



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

# Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu](#)

[The Culture, Welsh Language and  
Communications Committee](#)

12/07/2017

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Hannah Blythyn <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Suzy Davies <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig Welsh Conservatives
Bethan Jenkins <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Dai Lloyd <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Plaid Cymru The Party of Wales
Jeremy Miles <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour

**Eraill yn bresennol**  
**Others in attendance**

Anthony Barrett	Archwilydd Cyffredinol Cynorthwyol, Swyddfa Archwilio Cymru Assistant Audit General, Wales Audit Office
Richard Gurner	Caerphilly Observer Caerphilly Observer
Sue Moffatt	Cyfarwyddwr, Y Gwasanaeth Caffael Cenedlaethol, Llywodraeth Cymru Director, National Procurement Service, Welsh Government
Derwyn Owen	Cyfarwyddwr, Swyddfa Archwilio Cymru Director, Wales Audit Office
Peter Owen	Pennaeth Cangen Polisi'r Celfyddydau, Llywodraeth Cymru Head of Arts Policy, Welsh Government

Paul Rowland                      Prif Olygydd, Trinity Mirror South Wales  
Editor-in-chief, Trinity Mirror South Wales

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Lowri Harries                      Dirprwy Glerc  
Deputy Clerk

Adam Vaughan                      Clerc  
Clerc

Robin Wilkinson                      Y Gwasanaeth Ymchwil  
Research Service

*Dechreuodd y cyfarfod am 09:33.*

*The meeting began at 09:33.*

**Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau**  
**Introductions, Apologies, Substitutions and Declarations of Interest**

[1] **Bethan Jenkins:** Croeso i'r Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu. Eitem 1 yw cyflwyniad, ymddiheuriadau a dirprwyon. Croeso i'r Aelodau sydd yma. Os bydd larwm tân, dylai pawb adael yr ystafell drwy'r allanfeydd tân penodol a dilyn cyfarwyddiadau'r tywyswyr a'r staff, ond ni ddisgwylir prawf heddiw. Dylai pawb droi eu ffonau symudol i fod yn dawel. Mae'r Cynulliad yn gweithredu'n ddwyieithog, ac mae clustffonau ar gael i glywed y cyfieithiad ar y pryd ac i addasu'r sain ar gyfer pobl sy'n drwm eu clyw. Mae'r cyfieithu ar y pryd ar sianel 1, a gellir chwyddo'r sain ar sianel 0. Nid oes angen cyffwrdd â'r botymau ar y meicroffonau gan y gall hyn amharu ar y system, a gofalwch fod y golau

**Bethan Jenkins:** Welcome to the Culture, Welsh Language and Communications Committee. Item 1 is introductions, apologies and substitutions. Welcome to everyone. If there is a fire alarm, please leave through the exits and follow the directions of the ushers. We're not expecting a test today. Please put your mobile phones on silent. We do operate bilingually, and headphones are available to hear the interpretation and also you are able to hear amplification on channel 0. Please don't touch the buttons on the microphones and make sure that the red light is on before you speak. Are there any declarations of interest today? No. We've had apologies from Dawn Bowden and Lee Waters and

coch ymlaen cyn dechrau siarad. A oes gan unrhyw Aelodau rywbeth i'w ddatgan heddiw? Na. Cafwyd ymddiheuriadau gan Dawn Bowden a Lee Waters a hefyd y bore yma gan Neil Hamilton. Nid oes dirprwyon yn dod heddiw.

also this morning from Neil Hamilton. There are no substitutions today.

09:34

### Newyddiaduraeth Newyddion yng Nghymru: Sesiwn Dystiolaeth 10 News Journalism in Wales: Evidence Session 10

[2] **Bethan Jenkins:** Eitem 2 ar yr agenda yw newyddiaduraeth newyddion yng Nghymru a sesiwn dystiolaeth 10. Hoffwn i groesawu Paul Rowland, *editor-in-chief*, Trinity Mirror South Wales a Richard Gurner, *Caerphilly Observer*. Diolch i chi'ch dau am ddod i mewn atom heddiw. Rydym ni'n mynd i mewn i gwestiynau'n syth os yw hynny'n iawn. Mae cwestiynau gan Aelodau, fel rŷch chi'n siŵr y bydd yn digwydd.

**Bethan Jenkins:** Item 2 on the agenda is news journalism in Wales and this is evidence session 10. I'd like to welcome Paul Rowland, editor-in-chief, Trinity Mirror South Wales, and Richard Gurner from the *Caerphilly Observer*. Thank you very much for coming to us today. We are going to go straight into questions, if that's okay with you. Members have questions for you, as I'm sure you're aware.

[3] Y cwestiwn cyntaf sydd gen i yw: a ydych chi'n credu bod dadansoddiad Ofcom fod Cymru yn cael gwasanaeth llai cynhwysfawr na gwledydd eraill Prydain yn iawn neu a ydych yn credu bod Cymru, o ran newyddion lleol, yn cael newyddion digonol, sydd eu hangen arnyn nhw ar hyn o bryd?

I have the first question, and that is: do you think that Ofcom's analysis that Wales is served less comprehensively than other UK nations is right, or do you think that Wales, in relation to local media, is served adequately, and gets what we actually need?

[4] **Mr Rowland:** Well, I think there are two questions there. One is: how does Wales compare with the rest of the UK and the other regions and nations? And the other is: is Wales served adequately? And I think the most important part is the second question, because, you know, making arbitrary comparisons between what Wales has got and what other parts of the

country have got doesn't get us anywhere beyond a sort of dry comparison, whereas the key question is: is Wales served adequately? And, clearly, that's why we're here, and that's why organisations like Richard's are here. We have a team who work extremely hard every day to make sure we cover all aspects of life, of society, of governance in Wales. We're one organisation trying to do that. The BBC is another. There's a whole network of hyperlocals growing up. There are other newspaper groups.

[5] It's undeniably true that the landscape in which news is created and that finances news is changing all the time. We are having to adapt to that on a constant basis to ensure we're continually able to cover what we believe we should be covering in the way we should be covering it, and amid a set of information platforms that are changing all the time, too. People are consuming news in a different way; we're having to adapt to that.

[6] But I think, if you look at what Wales has got in terms of a news infrastructure, it's got an extremely strong BBC that's gained more funding recently; WalesOnline is one of the biggest websites in the UK it's got some outstanding local publishers; the *Daily Post* is in an extremely strong position in north Wales. And I don't think for a second that Wales is at a crisis point in terms of its media. Could it be stronger? Of course. You know, as a journalist, as a Welsh person, I'm always keen to find ways to strengthen the media in Wales, but that is something we are working towards all the time in terms of what we do. So, do I think that the media in Wales is adequate? I do, but I think it could be stronger, of course—you know, it always can.

[7] **Bethan Jenkins:** Okay. Richard.

[8] **Mr Gurner:** Yes, I'd agree with that. It is adequate. It could be stronger. But I would disagree with you, Paul; I think we are at a point where there is a potential for a crisis, if it certainly hasn't already arrived. And, as Members have already heard from previous submitters, it's all to do with funding models and the changing landscape and ownership models, and there's a whole host of issues that are affecting the media, not just in Wales, but obviously right across the country. But, you've got to try and work out the solutions for Wales, and that is the \$64,000 question, really: what is that solution?

[9] **Bethan Jenkins:** Dai, did you have a question?

[10] **Dai Lloyd:** Wel, yn dilyn beth yr [11] **Dai Lloyd:** Well, following on

oeddech chi wedi ei ddweud yn y fan yna, Mr Rowland, a ydych chi'n hapus, felly, am lefel ymwybyddiaeth pobl Cymru o newyddion Cymru o'i gymharu â'r newyddion sy'n gorlifo i mewn o Lundain? A ych chi'n hapus bod pobl Cymru, felly, yn gyfan gwbl ymwybodol o'r *issues* sydd yn y fan hyn? Er enghraifft, mae'r gwasanaeth iechyd yn datblygu'n wahanol yn fan hyn o'i gymharu â Lloegr. Mae addysg yn wahanol yn fan hyn o'i chymharu â Lloegr. A ych chi'n gyfan gwbl dawel eich meddwl, felly, fod pobl Cymru yn deall y gwahaniaethau hynny?

from what you said there, Mr Rowland, are you content, therefore, with the level of awareness among people in Wales about the news in Wales as compared to the news that flows in from London? Are you content that people in Wales are entirely aware of the issues arising here? For example, the health service is developing differently here as compared to England. Education is different here as compared to England. Are you content in your mind that people do understand that difference?

[12] **Mr Rowland:** No, I'm not. No. I think there's a great deal of understanding that's not there, and that's been seen through some of the campaigning, in some of the things that people had to say during the general election campaign. Some of the issues that that people told us they would be voting on when we were asking them what would make their decisions—and they were talking about, you know, health policies and education policies that clearly won't take effect here. So, am I content with that understanding in the country as a whole? No, I think that there's a great deal of misunderstanding there. Is the organisation I work for single-handedly able to change that? No, it's not. Am I comfortable with what we're doing to ensure that there is an understanding? Yes, I am. We've produced a great deal—. You know, we tackle these issues. If you look at some of our content during the general election campaign, we wrote specific pieces about 'these are the things that won't affect you that are being talked about in the general election campaign'.

[13] We do a great deal to try and redress that balance, but I think the substantial issue with regard to the understanding of politics is—. We are, just speaking for Media Wales now, producing a great deal of content that, if you are interested in politics, I think you would want to read. The challenge is reaching people who, even if they see things about politics, or politics in its broadest sense, won't read those things anyway. So, this kind of 'write more and they will come' idea, I think, only goes so far, because if every single thing my organisation produced, and Richard's produced, and the BBC

produced, covered politics, then would we reach any more people or would we just alienate people who are already alienated from that process? That's not blame pointed at anyone, but that's a substantial problem. We can't just say to the media, 'Well, that's your problem to go and deal with.' We ran a story this week about Labour politicians in Wales talking about the Scrap the Cap campaign. That doesn't help people in Wales with an understanding that the health policy sits here, when you've got Labour politicians in Wales urging the Westminster Government to raise pay in an area they have control over. That doesn't help.

[14] **Suzy Davies:** It probably doesn't help when stories are covered about Westminster politicians talking about scrapping zero-hours contracts, for example, when Media Wales won't cover stories on how local authorities are using zero-hours contracts. Are you happy that Media Wales is covering local democracy as well as it might do? It's an extension of Dai's question.

[15] **Mr Rowland:** Look, we have the resource we have and I can't sit here and tell you that we can staff every single council meeting across Wales. We can't do that. We don't have the resource to do that. That's not something that the organisation's had resource to do for many, many, many years. There are steps to address that. I think the BBC democracy reporters—

[16] **Suzy Davies:** We might talk about that later. Sorry, I don't want to cut across you.

[17] **Mr Rowland:** Sure, but that's a crucial part of that process. The newspaper industry, as a whole, has put its hands up and said, 'Look, local government is not covered as thoroughly as it could be.' We don't have the resource to be able to do that as well as we recognise that it should be—

[18] **Bethan Jenkins:** But that's because, surely, many of these local newspapers have been cut, and many have been cut by your own organisation. For example, we had Rachel Howells here last week saying that the *Neath Guardian* in Port Talbot—

[19] **Mr Rowland:** But you say 'many'—

[20] **Bethan Jenkins:** —they do not exist anymore. Therefore—

[21] **Mr Rowland:** —that's the only one. That's the only newspaper that Media Wales has closed.

