

Council Minutes – meeting 156

Date of meeting:	Friday 9 December 2016.
Venue:	The Arts Council of Wales, Cardiff.
Present:	Phil George (PG), Richie Turner (RT), John Williams (JW), Marian Wyn Jones (MWJ), Andrew Miller (AM), Lesley Hodgson (LH), Margaret Jervis (MJ), Iwan Bala (IB), Alan Watkin (AW), Melanie Hawthorne (MH), Kate Woodward (KW) and Mike Griffiths (MG).
In attendance:	Nick Capaldi (NC), David Alston (DA), Hywel Tudor (HT), Sian Tomos (ST), Diane Hebb (DH), Kath Davies (KD), Betsan Moses (BM), David Newland (DN) and Katy Brown (KB) – minuting.
Apologies:	Andy Eagle (AE)
Observing:	Tim Jenkins (TJ)
Translation:	Rhian Huws (RH)
Status of paper:	For public release.

	Action
<p>1. Welcome, introductions and apologies</p> <p>The Chair welcomed members to the meeting held at the offices of the Arts Council of Wales, Cardiff. The Chair welcomed KW back from maternity leave and the newly appointed Council member, IB.</p> <p>PG introduced Council members and staff to IB.</p> <p>Apologies were recorded.</p> <p>Council members congratulated KB on her recent wedding.</p>	

2. Declarations of Interest (to note)

Members of Council asked for Declarations of Interest to be recorded in the minutes (attached as an appendix to these minutes).

The following were noted:

RT – asked that the following organisations be added:

- Arts + Minds IPP Project (Head4Arts, Tai Calon Community Housing)
- Aneurin Leisure Trust
- Hay International Festivals Ltd.

MG – asked that the following be added:

- Member Teach Cymru Advisory Board and Member of project board school of education University of South Wales.

3. Minutes of the meeting held on Friday 14 October 2016

The Minutes of the meeting were **approved**.

4. Matters arising

All action points were reported as completed.

Strategic Equality Plan

RT reported that he and DH had hoped to bring the Strategic Equality Plan Report to the meeting. However, it was reported that the most recent monitoring figures weren't currently available. It was also noted that the recent consultation exercise had revealed important issues that deserved a wider conversation with the sector, and not just the Equality Monitoring Group. The intention is, therefore, to present the Plan to Council at its March meeting.

Council Recruitment

At the last meeting PG asked for Council members to forward proposals of any suitable candidates for Council membership. PG expects to be notified by the Welsh Government of those who have applied on 10 December. He will keep Council informed of the process.

5. Committee Minutes

5.1 Audit and Risk Assurance Committee – meeting held on 5 October 2016

The report was **noted**.

5.2 Audit and Risk Assurance Committee – meeting held on 7 December 2016 – verbal report

LH provided an overview of the key business conducted at the meeting.

LH/HT attended a Wales Audit Office seminar for Chairs

Committee members also had the opportunity to meet staff members at their meeting. This was welcomed and would become a regular part of future meetings.

The Committee had discussed in detail matters relating to the Organisational Review. (It was agreed that the Committee’s feedback would be reported during item 6 on Council’s agenda.)

LH reported that overall the Committee welcomed the rigour and detail of officer reports. However, the Committee offered some further suggestions as to how the usefulness of reports could be improved. Officers would be incorporating these improvements into future reports.

Committee members did, however, express dissatisfaction with the delays in implementing some audit recommendations. They asked that appropriate action be taken as a matter of urgency to address this. Members were especially keen to see more progress on those issues that were still outstanding after the original deadline for completion had passed. Officers will look at resolving the matter.

LH reported that the Annual “Penetration Tests” – a key part of our strategy for managing cyber security – had been a success.

The report was **noted**.

5.3 HR & Remuneration Committee – meeting held on 11 November 2016

MJ provided an overview of the key pieces of business conducted at the Meeting.

MG pointed out that he would be the only Council member on the Committee once MJ’s term comes to an end on 31 March 2017. PG will look at appointing a new Council member.

The Committee had discussed in detail matters relating to the Organisational Review. (It was agreed that the Committee’s feedback would

PG

be reported during item 6 on Council's agenda.)

An important focus for the Committee's attention was the HR Management Information Report which included analysis of a wide range of staff related information and statistics. It was noted that information on Disabilities had been omitted from the report. This would be put right in future reports. The Committee also expressed concerns about the level of diversity within the organisation. RT noted that this was also a key issue for the Equalities Monitoring Group.

