objectives. Education and the attainment of skills and qualifications are widely recognised as major factors in preventing children becoming offenders, and reducing the longer-term risks of reoffending.

### Provision for legislation

51. There is one Bill in the legislative programme within the Culture & Sport portfolio which comes within the remit of this Committee, namely the Heritage Bill – to deliver Programme for Government commitments to develop a legal framework that will improve the management and protection of the historic environment of Wales. If passed, the Bill will be the first heritage legislation specifically for Wales. The Bill is scheduled to be introduced in spring 2015 and receive Royal Assent in spring 2016, with implementation from the financial year 2016/2017 onwards.
52. An initial assessment of the financial implications of the Bill has been made. The legislative proposals have been developed to minimise new burdens or duties on local government, owners of assets, businesses and members of the public. The majority of the proposals are discretionary or do not have financial implications outside those that can be met through current departmental budgets, including staffing. Work on the Regulatory Impact Assessment, which will include a comprehensive assessment of the financial implications is well progressed. There will be no direct or indirect impact on the budget in the 2015-16 financial year.
53. There are no known significant impacts on the budget of any UK legislation in the portfolio area.

**Ken Skates AM,  
Deputy Minister for Culture, Sport and Tourism**