[22] **Bethan Jenkins:** Yes, but that is a news vacuum, therefore, that is potentially why those local authority meetings are not being cut.

[23] **Mr Rowland:** Yes, but, it's about—

[24] **Bethan Jenkins:** Not being covered, sorry.

[25] **Mr Rowland:** It's about cause and effect, though, isn't it? Because we haven't withdrawn—. That newspaper was closed for market reasons. It's important to remember that the commercial media—different to the BBC—are commercial organisations. We're a commercial organisation. If we don't make a profit, we don't exist. That's a difficult truth, but one we have to work with, and we can only do what we can afford to do. That does create difficult issues, but that is one example, one community, where there was a newspaper that Trinity Mirror ran and has been closed. All the other papers that existed 20 years ago still exist now—that we run. But that doesn't cover—. To speak from Media Wales's perspective, there are councils in Wales that aren't covered by our reporters and it would be important to have better coverage there, but it is a bigger picture. It is a bigger picture. It's about what we can afford, who we can afford to employ, how many people we can afford to employ, and what we can do with those journalists. I think—admittedly, we'll talk about the democracy reporters later on, but I think that's an incredibly important part of the answer to that question.

[26] **Bethan Jenkins:** Suzy, did you want to come back?

[27] **Suzy Davies:** I can carry on with my questions. Have you finished?

[28] **Bethan Jenkins:** No, it's Jeremy who wants to come in.

[29] **Jeremy Miles:** I'm interested in what you say about the cap, because the alternative view to what you've said is that the politicians you're referring to are actually trying to bring out a much more complex picture than what appears from some other reporting. For example, the BBC, on Sunday, and the ITV *Sharp End* on Monday provided that space to explore, much more helpfully and in much more detail, the sort of thing that you're summarising there. Do you feel that you're providing the same level of space for those alternative views to be debated and reported?

[30] **Mr Rowland:** Well, I don't know if you read—. Martin Shipton wrote a very detailed piece on this particular example, exploring exactly that option. I'm not sure if you read that—

[31] **Jeremy Miles:** No.

[32] **Mr Rowland:** —but, yes, there you have evidence that we are providing that space for that subject.

[33] **Bethan Jenkins:** Richard, a oes **Bethan Jenkins:** Richard, do you have rhywbeth gennyh chi i ychwanegu ar anything to add on this point? y pwynt yma?

[34] **Mr Gurner:** Just picking up on what Paul said, with regard to commercial reasons for closing newspapers down, we come back to the model of ownership again. So, Media Wales is a commercial organisation that has to satisfy shareholders, and, when times are tough, you cut non-revenue-generating staff, i.e. journalists, and if you're not having the journalistic output that people are interested in, then fewer people are going to buy newspapers, and fewer people are going to be interested in the type of content that is being produced. So, it is very difficult to try and balance the two up.

[35] Journalism is a business of two halves. When I first started in Newsquest, back in 2004, I was working for a free newspaper, the *Campaign*, which I'm now going up against—or the *Caerphilly Observer* is up against. It was very much a divided company, where you've got commercial on one side and journalism on the other. You can see that divide throughout other media companies. It's always a balancing act as to how to get things right commercially, but then also how to get things right editorially, and I think there is a danger, sometimes, with this move to get page impressions on websites, to always try and get content that may not necessarily be important, publicly, but it generates the clicks. So, I can fully understand Paul's predicament between covering the important things like the difference between devolved policy and what Westminster is in control of—. You've got to make these things pay, but again, it's all about—. I would bring it back to: it's all about ownership models.

[36] And I think the National Union of Journalists touched upon the fact that you've got media ownership being concentrated among just a few

groups. If we really want media plurality in Wales then we've really got to start looking at trying to open up the industry to new players like *Caerphilly Observer*, and then, hopefully—.

[37] Part of the thing that we do at *Caerphilly Observer* is that we try and make that distinction between what Wayne David—MP for Caerphilly—does and what Hefin David—AM for Caerphilly—does. We always try and make that distinction clear, because people out there don't fully understand what the Assembly does. My uncle, for example, was in hospital recently. He came out. He said, 'I'm going to write that Jeremy Hunt a letter.' I asked, 'Well, why?' [*Laughter.*] 'Why write to him?' But that's because he concentrates—. His media consumption is an English national newspaper, so he's not exposed to any Welsh information. He probably gets—. What he does get is probably through the BBC, for example, so I think there really should be an emphasis on what the Assembly does. But, again, how do you balance that up? How do you make room for that in a business that is, unfortunately, declining?

[38] **Bethan Jenkins:** Wel, rwy'n siŵr y gallech chi hybu eich tad, hefyd, i ysgrifennu at ei Aelodau Cynulliad rhanbarthol hefyd.

**Bethan Jenkins:** I'm sure that you could also encourage your father to write to his regional Assembly Members also.

[39] **Mr Gurner:** Yes.

[40] **Bethan Jenkins:** Roeddwn i'n mynd i symud ymlaen at y drafodaeth ddigidol oherwydd, fel rwy'n siŵr rydych chi wedi gweld, roedd Dr Andy Williamson wedi dod—. 'Williams', nid 'Williamson'. Mae Dr Andy Williamson yn rhywun arall yn hollol. Dr Andy Williams o Brifysgol Caerdydd sydd wedi dweud bod canolbwyntio ar ddigidol, a'r term '*clickbait*' yma wedi efallai tanseilio edrych ar ddulliau eraill o ansawdd er mwyn creu cynnwys. Roedd e wedi dweud:

**Bethan Jenkins:** I was going to move on to the digital issue, because, as I'm sure you will have seen, Dr Andy Williamson came to—. 'Williams', not 'Williamson'. Dr Andy Williamson is someone else entirely. Dr Andy Williams came to see us from Cardiff University, and he's the one who has said that looking at digital issues and the term 'clickbait' perhaps has undermined looking at other journalistic quality issues for creating content. He said:

[41] 'A potential problem with such performance-related data is that it

might further de-prioritise coverage of areas of public life which many in the audience might not *be interested in*, but which is nonetheless squarely *in the public interest*.’

[42] A ydych chi'n cytuno bod Do you agree that perhaps looking at efallai edrych ar ba gliciau sydd ar how many clicks have been made, wefan wedi, efallai, glastwreiddio perhaps, on a website has perhaps straeon neu wedi mynd â'r straeon diluted some stories or maybe sydd yn fwy arwynebol yn hytrach na looking at stories more superficially cheisio mynd i'r afael â phynciau rather than looking at subjects in mwy dwfn, sydd efallai ddim mor depth, perhaps, which maybe aren't secsi ond sydd yn bwysig i bobl as sexy, but perhaps those subjects Cymru i'w deall ac i ddarllen that are important to people in Wales amdanyn nhw—? Beth yw'ch barn chi to understand and to read about yn hynny o beth? them—? What's your opinion?

[43] **Mr Rowland:** No, I don't agree with that at all—

[44] **Bethan Jenkins:** I didn't expect you to, but I thought I'd ask. [*Laughter.*]

[45] **Mr Rowland:** The very first point I just want to make as a precursor to the answer to that question is about this term 'clickbait', which actually means something very specific, and there is a whole network—it's tied in with the whole fake news phenomenon. It is a term that refers to a particular type of low-value content, which effectively tricks people in by overselling it to get people into a link that, ultimately, disappoints them. Now, clickbait doesn't refer to popular content. So, popular content doesn't meet your—. The definition of a serious subject is not clickbait. So, I just wanted, before we go into this—I don't accept that we do clickbait. Clickbait is a cynical, cheap way of bringing in webpage views that is not sustainable, it has no growth attached to it, and there's no quality attached to it. That's not the same as writing lifestyle content and engaging, funny, entertaining content that have always been part of newspapers. Newspapers always run stuff that isn't entirely serious. So, I think there's absolutely a place for that. If we think of all our media consumption in this room, there'll be times when we read very serious stories and there'll be times when we read things to entertain us. The same on television—we watch news and we watch sitcoms. It's absolutely legitimate that all those things should be part of that content mix.

[46] What I also take massive issue with: Andy's never set foot in our

newsroom, as far as I'm aware. He has no idea what is important to us, and what the discussions that we have about content are. We have invested significantly in politics coverage, in making sure those things are covered properly, in making sure they're covered in a way that's relevant to the digital audience. We use analytics very heavily in our newsroom—I make no apology for that. That's one of the things that seems to lead people to think that we're indulging in clickbait. But, actually, in terms of this question of how we make people engage with subjects that are important, for me, the answers—the thought processes that we need to go through there is, if we think these things are important—and subjects that we all probably, in this room, think are important—it's not enough for us to say, 'This is important, therefore people should read it.' Because if people aren't reading it, we need to question ourselves about whether we've actually conveyed the importance of that to people. A lot of the discussions we have are about what the things that we believe are important are, and how we can make people understand the importance, engage the importance of those things, and see the importance of those things in their lives. So, our head of news, David James, who is one of the brightest journalists I know, has special responsibility for our coverage of politics, health and education to ensure that that is absolutely top priority in our newsroom. I think anyone who came into our newsroom, into our planning meetings, into our conferences, would see that we place coverage of what Andy's talking about in terms of these important stories incredibly prominently in our decision making.

[47] **Bethan Jenkins:** Richard.

[48] **Mr Gurner:** Since you're here, Paul, and apologies for putting you on the spot—[*Laughter.*—I'd just like to know the editorial justification for running a story such as 'I've tried every menu item in Greggs' or 'We've gone to every McDonald's and KFC in Cardiff and asked for a secret menu item'.

[49] **Mr Rowland:** Well, the justification for it is that—. So, we cover—. We're there for everyone in Wales. Thousands and thousands of people eat in these restaurants and go to these places every single day, and why should we be snobby about what content we create for people based on their tastes? Should we only be reviewing fine-dining restaurants, or should we not cater for people who are interested in that? Those stories are extremely well-read among some of our most loyal readers in our most important areas. Should we not be creating content for those people who want to entertain themselves?

[50] **Bethan Jenkins:** So, you're identifying that that's what people want to read?

[51] **Mr Rowland:** Not specifically and not solely. This is what I'm saying. We can't say, 'These people want to read just this thing; these people want to read just this thing'. It's about creating a mix that means we are a destination for people when they want to unwind, when they want have a laugh, when they want to read something very serious, when they want to deal with breaking news. It's very easy to pick one or two articles and say, 'You don't do anything serious because you did this or you did that'. But that is to take such a narrow view of our content output that it's effectively meaningless.

[52] **Bethan Jenkins:** Does that satisfy you, Richard or—?

[53] **Mr Gurner:** Well, instead of having one reporter going round Greggs or McDonald's, why can't you have that one reporter speaking to—?

[54] **Mr Rowland:** Because we'd have another reporter doing that. *[Laughter.]*

[55] **Bethan Jenkins:** I just thought it might be good to see what you thought of the response. Suzy.