The Committee received a comprehensive report on progress to meet the HR aspects of the new Welsh Language Standards.

The report was **noted**.

5.4 Capital Committee – meeting held on 26 November 2016

JW provided an overview of the key pieces of business conducted at the Capital Committee Meeting, which had been held in the new Storiol building in Bangor.

The committee **recommended** that Committee member Alan Hewson be reappointed for a further term. Council **agreed** to the recommendation.

Pontypridd YMCA

RT declared an interest.

It was reported that the most recent meetings have seen a positive shift in progress and momentum in the project.

Pontio

KD updated members on the position of the Pontio project. She was also able to report that as practical completion of the project had been agreed by Bangor University, outstanding Lottery payments had now been made.

Ideas: People: Places

AW suggested that Council might be interested in hearing more about the interesting work happening under the banner of Ideas: People: Places. PG asked ST consider when would be a good time to bring a fuller report to Council.

The report was **noted**.

ST

5.5 Welsh Language Monitoring Group – meeting held on 21 November 2016

MWJ provided an overview of the key pieces of business conducted at the Welsh Language Monitoring Group.

Welsh Language Standards

MWJ thanked Angela Thomas, Planning, Performance & Compliance Manager, for all her hard work in co-ordinating the work around the Welsh Language Standards. The targets for completion of the Standards work are very challenging, but the group is optimistic that those processes and policies that need to be in place by the end of January 2017 will be completed to schedule.

The report was **noted**.

5.6 Future Generations Monitoring Group – meeting held on 22 November 2016

MH provided an overview of the key pieces of business conducted at the Future Generations Monitoring Group Meeting.

MH reported that our internal auditors, Deloitte, had recently completed an advisory assessment of practice around the Arts Council's Sustainable Development work. Deloitte's report acknowledged that this was new territory for all public bodies, but felt that the Arts Council was responding well to the requirements of the sustainability agenda and the Welsh Government's Well-being of Future Generations Act.

The report was **noted**.

6. Organisational Review 2016

6.1 Staff consultation – Council's response

NC presented the paper which provided information on the preparation of Council's response to the most recent staff consultation. He reported that a large number of staff responses had been received, and these had been collated by the Organisational Review Project Group into the single summary document. This summary document was made available to all staff. It was also circulated to Council and Committee members.

Members asked if NC was confident that the document was representative of the responses that had been received. He replied that he believed this to be the case, a view that had been confirmed by our union colleagues.

<p>NC thanked those Council members who had already provided comments on the draft response.</p> <p>He also noted the input of a specially convened meeting on 29 November that had specifically focused on the consultation response. NC explained that this had helped to shape the draft response (attached as an Appendix to the paper). More importantly, it had also influenced the formulation of the final staffing model.</p> <p>Council discussed the draft response and suggested some further refinements to the text.</p> <p>Council:</p> <ol style="list-style-type: none"> 1. Agreed the basis for the final version of the consultation response (which would be made available to staff) 2. Delegated to the Chair and Chief Executive responsibility for finalising the text of the document 	<p>PG/ NC</p>
<hr/>	
<p>6.2 The final model</p>	
<p>NC took Council members through the paper explaining the recommendations for the final staff structure model.</p> <p><u>Context</u></p> <p>Increasing cost pressures required us to reduce our running costs, with a consequent decrease in staff numbers. Council also wished us to explore changes to the way that we work, helping to ensure that we continue to remain relevant and effective.</p> <p>In September Council published a set of staffing proposals. These have been the subject of formal consultation with staff.</p> <p>As well as the consultation with staff, Council asked for views from the Audit & Risk Assurance Committee and the HR and Remuneration Committee. Both have considered the proposals in detail – the HR & and Remuneration Committee in November, and the Audit & Risk Assurance Committee on two occasions in September and December.</p> <p>A response had also been sought from the Welsh Government. The Welsh Government’s view was that these were matters for Council’s decision. However, the Welsh Government offered advice on those aspects of the proposals where Council should confirm that it has adequate assurance.</p>	

All of these considerations were factored into Council's development of the final structure model.

Financial implications

As part of the Review process officers have examined all areas of non-staff running cost expenditure in an effort to meet Council's objective of minimising compulsory redundancies. This exercise had identified some £200,000 of non-staff costs that we can save on an ongoing basis.