[56] **Suzy Davies:** As a commercial operator, you, I accept, need a mixture of means of attracting readers, if you like, but do you think that perhaps the role of your group's newspapers, as opposed to your website, has changed at all as a result of this? Because I think there is a question about how many journalists out there—contributors, let's put it that way—have been lost over the years, particularly locally, and how many of them are focusing on, let's say, Greggs stories rather than on whether a local authority has done something fairly outrageous that nobody's noticed. What I'm asking is—if your group is investing in the lighter end of stories, if you like—do your analytics tell you whether there's any crossover then from those readers who you lure in through those into the more serious stories—and what we would consider serious?

[57] **Mr Rowland:** Yes, absolutely. There are absolutely—

[58] **Suzy Davies:** Can you tell us about that, then?

[59] **Mr Rowland:** It's not the case that, as I say, we are trying to lure people in with one particular sort—

[60] **Suzy Davies:** Yes, you are. You're commercial operators; of course you're trying to attract readers.

[61] **Mr Rowland:** What I'm saying is that we're not trying to lure people in with one set of things—try and sort of snare them and then—

[62] **Suzy Davies:** Why not? [*Laughter.*] That's exactly the way marketing works. [*Laughter.*]

[63] **Mr Rowland:** What we're doing is giving people a mix of content, which satisfies them at different—. What we see in our analytics, for instance, for one thing, is that people who visit us every single day look at a very different type of content on a Friday night, for instance, than they do on a Monday morning. We know that, for instance, on a Friday night—and you can understand this from your own experience—people will more likely read things that are light-hearted. They may be thinking about going out for food, so they may want to read things about where they can go and get a meal somewhere they haven't been before. We know that, on Sunday mornings, people seem to have an appetite for more hard-hitting, long-form, weighty political coverage. Maybe because, on television, you've got the politics shows—you've got Marr, you've got Peston.

[64] So, we know that people have a different appetite for things at different times of day. Similarly, during the hours of 7 to 9 in the morning, our most popular content is about the M4 and crashes on the A470, train delays and things that are going to disrupt their lives. What we are providing is content that meets people's needs at different times of the day to give them the full mix. That's how we bring people in. What we want as a digital publisher is people who see us as a crucial part of their everyday lives, who come to us for different things at different times. What we really need—. It's of no benefit to have people who come in, read one thing and disappear off and never come back. What we need is people who are loyal, local, engaged, and all the decisions we make are to try and encourage that.

[65] Now, in terms of how the newspapers have changed, which is the other part of your question, those still very much have the character that they've long had. We are a digital-first operation. It's important that we try to build something—. Newspapers are in commercial decline. That's no secret,

and it's important we build a business model that will allow us—. Hopefully the day is a long way off where newspapers aren't a substantial part of the media in Wales, but that day, if you look at the trends, you would have to say, you know, 'At some point, it will come'. What we are trying to do is create a business model, which we have, so we can continue to be a publisher of importance when that day comes.

[66] So, as I say, we're a digital-first operation. Our newspapers are made with the very best content our journalists are producing, using our journalistic instincts and the experience of our very talented team of editors and the evidence of what our audience is interested in and putting that into the best possible content we can.

10:00

[67] **Suzy Davies:** Can I just ask you—? Can I slowly move into my questions? If you want your readership to be loyal and to value you as well, what are you doing to distinguish your valuable product and, not to deter, but not rely upon people who just dip in and out—for free—of the website? What consideration have you given to a paywall, which other reputable and well-loved UK-based newspapers have done? It doesn't seem to—

[68] **Mr Rowland:** Well, there are not many, are there, who have done that—?

[69] **Suzy Davies:** I try reading *The Times* articles and I've got to pay to do that, as I would do with a paper.

[70] **Mr Rowland:** Yes, but that's the only one—well, apart from the *Financial Times*. So, if you look at the *Financial Times* as an example of a paywall, that's able to successfully operate a paywall because it has a product that is so distinct among a market that has disposable income to spend on the product that it provides that means that if you don't subscribe to the *Financial Times* you are unable to access information that would probably be absolutely critical to your professional life. Now, I would like to think that WalesOnline does that, but we have BBC Wales and, to be honest, it is my view that there would not be a sufficient number of people who are discerning enough about the fact that they preferred WalesOnline to the BBC, maybe, that actually, were we to put a paywall in front of it, they wouldn't think, 'Well, I can get the BBC for free.'

[71] **Suzy Davies:** Okay. So, how is your website going to survive, if I can put it like that, if newspapers slowly decline? Because, at the moment, they're still the main commercial input for you.

[72] **Mr Rowland:** They are, but the gap between the revenue we make from print and the revenue we make from digital is shrinking every year.

[73] **Suzy Davies:** If you lose your public announcements, how small will that gap be then?

[74] **Mr Rowland:** The key part of our business model is to transition ourselves to, as I said earlier, a business that can survive sustainably from our digital revenues by the time those print revenues decline to a point where they're not selling anymore. So, public announcements and that kind of thing—it's absolutely something we're working with local authorities on on a constant basis, to ensure that there's that kind of revenue there. It's one of the things that, if there's a will to support a local media in Wales, then public sector advertising is incredibly important and it is incredibly counterproductive to see some of that disappearing, because in Wales more than anywhere, that is the lifeblood of our newspapers and has been for many, many years, and councils, in particular, withdrawing from that is a problem for us—it's a huge problem for us—and it's out of our control. As I say, it's not something we're blind to by any means, but it's for local authorities to decide what they want to do with that money, and I would be extremely keen to encourage them to keep it with us.

[75] **Suzy Davies:** Okay, so—

[76] **Bethan Jenkins:** Sori—jest **Bethan Jenkins:** Sorry—just Jeremy on Jeremy ar y pwynt yma'n benodol, os this particular point, and then we'll yw hynny'n iawn, ac wedyn dod yn ôl come back to Suzy.  
i Suzy.

[77] **Suzy Davies:** I've only got one question after this, actually.

[78] **Jeremy Miles:** It's on that question of the point in time at which you think it's likely to be the case, for the industry generally—I guess you won't want to share your own plans—but the point at which you think that crossover occurs when digital revenues have increased to the point where they make up for the shortfall, or the trends pass, if you like—what sort of range of time are we looking at when that might happen?

[79] **Mr Rowland:** All I would say to that is our print products at the moment are an incredibly important part of our business, and, you know, for me—we haven't even mentioned the word 'plans'. There are no plans to get to that point. I want them to be a part of our business for as long as possible, and I wouldn't like to put a time period on that at all.

[80] **Jeremy Miles:** Okay.

[81] **Bethan Jenkins:** Can you just explain, though, why—I'm confused as to why you've got a digital-first policy, when, actually, the revenue is bigger coming from the print? Why is it that you have that policy specifically when, actually, you could be saying, 'Well, the print is still very important so we can balance them out in importance'?

[82] **Mr Rowland:** Well, firstly I would say our prints are incredibly important to us and, again, if you came into our newsroom and spent the day looking at how we produce them, there is a great deal of emphasis on how we produce them. So, it's not that they're not important at all, but newspapers have been declining in sales and in advertising revenue across the board, not just ours, but across the board for significantly longer than publishers have been taking the internet seriously. So, that is a structural decline that started well before the advent of mainstream web publishing and has continued at more or less the same rate throughout that period. So, if we were to prioritise print, on the basis that it makes more money now, we would continue to do that until the point where that decline was at a point where we didn't have a stable business model, and we'd have built nothing to replace it. What we're trying to do, while we still have a substantial revenue from print, is create something, grow something and focus on something that allows us to have a sustainable future. Now, it's my view that we've done that really successfully. The idea that WalesOnline is anything other than a big success for Wales is daft really, because, as I say, it's the fourth biggest regional site in the UK. It's one of the fastest growing; it's award-winning—you know, regional press awards website of the year this year. In the industry, it's recognised as one of the best websites out there. And I think it's an asset for Wales, and I think it's going to play an incredibly important role in how the media in Wales grows in years to come.

[83] **Bethan Jenkins:** Okay. Suzy.

[84] **Suzy Davies:** I've got one and a half questions, if that's alright. My half

question is—

[85] **Bethan Jenkins:** [*Inaudible.*]

[86] **Suzy Davies:** I'll stick with one then.

[87] **Bethan Jenkins:** I'm joking; it's fine.

[88] **Suzy Davies:** You're editor-in-chief of Trinity Mirror in Wales. Dai raised a point that we've struggled with for as long as I can remember, which is that most people in Wales consume their written news from the London newspapers. What influence do you have within the Trinity Mirror group to make sure that Welsh stories get into those London newspapers?

[89] **Mr Rowland:** That's rather a big question.

[90] **Suzy Davies:** Not you, personally.

[91] **Mr Rowland:** Yes. So, in terms of the—. Obviously, *The Mirror* is the main one that we have involvement with, and we speak on a daily basis—weekly, but more commonly a daily basis—with the news desk in London. We work as an editorial team across the entire network, so those are discussions that we have all the time. Is it a case of someone in my organisation phoning up and saying, 'You should stick this story on page 6 of *The Mirror*'? It's beyond my level of importance to dictate to the editor of *The Mirror* what he should be doing with his newspaper, but there are discussions all time about the stories that we have and what are important to us.

[92] **Suzy Davies:** But the central point of *The Mirror*, basically, in helping people in Britain understand devolution is something that's way beyond your control really.

[93] **Mr Rowland:** Personally speaking, yes.

[94] **Suzy Davies:** Okay. Thanks.

[95] **Bethan Jenkins:** A oes **Bethan Jenkins:** Any questions on cwestiwn ynglŷn â ble mae'r penderfyniadau yn cael eu gwneud? Wyt ti eisiau gofyn hwnnw?

[96] **Suzy Davies:** Wel, yr un math o **Suzy Davies:** Well, it's the same type of question really.  
gwestiwn.

[97] Well, okay, I'll ask that question as well about editorial decisions—not editorial decisions, structural decisions. They're all made in London, presumably, not in Cardiff, about who's employed where.

[98] **Mr Rowland:** No. I work very closely with—. It depends. So, within Wales, those decisions are made in Wales, absolutely.

[99] **Suzy Davies:** With no top-down influence at all, albeit financial.

[100] **Mr Rowland:** Obviously, we're part of a company. I have discussions with my senior managers about what our plans are, but it is certainly not the case that a decision is made in London that this is what's going to happen in Wales and that happens.

[101] **Suzy Davies:** All right. So, jobs are lost in, let's say, *The Evening Post*, those decisions are made in Cardiff, not London.

[102] **Mr Rowland:** No jobs have been lost in *The Evening Post*, but where we allocate our staff, where we allocate our resource, those decisions are made in Wales, absolutely.

[103] **Bethan Jenkins:** Can I just come in here? Martin Shipton said last week:

[104] 'Trinity Mirror is actually quite a centralised organisation. In pay terms, for example, decisions are taken at the centre. I'm afraid sometimes we go through this farce of having meetings with local managers who then repeat to us what the offer is, but the offer has been dictated to them by their bosses in Canary Wharf. So the whole thing is a bit of a charade.'

[105] Do you not agree with that then?

[106] **Mr Rowland:** Well, that's a different question to what Suzy asked. Suzy asked where we're allocating resource, where we're allocating journalists—

[107] **Suzy Davies:** Well, that includes pay.

[108] **Mr Rowland:** Pay is a different question, because, obviously, like any national body, we have pay scales that are relevant across the board. That's

entirely normal. That's a completely different question to how we are allocating resource.

[109] **Bethan Jenkins:** Okay. Do you want to answer the last question as well?

[110] **Suzy Davies:** Yes, I was trying to get to that as well.

[111] **Mr Rowland:** The pay question?

[112] **Bethan Jenkins:** The quote I gave you from Martin Shipton about the fact that you wouldn't have any levers in Wales to be able to make those types of decisions, and that it would be for London bosses to be able to make those decisions.

[113] **Mr Rowland:** The NUJ asked for local pay talks and that's why we have local pay talks, because the NUJ refused to have centralised pay talks. The NUJ wanted local pay talks, so we have local pay talks<sup>1</sup>. But it is absolutely normal for a company the size of Trinity Mirror to have a pay policy and a pay structure that exists across the country and that's as much as I'd say on that.

[114] **Bethan Jenkins:** Can you influence that is what I'm trying to understand?

[115] **Mr Rowland:** Of course we're involved in discussion about that—

[116] **Bethan Jenkins:** So, would you agree with that premise then, that you wouldn't be able—? That if it happens centrally, therefore you have to then adhere by what happens centrally.

[117] **Mr Rowland:** There is a pay offer that is common across the country and senior editors across the country would have influence against that, but that offer is there and it is common across the country—that is correct.

[118] **Bethan Jenkins:** Hannah.

[119] **Hannah Blythyn:** I'll start with a question that is more specifically for

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<sup>1</sup> Cywiriad/Correction: 'During the session, I said that the NUJ had requested local pay talks. This is not strictly accurate. The company had entered into national pay talks at the NUJ's request, but these were not productive, as the NUJ's local chapels could not reach a consensus that allowed talks to progress at a national level. As a result, the company was left with no choice but to return to local pay talks.'

Richard. In your paper that you gave to the committee you talked about the budding business grant that you applied for to start the print run. I just wondered if you could expand on how you found that process of applying for grants and if there are areas where there is room for improvement in the future, and if there are any learning points that need to be made from that.

[120] **Mr Gurner:** Yes, sure. I came across the budding business grant simply by having a look and basically contacting Caerphilly County Borough Council and asking their business support team what grants were available, and I was pointed in the direction of that one.

[121] In terms of looking for other business support and other grant funding, I found it a little bit difficult, because there are different levels. So, for example, if I wanted to access a grant of £1,000, then I myself would have to raise £1,000. Quite a lot of it is match-funded out there. So, I was quite lucky to come across the budding business grant through the rural development partnership and, luckily enough, my business was registered in a rural ward, so we qualified. If my business, at the time, was registered at my home address in Caerphilly, then it wouldn't have qualified and then I would have been, four years ago, stuck in terms of getting access to any sort of support to start up, for the reasons outlined—it's all match-funded and is at certain points. So, in terms of access to grant funding, that could certainly be improved from the point of view of trying to get people who are interested in starting up their own publications. I think, if there is going to be any sort of public funding, those are the people who need to be targeted really.

[122] **Hannah Blythyn:** Do you think, perhaps, thought needs to be given to the role that organisations like Business Wales could play in offering advice and guidance and support?

[123] **Mr Gurner:** Yes. So, for example, I contacted Business Wales to try and access some help in terms of measuring my audience. I've got a rough idea; I've got a journalist's gut feel of what my community wants and I've got a gut feel of who actually reads my newspaper and the demographic that does, purely because I'm from there, locally. But to have that granular look at who exactly is reading my newspaper and my website, that's beyond, or it was beyond, my skillset. So I approached Business Wales to try and get a business mentor involved and to try and point me in the direction of where I need to go with those, but there was nothing that they could help me with. So, I had to end that business mentor relationship, purely because there was nothing

available that I specifically wanted. For media start-ups, that is an essential element really in terms of measuring audience. I think there could be some sort of improvement there. But, again, that's very specific.

10:15

[124] **Hannah Blythyn:** It's helpful. The other point, I think, in your paper, is that you say it was interesting that you had to get the then local government Minister to intervene to confirm that the council could place an advert with you.

[125] **Mr Gurner:** Yes.

[126] **Hannah Blythyn:** And it's interesting that you were saying about your dealings four years ago with the Welsh Government's advertising agency. Do you think, again, perhaps, you know, not only do guidelines need to be modernised, but perhaps attitudes as well? If the nature of the media has changed, then the way other organisations approach support, or their relationship, needs to change as well.

[127] **Mr Gurner:** I'm very lucky in that Caerphilly County Borough Council, despite the fact that we write stories about their suspended—or not suspended now—chief executive, they have been very, very supportive of what we do. I've got a very good relationship with the communications department there, and they fully understand what we're trying to do, and they know that we're going to write stories that aren't necessarily going to paint the council in a great light. But then, equally, they also know that we are going to be doing stories about local litter picks, for example, and that's the sort of thing that they want to get out there—you know, community news.

[128] In terms of public notices, that was really difficult to get over the line, because there was an argument over the definition of 'a local newspaper'. So, they used the dictionary definition, which is a publication published on either a daily or a weekly basis. And they bounced it straight back to me saying, 'Well, you're a fortnightly newspaper, so you don't qualify.' And so, that involved me looking through all sorts of legislation in terms of traffic notices and planning notices to find out exactly what is the definition of a newspaper within that legislation, and there wasn't one. So, I argued back that, 'Well, you know, we're printed on'—at the time, we were printed on—the same presses as the *Echo* and the *Western Mail*; we are newspaper to all intents

and purposes.’ And they came back and said, ‘Well, if you get the Minister responsible for local government to write a letter to say that all is fine, then we’ll quite happily place public notices with you, because you’re cheaper than what we’re currently paying.’ And that was it, four years ago. And since then, in terms of public notices, we’ve pretty much had one every issue. And while that doesn’t make a massive amount of money, that is still—. That is much needed support.

[129] And to answer your question about access to media sales operations for public bodies, that’s been far more problematic. So, to cite an example, I made contact with a local college and they said, ‘We’d love to place an advert with you. You have to go through our media buyer.’ I went to their media buyer, which I think was based in Manchester at the time, and they said—. You know, they put all sorts of hurdles in front, and then, in the end, they went, ‘Go on, and we’ll have 10 per cent as well’, because that’s how media buying agencies work. So, that’s been difficult.

[130] In terms of trying to get hold of anybody who has responsibility for the Welsh Government’s advertising budget, as I said in my written evidence, four years ago we tried to have a stab at making contact with the agency, and they weren’t interested, purely because, you know, first of all, ‘Who are you? You know, you’ve just sort of sprung up.’ And, yes, that was about it. I don’t think they treated us with the degree of seriousness that perhaps we deserved, but, again, I then moved my attention to getting advertising revenue from local businesses. So, I haven’t really returned to that, but that’s something that I’m going to return to very shortly, and I’ll see how I get on, really, with that.

[131] **Hannah Blythyn:** Just one final, very brief question to Paul, now, really. Has Media Wales been in receipt of any public funding in recent years?

[132] **Mr Rowland:** Not that I’m aware of, no.

[133] **Bethan Jenkins:** Okay. Suzy.

[134] **Suzy Davies:** Can I just ask: do you syndicate your stories at all, Richard? I’m wondering how much collaboration there is between, you know, a successful hyperlocal and the big boys, if you like. Or, Paul, do you scour—not you, personally—but do your journalists look at hyperlocal websites for news ideas?

[135] **Mr Rowland:** Yes, of course. We're always looking for leads. It's kind of how the dog-eat-dog world of news works. We are always looking for leads of good stories that we should be covering. Hyperlocals are doing an excellent job. It's a good place to look. I would certainly take the view that we—. I've been on record before talking about how it would be good to see a greater, almost more formalised level of collaboration between us and hyperlocals and, for that matter, us and the BBC, and the BBC and hyperlocals. I think there is a slightly unhelpfully adversarial nature sometimes within the Welsh media. I don't think that's particularly healthy or constructive when the facets of it that Bethan mentioned at the start of this session—. There is a vibrant media in Wales, I think, but I don't think they should be working in isolation. I had quite a constructive meeting with one of the managers of the BBC last week about what potential there might be for us to work together on some projects. We've not made any formal plans on that yet, but I do think we shouldn't be in competition with each other. We should work together.

[136] **Suzy Davies:** We had evidence last week that Google was basically stealing news from wherever they could get it. I wouldn't like to think that our media players here are doing the same—that the BBC and you are doing that with hyperlocals. Is it possible to have some sort of formula or framework or whatever that deals with that so that, actually, you don't end up with Richard doing all the work and then you getting all the papers sold?

[137] **Mr Rowland:** No. There will be times when you see across all media that there'll be a line and it will say, 'So and so reported', and that's fairly commonplace, and has been for years. But we would always make sure that we credit and link if we take that, and that is how the world goes round in that respect. But equally, if Richard, or anyone else, for that matter, was to get in touch with us and ask for our help, we quite commonly share. If we've got a picture on file, for instance, that is of relevance to a story that another organisation is working on, then we'll generally help with that. There's a limit to what you can do proactively, but certainly there are syndication networks. That's one thing that could be established, in terms of the aids that might be available. Richard touched there on some of the help for analytics that might be available as a grant-based operation, but whether something could be set up like some form of syndication network that allows hyperlocals to gain a revenue stream from the nationals or organisations like ours—that might be something that would be healthy.

[138] **Suzy Davies:** It wouldn't interfere with plurality at all, because,

obviously, it's pretty vulnerable, that word, in Wales. When you talk about competition—

[139] **Mr Rowland:** I don't necessarily—

[140] **Suzy Davies:** We need different voices on these things. We're a bit short of those in Wales.

[141] **Mr Rowland:** It's true, but the benefit you've got with hyperlocals, or any organisation that has journalists in areas where there aren't other journalists, is an opportunity to get important information and material from those areas and amplify them. I don't think amplifying that through other platforms threatens plurality, but there's absolutely a case that those people who've sourced that information should be rewarded for it.

[142] **Suzy Davies:** Is that fair?

[143] **Mr Gurner:** Yes. Well, we've sold stories—or pictures, rather, and images—to BBC Wales and ITV Wales since we've started, and we've got an arrangement with a news agency where, where we haven't got the resource to necessarily cover things like medical tribunals or teaching tribunals, and we can't attend those, they cover them for us and other media. In return, then, we give them stories to sell on to the national newspapers. But there's no—

[144] **Suzy Davies:** Okay, so there's a bit of to-ing and fro-ing.

[145] **Mr Gurner:** Yes, exactly, but there's no financial arrangement between us and the news agency. It is purely on a—

[146] **Suzy Davies:** In-kind sort of thing.

[147] **Mr Gurner:** Yes, exactly. And I think in value terms they're very generous on the things that they give us. Again, that only comes from my ethos of everything and anything to do with Caerphilly county borough. The case I was referring to was the medical tribunal of a doctor who was practising in Ystrad Mynach. He got struck off, we couldn't go to the medical tribunal, but they did, because, obviously, there was an interest and a national story to that—

[148] **Bethan Jenkins:** What about the suggestion that Paul Rowland made

about, perhaps, collaboration on the analytics side of things?

[149] **Mr Gurner:** Yes, I would certainly be open to that. That would be really good.

[150] **Bethan Jenkins:** But does that take you having to ask, though? Or does that take—? What does it take for that collaboration to start?

[151] **Mr Rowland:** I wouldn't have known that that requirement was there had I not heard Richard say it just now. But, certainly, we're always open to those kinds of requests. It's hard to know what requirements are out there until they come, but, as I say, we've got someone who works full time on analytics and I'd be more than happy to offer his services to help.

[152] **Mr Rowland:** Thank you.

[153] **Bethan Jenkins:** Despite you mentioning—[*Inaudible.*]

[154] **Mr Gurner:** It would have been wrong of me not to have said it. [*Laughter.*] Anyway, sorry—

[155] **Mr Rowland:** [*Inaudible.*]

[156] **Suzy Davies:** Thank you, Chair.

[157] **Mr Gurner:** That's great, and I really appreciate that offer, but it all comes at what level—. So, I've mentioned in my evidence that, for example, Newsquest, who I've gone head to head with on my patch—they can be quite aggressive. They've obviously seen us as a threat to their newspaper there, so they wouldn't necessarily help me with that. In terms of our patch, we are in slight competition with the *Rhymney Valley Express* at the top of the valley. So, offers from big media to help start-ups and independents—while that is welcomed, there will come a point where they will see those individual operations as, maybe, a threat and cut that support off. Likewise, in terms of public funding and talking about public funding, if any public funding was made available to media start-ups or to pay for journalists in certain areas that may be seen as having a deficit in journalistic output, then the bigger players will almost certainly have something to say about that.

[158] **Bethan Jenkins:** We're going to move on to the BBC local journalism plans now. Jeremy Miles.

[159] **Jeremy Miles:** [*Inaudible.*]—in your response, I think I heard you say you were having discussions with the BBC. Is that correct?

[160] **Mr Rowland:** Not in relation to the democracy reporter, it's—

[161] **Jeremy Miles:** Just broadly.

[162] **Mr Rowland:** —just how we can work more, you know—.

[163] **Jeremy Miles:** Okay. And do you have plans to engage with the BBC on their proposal to fund local journalists?

[164] **Mr Rowland:** Yes, on democracy reporters, absolutely. As Trinity Mirror, we've been involved in the discussions from the start about how that scheme could work, how it should work, and I think it's a really beneficial step. I have to say, personally, this idea of the BBC funding journalists and placing them in newsrooms I was initially sceptical about, but, having heard the detail of how it would work, I think it's very positive—

[165] **Jeremy Miles:** But perhaps you can elaborate on how it will work from your perspective.

[166] **Mr Rowland:** So, my understanding—and I imagine there are people involved from the BBC who actually co-ordinate it and can give you a more fulsome and comprehensive and—

[167] **Jeremy Miles:** I'm thinking how it might work for you..

[168] **Mr Rowland:** The way it would have to work for us, I think, would be the way it would have to work for anyone, in that there are very, very strict rules that will be attached to the employment. So, the way I understand it working is that we would get a—were we to successfully bid for three, say, of these reporters, we would be, effectively, given a grant to employ them. They would work for us, but there would be a significant number of contractual obligations around what they did. What our obligations were—. So, one of the things that's being actually raised repeatedly around this is that we would make cuts, so that we would cut people—

[169] **Jeremy Miles:** We'll come on to that, yes.

[170] **Mr Rowland:** As I understand, it will be in the contractual obligations provided by the BBC—that that would contravene the contract that we would sign, so we would be unable to do that. We would have no intention of doing that, anyway, but were we to have these people, we would forfeit our right to employ them if we were to make room for them by making cuts. That would not be our intention anyway. We are fully signed up to this project on the basis not of getting more bums on seats more cheaply, but in aiming to cover matters of local government more effectively than we are currently able to.

10:30

[171] **Jeremy Miles:** So, it seems, on the face of it, that those protections would be in place. But presumably, when you start looking at how that works in practice, there are some particular challenges, aren't there? So, you're mentioning three people, though you haven't—is that really what you're thinking of?

[172] **Mr Rowland:** Just off the top of my head now, the way it's organised is they are in what I think are called bundles—bundles of staff for groups of local authorities. My understanding, I think, is there will be three covering Cardiff, Rhondda and the Vale—I think that would be a bundle of three. And I think there are two designated for Swansea, Neath Port Talbot and Carmarthen—I might be wrong on that, but it's in those kind of ballpark areas. So, it would be our—. We're not in the bidding process yet, but it would be our intention to bid for the maximum possible number of reporters you could get, which I think would be three in our Cardiff office and two in Swansea.

[173] **Jeremy Miles:** Okay, so it could be as many as six, effectively.

[174] **Mr Rowland:** Yes. Well, five—I think.

[175] **Jeremy Miles:** Five, okay. And there's a grant, there's a sum of money that you get to employ those. What is that sum of money?

[176] **Mr Rowland:** I don't have that kind of detail on me, off the top of my head.

[177] **Jeremy Miles:** Okay, but it is available. Someone knows it now, basically, do they?

[178] **Mr Rowland:** That information is available from the BBC, yes.

[179] **Jeremy Miles:** Okay. And from your understanding of the discussions you've had, how long would that arrangement stay in place?

[180] **Mr Rowland:** I think, again, rather than giving you some information as fact now, I'd suggest you go to the BBC on it. As I understand, it's reviewed after—I think the period is two years. But, as I say, we're relatively early in the process. We haven't got to the stage yet where we're actually involved in that kind of nitty gritty—

[181] **Jeremy Miles:** In the detail.

[182] **Mr Rowland:** Yes, in terms of actually appointing these people.

[183] **Jeremy Miles:** Okay, and what was your timescale for that? When will the bidding process start and when will they be in place?

[184] **Mr Rowland:** The last I heard, in terms of being in a presentation with the BBC on this, which was back in the early part of this year, was that they were hoping to get the first reporter jobs in September. As I understand, that process has now slipped because everything with the BBC involves red tape, and I think it's been pushed back possibly to the new year. But, as I say, I can't be sure.

[185] **Jeremy Miles:** The commercial value of that is quite significant, isn't it, if you've got five salaries being paid, effectively. And presumably there'll be some ancillary funding around that, one imagines. But, the commercial value of that to you as a commercial organisation is quite significant.

[186] **Mr Rowland:** It is significant. The most significant part of it to us as an organisation is to ensure we can cover matters of local government that we are currently unable to, or do less well than we would like to. I mean, in terms of Cardiff, I think we cover Cardiff council extremely well, but this would give us scope to cover it better, or as well, or use resources to cover more investigative matters, which maybe we're not at the moment.

[187] **Jeremy Miles:** Is it your understanding—given the nature of the arrangements and the interest in all sorts of issues around them—that the arrangements would be public between you and the BBC?

[188] **Mr Rowland:** As I understand, yes.

[189] **Jeremy Miles:** They'd be published contracts, okay. So, to the extent that you know, at this point, the limitations on you in relation to making what would otherwise be managerial, operational decisions about where you allocate staff—what's your understanding of what the constraints are going to be?

[190] **Mr Rowland:** My understating of how they will work is that these people will be required to cover the council they are allocated on a full-time basis. That will mean—I mean, you know, they won't be able to therefore sit in every single meeting of that council. They would perhaps go to the full council, the committee hearings, and then the content they produce from that would be available as a wire service, effectively, to any other publisher that is signed up to that. So, there are two tiers. You can sign up to effectively host these reporters, and you can sign up to receive the content they produce. So—

[191] **Jeremy Miles:** And what's the advantage to you in signing up to host it if anyone else can get the content?

[192] **Mr Rowland:** I can't say for certain on this, but there are quite stringent—. There's been some controversy about this recently, relating to some hyperlocals. There are quite stringent limitations on you as an employer to receive them, in terms of having a full HR department and that there are—

[193] **Jeremy Miles:** No, I get why that would limit, from the BBC's point of view, who they want to host. I was just thinking, from your point of view, why would you just not take the content?

[194] **Mr Rowland:** So, from our perspective—

[195] **Jeremy Miles:** It's much less hassle.

[196] **Mr Rowland:** —I'm not convinced that there is anyone else in the areas where we operate who would be capable of hosting them. So, it's either we take them or—

[197] **Jeremy Miles:** Or they wouldn't happen—

[198] **Mr Rowland:** —they don't come here.

[199] **Jeremy Miles:** —is your perspective there. Okay. So, the other question that I didn't quite get to was that you described to me the roles of the individuals who are being employed, but the question I was actually asking is: what will be the constraints on you in terms of your decisions about hiring and not hiring, or dismissing other members of staff? Because that's the issue that's at the nub of this, that these people—we understand what they'll be doing, but they'll effectively be giving you the freedom, as it were, to dismiss or lose headcount elsewhere. And you've been clear that you don't wish to do that, but I want to understand how that would work in practice.

[200] **Mr Rowland:** That's a fairly hypothetical question about what may happen if we had them and—

[201] **Jeremy Miles:** No, no, the question I'm asking you is: what is your understanding of the constraint that you'll be under in relation to your decisions about staffing, apart from these individuals?

[202] **Mr Rowland:** My understanding would be that we wouldn't be able to, effectively, if you said we had five in, have a direct five in, five out arrangement. I think, effectively, the most—which we wouldn't, as I say, not to be misunderstood, which we wouldn't—. It'd be far from our minds.

[203] **Jeremy Miles:** We'll take that assumption, obviously, yes.

[204] **Mr Rowland:** So, I suspect the way that it would work most effectively, in practice, is that those people operated outside of your general budget. So, obviously, that would continue to be prone to market fluctuations and that kind of thing, and we will have to operate within that.

[205] **Jeremy Miles:** But if you've got a reporter now who's covering a bit of court work or a bit of local authority work, but isn't doing what you would like them to be able to do for all sorts of resource reasons that you've made clear, what prevents you, in the new arrangement with the BBC, from deciding, 'Well, we've got these five new people and, actually, we've got a bit of pressure on the budget, I can let that person go'—one of your current staff? I just wanted to understand what your understanding is of the limitations—

[206] **Mr Rowland:** I couldn't—I don't—. Having not seen the contracts and only heard verbally from the BBC what the contracts would involve, I wouldn't like to answer that question.

[207] **Jeremy Miles:** So, we just don't know the answer to that—

[208] **Mr Rowland:** At this point in time. As I say, we're a long way at this point in time from advertising for these people, from bringing them into the business. I wouldn't like to answer that question in terms of my understanding of what the contractual basis would be without seeing that contract.

[209] **Jeremy Miles:** Okay. Understood. Can I ask you, Richard, as well, what your level of—? Are you planning to engage with the BBC?

[210] **Mr Gurner:** Yes. So, unfortunately, I missed the cut-off date to put my interest forward to be part of the scheme, because I was under the assumption that the first level was to do with actually employing a reporter, which I thought long and hard about, and, quite frankly, I didn't want the hassle. I didn't want the hassle because it would seem that I was having, or that my company would be having, all the HR burden, but none of the real benefit. Because that content then could go elsewhere. And then, if I'm going to access that content, then, great. If I can't get to a council meeting in Caerphilly, or if my reporter, Ben, couldn't, then, great—we'd have that access there. Likewise, if I did have a BBC reporter in the office, we're very small, it's only me, Ben and Joanne. I think that would have caused a bit of a—. It wouldn't have felt right—

[211] **Jeremy Miles:** It would change the dynamics, yes.

[212] **Mr Gurner:** —because they'd be getting on with their stuff, and we'd be getting on with our stuff. And one of the very specific questions I asked the BBC when we had meetings with them through the centre of community journalism at Cardiff University, was, 'If I had a reporter and it was deadline day, and I needed them to help me do a page, would that be allowed?' And the BBC said, 'No, that wouldn't be allowed'. So, they are exclusively for council reporting. Now, how that is going to work in practice, how that is going to be monitored, I don't know.

[213] **Jeremy Miles:** But will you be signing up to the other service of receiving content, presumably?

[214] **Mr Gurner:** Yes.

[215] **Jeremy Miles:** I mean, why wouldn't you?

[216] **Mr Gurner:** Yes, exactly. So, when that reopens, I've made my intentions known to the BBC that, when that does reopen, I will certainly be signing up to that. But, yes, in terms of having a reporter on board, I just think it would cause a lot of headaches and it would put me in a very difficult position where I'd be employing somebody and be in control of them, but not in control of them, you know. It would be—. It just wasn't a good fit for me.

[217] **Jeremy Miles:** And do you understand, at this point, what getting access to that content involves? You don't pay for it, presumably, but you just get—what that means in practical terms.

[218] **Mr Gurner:** All I understand is that it is a wire service. So, I'm assuming that you'd log in to some website, and I think a tender has gone out on the BBC tendering website for a developer to try and work out what this system looks like.

[219] **Jeremy Miles:** And have you—it may be early days, it sounds, from what Paul's been saying, because discussions generally may not be very advanced, but do you have a sense of what the commercial value of that is to you, that wire service?

[220] **Mr Gurner:** Yes, massive, because it means, effectively, I've got another reporter to report on what's going on. But, again, who decides what's important in terms of that? So, are those BBC local democracy reporters just going to be attending full council meetings religiously, or are they going to be going to cabinet meetings or scrutiny meetings? The way I understand it is that it would have been up to individual organisations to decide where those go, but then that might not necessarily tally up with the sorts of council meetings that I would like the BBC to go—

[221] **Jeremy Miles:** So, in summary, then, if both of you sign up to the service, ultimately, it may be a situation where you're hosting the journalist, you're getting—and possibly deciding what the priorities are within an envelope of—

[222] **Mr Rowland:** Yes, I think so. As I say—

[223] **Jeremy Miles:** —and then Richard gets the content, basically, without much control.

[224] **Mr Rowland:** As I say, my understanding is that all the various types of council meetings that Richard has described would all be potentially what that person would attend, but it's all subject to time and clashes and all the rest of it. But, absolutely, there would be scope for discussion, I think, with the various parties involved, to decide exactly what was of priority that day.

[225] **Jeremy Miles:** So, you might envisage having discussions with Richard and others about the blend of content that's being created, if you like.

[226] **Mr Rowland:** Yes.

[227] **Mr Gurner:** Yes, and that's how I certainly imagine it in the future. So, when I was working for *The Argus* newspaper down in Brighton, there would be regular calls between the newsdesk and the local PA reporter, saying, 'Oh, are you covering this event today?' The PA reporter would be going 'yes' or 'no'. So, I would certainly envisage that sort of conversation taking place.

[228] **Bethan Jenkins:** We may have more questions to raise with you, if that's okay, but we won't have time now. We've gone over time significantly, but we will write you, if that's okay. But thanks for spending your time and coming in this morning. I'm sure we will have to write, because we've got other questions we weren't able to ask.

[229] Diolch yn fawr iawn am ddod i mewn y bore yma. Diolch. Gwnawn ni gael seibiant o ddwy funud nawr.

[230] Thank you very much for coming in today. We're going to have a two-minute break now.

*Gohiriwyd y cyfarfod rhwng 10:42 a 10:48.  
The meeting adjourned between 10:42 and 10:48.*

**Cyllido'r Celfyddydau: Briff Technegol ar Bolisi Caffael Llywodraeth  
Cymru: Swyddfa Archwilio Cymru  
Arts Funding: Technical Briefing on the Welsh Government's  
Procurement Policy: Wales Audit Office**

[231] **Bethan Jenkins:** Diolch. Rydym ni yn symud ymlaen at eitem 3, cyllido'r celfyddydau a'r briff technegol ar bolisi caffael Llywodraeth Cymru gan Swyddfa Archwilio Cymru. Croeso i Anthony Barrett, sydd yn *assistant auditor general*—dyna sydd gen i fan hyn—a Derwyn Owen, sydd yn gyfarwyddwr. Diolch yn fawr iawn i chi am ddod mewn.

**Bethan Jenkins:** Thank you. We move on to item 3, funding for the arts, and a technical briefing on the Welsh Government's procurement policy with the Wales Audit Office. Welcome to Anthony Barrett, who is assistant auditor general—that's what I have here—and Derwyn Owen, who is a director. Thank you very much to you both for joining us.

[232] Rydym ni eisiau gwneud y sesiwn yma achos rydym ni eisiau canfod a yw cyngor y celfyddydau yn gywir i ddweud fod yn rhaid iddo gaffael gwasanaethau yn hytrach na darparu grantiau ar gyfer gwasanaethau nad ydynt yn ymwneud yn uniongyrchol â chynhyrchu celf lle mae gwerth y gwasanaethau yn uwch na £25,000.

We're holding this session because we want to know whether the arts council is right to say that it has to procure services rather than provide grants for services that aren't directly involved in the production of art where the value of the services is above £25,000.

[233] Rydym ni eisiau trio deall a yw hyn yn benderfyniad cyfreithiol neu'n ddadansoddiad cyfreithiol o'r rheolau caffael, neu'n gydymffurfiaeth â chyfarwyddiadau Llywodraeth Cymru. Sesiwn wybodaeth yw, yn fwy na dim, er mwyn ceisio deall beth yw'ch rôl chi yn hynny o beth a beth fyddai eich barn chi pe byddech chi yn asesu neu'n archwilio i hynny o beth.

We want to try to understand whether this decision is based on legal analysis of the procurement rules, or compliance with Welsh Government instructions. It's an information session, more than anything, to try to understand what your role is in that regard and what your opinion would be with regard to auditing this particular issue.

[234] Pe buasai cyngor y If the arts council were to have given

celfyddydau wedi rhoi grant yn a grant rather than going through the  
hytrach na mynd drwy'r broses procurement process, and that it's  
gaffael, a'i bod yn dweud yn y llythyr stated in the remit letter from the  
*remit* gan Lywodraeth Cymru y dylen Welsh Government that they should  
nhw fod wedi troi caffael yn rhan o'r have included procurement as part of  
the contract. Would you have an  
cytundeb. A fyddai gyda chi farn ar opinion on that, or would you say,  
hynny, neu a fyddech chi'n dweud, 'Well, on this particular occasion,  
'Wel, ar yr adeg yma maen nhw wedi they've tried to bid for a grant, and  
ceisio am grant ac mae hynny yn that's acceptable?' What's your  
dderbyniol?' Beth yw'ch barn chi ar opinion on this process, if you could  
hyn, os mae'n iawn ichi roi eich barn give your opening remarks?  
ar hyn?

[235] **Mr Barrett:** Diolch. Thank you, Chair. I think the issue, in terms of whether something is a grant or a contract, is, to a certain extent, one of judgment. There are—. The Arts Council for Wales makes it clear in its funding policy; it provides some information around the differences between grant funding and procurement. Some examples I've seen, and, just recently, I've had a look at a couple of case studies, and I've looked at those and thought, 'Well, actually, you could decide that either way, depending on the particular services that you're looking for.' I think we would all expect that, if you're going down a procurement route, then you need to follow a proper process and there are rules set out, some of which reflect European legislation. I would just point out that neither the auditor general nor the Wales Audit Office make those rules in terms of procurement, but we will, where relevant, check that those rules have been followed.

[236] Now, I have to say, in relation to what is relatively small funding to Arts & Business Cymru, we wouldn't have looked at that specific transaction. But it is clear to me that—. I think it's a grey area in terms of whether something should be procured or something should be given by grants, and, as I say, we haven't done any specific audit work on this, so we haven't seen, for example, the rationale that might map decision making against the arts council criteria for what could change, because, as you'll be aware from previous evidence, Arts & Business Cymru was previously in receipt of grant funding, either ring-fenced through the arts council from Welsh Government or from the arts council itself. Then a move, which I don't think is unreasonable, to encourage organisations to become less reliant on public funding in times of austerity, and a move to contracting for certain services, and I, latterly, understand that, to assist Arts & Business Cymru, the arts council has been considering further grants for 2017-18 and 2018-19, as,

almost, transitional funding to get them to a position where they are less reliant on public funding.

[237] **Bethan Jenkins:** But if it said in the remit letter there was an expectation of a procurement process, for example, you would then expect that to happen, so it wouldn't be a matter of them seeking that advice and saying, 'Well, actually, we think a grant would be better'.

[238] **Mr Barrett:** I think it probably depends, as it often does, precisely on the wording of the remit letter. If the remit letter says, 'You should consider procurement', I would expect them to consider procurement, but they could equally say, 'We've considered procurement; it doesn't fit with some of the aims we're trying to achieve or some of the rules, so we will make a grant.' The expectation would be that they would first give consideration to procurement. I think what we tend to see in the remit letter is something that is more persuasive in terms of, 'We would like you to explore opportunities for organisations to be less dependent on public funding, and procurement could be a route for doing that, perhaps.'

[239] **Bethan Jenkins:** Okay. Jeremy.

[240] **Jeremy Miles:** Thank you, Chair. So, there are two sorts of decisions that the arts council need to make. The first decision is whether it's a grant or whether it's procured, and my understanding from what you've just said is that the source of guidance for that decision is going to be the remit letter. Is there anything else that they would take into account in making that decision?

[241] **Mr Barrett:** In their funding policy, they have an appendix, which sets out, if you like, the differences between grant funding and procurement.

[242] **Jeremy Miles:** But that's their own policy, generated—

[243] **Mr Barrett:** That's their own policy, yes.

[244] **Jeremy Miles:** —on the basis of consideration and board decisions, basically.

[245] **Mr Barrett:** Yes.

[246] **Jeremy Miles:** Right. And that would be informed by the remit letter,

principally, and—anything else?

[247] **Mr Barrett:** It will be informed by the remit letter. It will be informed by their own strategic priorities, and those sorts of things.

[248] **Jeremy Miles:** Right, but that's all internal to them, effectively.

[249] **Mr Barrett:** Yes.

[250] **Jeremy Miles:** Okay, thanks. And so, the second question is—having made the judgment based on those factors that it's going to be procured, you've got three sources of constraint, I suppose. One is the remit letter. One is the Welsh Government's guidance, and then you've got European—you've got a legislative framework.

[251] **Mr Barrett:** Legislation, indeed.

[252] **Jeremy Miles:** And so, that £25,000 figure—I believe, from my understanding of the papers—stems from the guidance rather than, certainly, the European legislation, and perhaps not even the remit letter. Is that—? Am I correct in that assumption?

[253] **Mr Barrett:** Yes. Most organisations will set limits at which they need to do things, based on guidance they receive. You're quite right; European legislation tends to look at much higher levels over periods of time. My understanding is that, in most cases, if you're going to spend between £5,000 and £25,000, we'd expect organisations to get three quotes. Then, once it's £25,000—and we've done this ourselves in the Wales Audit Office—you then need to advertise open competition through Sell2Wales.

[254] **Jeremy Miles:** Right, so that's—you're describing now what seems to apply to a range of organisations, and the information you're giving us is essentially coming from the Welsh Government's guidelines.

[255] **Mr Barrett:** Yes.

[256] **Jeremy Miles:** Okay. And the guidelines are presumably consistent—I think you're probably going to say 'yes'—with the framework, the legislative framework. There's nothing that is inconsistent in those.

[257] **Mr Barrett:** Not that I'm specifically aware of. I mean, we have got a

study on procurement that will be reporting over the summer that takes a look at the changing landscape of public procurement in Wales, but also looks at one of the specific procurement consortia, the National Procurement Service. That will be coming out and that may well tease out or present some differences in the way that different organisations operate within the procurement landscape.

[258] **Jeremy Miles:** All right, great. Thank you very much.

[259] **Bethan Jenkins:** In the letter from the auditor general to us, it states, and I quote:

[260] 'the Arts Council is required to undertake the activities as directed within the Council's remit letter, whilst complying with public procurement regulations in Wales as issued by the Welsh Government, namely Managing Welsh Public Money and the Wales Procurement Policy Statement.'

[261] Can you clarify which Welsh Government procurement regulations you're referring to? You mention Welsh public money and the Welsh procurement policy statement, and they're guidance rather than regulations.

[262] **Mr Barrett:** Well, it was those two that we were specifically referring to.

[263] **Bethan Jenkins:** So, those two.

[264] **Mr Barrett:** Those two, yes: 'Managing Welsh public money' and the procurement policy statement.

[265] **Bethan Jenkins:** Okay. I think, then, we've covered everything. So, within the remit letter, it wouldn't be something that they would be contravening on any legal basis. Therefore, if the arts council said, 'We take that you're asking us to procure, but we've actually come to the decision, based on x, y and z, to choose to do otherwise'—.

[266] **Mr Barrett:** Yes. It very much depends specifically on the wording of the remit letter. If the remit letter were to say—. Well, in effect, it would have to say, 'You will stop giving grants and you will procure everything'. It's unlikely to say that. What it is going to say is to encourage organisations to take, perhaps, a more commercial approach to that, and they still have the scope to do that.

[267] **Bethan Jenkins:** While I look for the exact wording, Jeremy Miles will ask you another question.

[268] **Jeremy Miles:** Perhaps I should know this, but what was the sanction for not—? If there is no legal constraint and it's a guidelines issue, what is the sanction for failure to comply with guidelines?

[269] **Mr Barrett:** If, as is usually the case, most of the guidelines and guidance are, in effect, enshrined within the organisation's own regulations and policies, failure to follow their own policies and regulations could deem the transactions, from an audit point of view, to be unlawful.

[270] **Jeremy Miles:** Okay. Right, but the trigger for that is the internal vires of the company or the organisation itself, basically.

[271] **Mr Barrett:** Yes.

[272] **Jeremy Miles:** Provided it's incorporated the external rules in the way that you're describing.

[273] **Mr Barrett:** Yes, or other rules, whatever those rules happen to be, yes.

[274] **Jeremy Miles:** Okay, but that is the trigger, nothing independent of the organisation's own—

[275] **Mr Barrett:** No, not that I can think of.

[276] **Jeremy Miles:** —frameworks and guidelines and policies.

[277] **Mr Barrett:** No, no.

[278] **Jeremy Miles:** Okay, thank you.

[279] **Bethan Jenkins:** Dai Lloyd.

[280] **Dai Lloyd:** I am interested by your point, in terms of procurement versus grant—. It seems to be that some fluidity of definition would be allowable in terms of—. As Jeremy's pointed out, there are usually fairly rigid guidelines as regards financial transactions, and yet you seem to be indicating that it could be procurement, it could be a grant—it depends on—. That doesn't sound very rigid. It sounds a bit more fluid than I was

expecting.

[281] **Mr Barrett:** Yes, because of the apparent greyness I see, I think there is some fluidity. I think that, in the particular issue in relation to the Arts Council of Wales, what's not clear to me—and I'm not suggesting that there's a problem with it, but I haven't seen anything that documents, in effect, the arts council giving grants to Arts & Business Cymru; they're no longer giving grants, so are they, in effect, obtaining a different type of service from Arts & Business Cymru—that would be the presumption—but now are going to move to provide them with grants again? Now, I would expect some movement in terms of the services they were obtaining to be reflecting that, because there is meant to be a distinction between the services that are funded through grants and those that are procured. Now I would be very surprised if that doesn't exist in terms of that thinking, particularly against the arts council's funding policy.

[282] **Bethan Jenkins:** Okay.

[283] **Jeremy Miles:** So, just against the same set of facts, if you like, you wouldn't be—they'd be irrational to be applying a different route as between grant and procurement if they were getting the same service, basically.

11:00

[284] **Mr Barrett:** I would be interested in the reasoning, because then that makes the distinction between grant and procurement very—very grey indeed, I have to say. So, I would expect a rationale to be there for the change.

[285] **Bethan Jenkins:** Suzy.

[286] **Suzy Davies:** Well, the rationale we were given by the arts council's chief executive is, basically, if you're not directly involved in the production of art, your services have to be procured. Is that what's reflected? So, what's changed?

[287] **Mr Barrett:** Well, exactly. I'm assuming something changed, because they were giving grants, and my understanding of Arts & Business Cymru is that they do not directly provide arts, so they were getting a grant, then they're not getting a grant, and then they are getting a grant again. That could be entirely fine, but it's just understanding—. I think the committee

might find it useful—and I don't have the answer—to understand that rationale, and not just in relation to this particular example. There will be much wider implications, really, for organisations, not just in the third sector, but in terms of—they need clarity as well, around whether it's grant or whether it's procurement.

[288] **Bethan Jenkins:** Okay. The exact wording is:

[289] 'I would expect to see the Arts Council to provide, either itself or through appropriately tendered contracts with expert providers, advice and assistance covering a range of topics.'

[290] So, I think the words there are 'appropriately tendered contracts'. So, if you saw that, how would you interpret that?

[291] **Mr Barrett:** In relation to, I think, what comes after that, in terms of the advice, et cetera, and internal stuff, then I would expect that they properly procure contracts. I'm not sure that that necessarily covers the totality of what arts Wales needs to fund. So, I think the arts council will still continue to make grants.

[292] **Bethan Jenkins:** Yes, okay. So, it would just be, then, a change of wording within the remit letter or—.

[293] **Mr Barrett:** Yes, I think so. I think so.

[294] **Suzy Davies:** This is the remit letter.

[295] **Bethan Jenkins:** Yes.

[296] **Jeremy Miles:** Can I just come in on this, just to get my head around what is the difference for Arts & Business Cymru of a grant route and the procurement route? Both end up in a contract, presumably.

[297] **Mr Barrett:** It's probably—. No, with a grant, it's probably not a contract.

[298] **Jeremy Miles:** But there'll be a requirement to deliver.

[299] **Mr Barrett:** There'll be an award of grant that sets the criteria. Exactly. What you tend to have with procurements and contracts are much harder

defined outputs and metrics, and something that says, 'If you fail to deliver, this is how we can take action on you through the courts.'

[300] **Jeremy Miles:** Okay, fine. So, in the language that we're talking about, the grant giving, you wouldn't expect to see anything more than, 'Here's the money. This is what we expect you to give us.'

[301] **Mr Barrett:** And there would probably be something around the monitoring arrangements, et cetera, that you'd expect the awarding body to have in place.

[302] **Jeremy Miles:** It's much looser, basically.

[303] **Mr Barrett:** Yes.

[304] **Bethan Jenkins:** Are there any other questions? Okay, I think that's shone some light on it. Can I just ask, as a final, final question—? You say, obviously, you wouldn't necessarily look at Arts & Business Cymru because of the size of it. Obviously, some of the grants are bigger than others within the Arts Council of Wales, but at what point would you potentially look at these types of transactions? Because, of course, we've just had one example, because it was a timely one and one that came to us as a committee. Would you be satisfied, or would you be minded to carry out a piece of work on these types of transactions or why they're changing direction so that people in the sector can fully understand where it's going or how they're supposed to be putting forward their contracts in the most appropriate way—if they understand the process or if they don't understand the process?

[305] **Mr Barrett:** Yes. I think there's two parts there to what you're asking. The first one is, when we're looking at the accounts of the arts council, we apply a concept of materiality. So, we typically wouldn't look to test things that were under about £500,000 or £600,000. I think £600,000 is about the materiality. Having said that, we do test individual items, but something like funding to Arts & Business Cymru is a relatively, from an accounting point of view, straightforward transaction. So, we would just look at the accounting bit.

[306] On the second point, I'm more than happy to take back the possibility of us having a look at, particularly off the back of our work on procurement, which will be coming out in the summer, whether there's further work we need to do around the grants versus procurement aspect, and possibly not

just in relation to arts funding, but other things as well. So, we can certainly take that back and feed that into our programme and see where it fits in terms of the overall relative priorities.

[307] **Bethan Jenkins:** Great. That would be very useful. If you do do something, then please do get in touch with us and let us know.

[308] **Mr Barrett:** We will do. Of course.

[309] **Bethan Jenkins:** Diolch yn fawr **Bethan Jenkins:** Thank you very much iawn am ddod i mewn. for coming in.

[310] **Mr Barrett:** Diolch.

[311] **Bethan Jenkins:** Thank you very much for coming in. We'll just have a one-minute break. Thank you.

*Gohiriwyd y cyfarfod rhwng 11:05 ac 11:06.  
The meeting adjourned between 11:05 and 11:06.*

**Cyllido'r Celfyddydau—Briff Technegol ar Bolisi Caffael Llywodraeth  
Cymru: Llywodraeth Cymru  
Arts Funding—Technical Briefing on the Welsh Government's  
Procurement Policy: Welsh Government Officials**

[312] **Bethan Jenkins:** Bore da. **Bethan Jenkins:** Good morning. This Dyma'r sesiwn nesaf ar bolisi caffael is the next session on the Welsh Llywodraeth Cymru. Diolch a chroeso Government's procurement policy. i Sue Moffatt, cyfarwyddwr y Welcome to Sue Moffatt, director of gwasanaeth caffael cenedlaethol, a the national procurement service, Peter Owen, pennaeth cangen polisi'r and Peter Owen, head of arts policy celfyddydau. branch.

[313] Byddwch chi wedi clywed yr You will perhaps have heard what the hyn y mae'r swyddfa archwilio wedi audit office have told us this dweud wrthym, efallai, y bore yma— morning, namely that it depends on ei bod hi'n dibynnu ar yr hyn sydd yn what is put in any remit letter for the cael ei roi yn y llythyr *remit* i'r cyngor arts council in relation to what they celfyddydau, yr hyn y maen nhw'n ei do as regards procurement or grants. wneud o ran caffael neu o ran Could you perhaps tell us how rigid

grantiau. A allwch chi ddweud wrthym ni pa mor gadarn yr ydych chi'n asesu'r ffaith bod cyngor y celfyddydau yn penderfynu caffael yr hyn yr ydych chi'n ei roi yn y llythyr, neu efallai eu bod nhw'n edrych ar y broses gaffael ac yn penderfynu nad yw hynny yn rhywbeth iddyn nhw? A ydych chi'n mynd i'w dal nhw at eiriad y llythyr, neu a ydych chi'n mynd i dderbyn *rationale* cyngor y celfyddydau fod angen iddyn nhw wneud pethau, efallai, mewn ffordd wahanol i'r hyn sydd wedi cael ei amlinellu yn y llythyr gan y Llywodraeth?

you would assess that to be in relation to the arts council making decisions on procurement regarding what is put in the letter? Do they maybe look at the procurement process but then decide that it's not for them? Would you hold them to the exact wording of the letter, or would you accept the rationale of the arts council that they need to do things in perhaps a different way to what is noted in the letter from Welsh Government?

[314] **Mr Owen:** Thank you. Perhaps I could come back on that. I don't see the remit letter in quite those terms, actually. I think, for us, the remit letter is the Minister's expression of what he would like the Arts Council of Wales to focus on in policy terms. It's not something that we would typically use to lay down or prescribe anything relating to the way services are actually delivered via grants or procurement. I think, as the auditor general was saying, the guidance on that would be more on 'Managing Welsh Public Money' and obviously other associated Treasury guidance. So, for us, the remit letter is very much about the policy priorities in broad terms that the Minister would like arts council to focus on.

[315] **Bethan Jenkins:** So, where you have words like 'appropriately tendered contracts', what do you mean by that? Obviously, I wouldn't want to put words into the arts council's mouth, but I think they've interpreted that as procurement, and therefore they've said to us, 'Well actually, that's the only game in town, so we have to do it that way'.

[316] **Mr Owen:** I don't actually recognise that phrase. It's possible I missed it, but I don't think that's in the remit letter—

[317] **Bethan Jenkins:** It's the 2016–17 remit letter.

[318] **Mr Owen:** Right. Last year's remit letter.

[319] **Bethan Jenkins:** Yes.

[320] **Mr Owen:** I think certainly it's true to say that we have put more emphasis, in the last two remit letters, on the arts council developing and expanding the range of support and advice that's available to arts organisations on raising money from non-public sources, because we're obviously aware that the landscape has changed. So, for the organisations the arts council supports, I guess we'd expect that advice to include in certain instances knowhow about procuring of services where that's relevant. But the bottom line is that the arts council itself is primarily a grant funder, and, obviously, for certain non-arts-related services, yes, it will procure services, but, in the great majority of cases, the arts council will be distributing its money via grants.

[321] **Bethan Jenkins:** But you wouldn't see it as an issue if they decided to—I mean, because, in this instance, they've gone from grants to procurement and back—you wouldn't see it as a problem, only that it was specific as to what that grant or what that procurement process was going to do.

[322] **Mr Owen:** I don't think we'd see it as a fundamental problem, no. I think, because, as I said earlier, this particular area is not on, sort of, mainstream arts delivery, it's more on support services. So, I think that we recognise that a procurement route might be more suitable in that situation. But, certainly, for the great majority of their artistic work, we would expect it to be the grant route.

[323] **Bethan Jenkins:** Do Members have questions? Does anybody have a question?

[324] **Jeremy Miles:** Would it be relevant, in making the judgment as to whether you go down the grant route or the procurement route, whether or not there's likely to be a range of potential suppliers of that service? Would that be a relevant consideration? Or would you expect an organisation to just make the offer, you know, to tender for the contract regardless and just see what comes back? Is there a sort of earlier point in which you kind of assess whether it's worth the candle, bluntly?

[325] **Mr Owen:** Yes, I think there would be. I would agree that that's a judgment that the arts council would need to make, or should be making, in line with our procurement guidance. I think, in effect, that's what's happened here, isn't it? It's that, possibly, they've got that judgment slightly wrong,

because they decided that they wanted to go out to procurement, they tested the market through a pin notice and, in fact, they found that nobody really came forward able to deliver that range of services. So, they've gone back to provide a transitional grant. But I would agree.

[326] **Jeremy Miles:** But that's problematic in a sense, isn't it? Because you're making what seems to me, if I may say, a sort of sensible distinction between the core job, if you like, of the arts council, which is to fund arts organisations through grants, and then, you know, a sort of ancillary set of operational requirements, which is, 'We need to get stuff in to keep the show on the road', bluntly, if I can just put it in those terms, and it obviously makes sense to deal with those sorts of things in a slightly different way. But, it's critical, then, to get that judgment right, whether you've got a potential range of suppliers for those things, isn't it? That's the key point.

[327] **Mr Owen:** It is, and I think it's something that we would want to reflect on with the arts council through the monitoring structures that we have, and we meet them very regularly. And, certainly, we have talked about this issue in recent meetings. I think they would acknowledge that they're not experts in all aspects of procurement.

[328] **Jeremy Miles:** Sure.

[329] **Mr Owen:** They have people who have been trained in procurement within the organisation at a fairly senior level, but, as happened in this case, they do also use consultants for specialist advice. And, again, maybe in this particular instance the judgment wasn't quite right about whether those skills and services were out there in the market.

[330] **Jeremy Miles:** Okay, thank you.

[331] **Bethan Jenkins:** Suzy.

[332] **Suzy Davies:** Can I just develop that? Because I think that—*[Inaudible.]*—core work and procured services. In the procurement system, I don't pretend to know the guidelines on this backwards by any stretch, but if you're trying to procure services, which I think is the territory you're in now, and there is only one supplier, you don't have to go through the whole tendering process necessarily, but you would expect similar terms and conditions to apply, even to a single supplier, which would be different from a grant recipient, certainly in terms of monitoring and reporting, and

sanctions is an issue you raised earlier, and returning moneys if they're not spent in accordance with the contract. So, there is still a question, I think, about whether reversion to grant status was appropriate for ABC in this circumstance. Are those the kinds of questions you will be asking to the arts council about what firmer obligations they expected, notwithstanding they were the sole supplier?

[333] **Mr Owen:** Yes, they are. I think that's a very fair point, but I would also point out, even with a grant, it's pretty standard in the arts council's terms and conditions that if the recipient is not meeting the terms of the grant, there is that clawback provision, and—

[334] **Suzy Davies:** Those companies usually don't have any money to claw back from, in my experience of working in the arts, whereas it's different if you're dealing with a commercial supplier.

11:15

[335] **Mr Owen:** True, but typically the payments will be staged, and so if there is evidence of the terms of the grant not being met, then obviously those staged payments can be withheld.

[336] **Suzy Davies:** I see what you mean. Okay, thanks.

[337] **Ms Moffatt:** If I could add to that, even if there was only one commercial supplier in the market, you would still run a tender process to ensure that the supplier can meet the requirements for what you want to buy. You would also expect that they would deliver value for money, so you would look to benchmark their tender to ensure that it's within the financial envelope for the service that you're buying or the goods that you're buying. Even if there is one sole supplier.

[338] **Suzy Davies:** That's encouraging, thank you.

[339] **Bethan Jenkins:** I just wanted to ask, because Suzy asked earlier about the fact that the arts council was saying, 'Well, the other organisations that receive the grant are ones that are directly delivering arts provision, whereas Arts and Business Cymru are not'. Do you think—perhaps this is going beyond your brief—that it's fair to make that differentiation just because they happen to not do the delivery of an artistic scheme, that they would make that distinction in grant versus procurement? As you just explained,

you could procure to—say, there could be a dance company in south Wales and north Wales, and they could procure and put forward an application, and it might introduce a company that you've never heard of before, whereas if they give a grant, they potentially could go to the same people that they've always known, because that's what they've always done. So, would you be able to say, 'Well, actually they could change the way that they operate in other ways, not only in relation to how they've treated Arts and Business Cymru'?

[340] **Ms Moffatt:** Normally, if I was going to make the decision between a grant and a procurement, I would expect there to be some sort of market analysis. Are there a healthy number of third sector bodies that might all want to bid for a grant? Then you might run a more open process to take applications for a grant based on what you wanted to deliver, even if it's not delivering arts—it's delivering a service to support the arts. Likewise, if there's a mix of third sector arts suppliers and commercial suppliers, you run the risk of some form of legal challenge or some form of media interest if organisations are saying, 'Well this supplier, or this charity or this arts body, is being favoured', and then not actually opening it up to a competitive market to deliver value for money.

[341] **Mr Owen:** Perhaps if I could add to that, I think it's a fair point to make. I think whether it's subsidy or contracting often depends on, as you say, the extent to which the market is able to provide the product without subsidy. But I think it's important to point out that a lot of the recipients of arts council subsidy, the amount of subsidy that they are receiving is gradually reducing. I suppose a very good example of that would be the Wales Millennium Centre, where the subsidy is very much targeted on specific activity, and, in their case, it's the educational community and outreach work, whereas the purely commercial thing of selling seats in the WMC is pretty much washing its own face now in terms of no subsidy. So, I think, grant or tendering, it's a difficult judgment, but it very much reflects what the market conditions are out there.

[342] **Bethan Jenkins:** Okay, thank you. If you don't have any questions, we'll leave it at that. Thank you very much for your time. Diolch yn fawr iawn.

**Papurau i'w Nodi**  
**Papers to Note**

[343] **Bethan Jenkins:** Eitem 5, **Bethan Jenkins:** Item 5, papers to papurau i'w nodi. Papur 5.1, llythyr note. Paper 5.1, a letter from London gan Ysgol Gymraeg Llundain at Suzy Welsh School to Suzy Davies. Does Davies. A oes gan unrhyw un sylwad anyone have any comment on that ar y llythyr yma? letter?

[344] **Suzy Davies:** Unless you all want a visit to the school at some point in the new year. I'll go and visit. That's fine.

[345] **Bethan Jenkins:** I'm happy to arrange a visit if that's what people want. We'll have a look into it. Okay.

11:19

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd  
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public  
from the Meeting**

[346] *Cynnig:*

*Motion:*

[347] *bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o weddill y exclude the public from the cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in 17.42(vi). accordance with Standing Order*

*17.42(vi).*

*Cynigiwyd y cynnig.*

*Motion moved.*

[348] **Bethan Jenkins:** Eitem 6, felly, i **Bethan Jenkins:** Item 6 is a motion symud ymlaen, yw'r cynnig o dan under Standing Order 17.42 to Rheol Sefydlog 17.42 i benderfynu resolve to exclude the public from gwahardd y cyhoedd o'r cyfarfod, os the meeting, if everyone's happy with yw pobl yn hapus gyda hynny. Diolch. that. Thank you.

*Derbyniwyd y cynnig.*

*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11:19.*

*The public part of the meeting ended at 11:19.*