This meant that £370,000 was the minimum that we must be found from staffing reductions as we set a new cost base from 2017/18. It was estimated that the staffing proposals now being recommended would deliver savings on staff costs of around £405,000.

It was noted that we will incur additional transitional costs in the short term. The most significant of these is redundancy. At this stage we're not able to quantify these definitively as the actual staff who will be leaving have yet to be identified. However, on current estimates it was anticipated that the approximate payback period on redundancies would be between 11 and 13 months. Council noted the further areas of potential cost saving that would help keep within spending caps in future years.

Staffing proposals

As a result of the consultation process, NC reported that the new proposals built back staff capacity in a handful of key areas. This reduced slightly the number of job losses that had been envisaged in the original proposals agreed in September. However, it was felt that the additional cost is outweighed by the additional assurance that the revised proposals offered.

It was noted that we currently employ 75.3 full-time equivalent (fte) staff (excluding the Creative Learning Team). Our September proposals advocated a reduction of 9.5 fte posts. Reductions will still be made across the organisation. However, our revised proposals recommend a lower reduction – 8.2 fte posts (or c.11% of current staff numbers).

Council discussed each aspect of the staffing proposals in turn. (Directors left the room for the duration of the discussion of senior leadership team posts.)

Terms and conditions

NC reminded Council that part of our cost reduction strategy involved looking at aspects of our Terms and Conditions of employment as one strategy for mitigating the potential scale of job losses.

<p>It was noted that we had reached agreement with our recognised trade union, Unite, on a new Redundancy Policy.</p> <p>Consultation on the Pension scheme focused on our proposal to equalise the employee contribution rates at 6%. This had been subject to a legally prescribed process individual consultation with staff.</p> <p>Equalisation of contributions rates represents an increase for longer serving members of staff who are currently paying 1.5% or 3%. We offered, as part of the consultation, two options to help mitigate the impact of the increase. We also offered two options for mitigating the rate of increase.</p> <p>Council:</p> <ol style="list-style-type: none"> 1. Agreed the staffing proposals 2. Agreed the changes to Terms and Conditions 3. Agreed Option 1 as the basis for changing Pension provisions 4. Agreed that increased pension contributions should <u>not</u> be applied to those members of staff who find themselves redundant 5. Agreed that the alignment of the pension age with State Pension Age should commence on 1 April 2018. 6. Delegated to the Chair and Chief Executive responsibility for finalising the text of the document "Moving Forward" <p>Council also noted that an Implementation and Transition Plan was being prepared. They requested that a copy of the document should be circulated in draft to Council members.</p> <p>It was also suggested that a small task group of Council would be established to support senior leadership team during the implementation of the new structure. PG to discuss with potential members.</p> <p>It was noted that a task group of Council would be meeting in the new year to progress the redeployment of staff. The group would be joined by an independent external adviser from ACAS. PG, who would be chairing the task group, would finalise Council membership of the task group.</p>	<p>PG/ NC</p> <p>ST</p> <p>PG</p> <p>PG</p>
<p>7. Strategy 2017/18</p> <p>7.1 Operational Plan 2017/18</p> <p>NC provided a presentation as a precursor to the preparation of the Operational Plan for 2017/18.</p> <p>Council discussed the cultural, social, financial and political context for the</p>	

Arts Council's work in the coming year.

The following points were noted:

- the implications of the Organisational Review – and the transition to the new operating model – would need to be an appropriately significant part of the Plan in 2017/18
- resources – financial and staffing – would be a key issue. It was particularly important that if new initiatives or projects were to be considered, the resource implications should be carefully assessed
- work on the Corporate Plan 2017-2020 would also be beginning over the coming months. Although the Corporate Plan would not be completed until later in the year, adjustments should be made in the interim to ensure that the current Corporate Plan and Operational Plan for 2017/18 align
- the Welsh Government Remit Letter would be likely to include requirements around new policy areas included in the Programme for Government (Arts and Health, creative industries, international, the Music Endowment, Creative Learning, infrastructure development etc.)
- ensuring that Arts Council funded activity reached a wider and more diverse audience would continue to be a high priority. The emphasis on increased participation would not be at the expense of Council's firm commitment to community arts
- Council wished to see the development of capacity and skills as a key theme, both through the new Resilience programme and also in efforts to support the work on individual artists
- targeted action was needed to develop more arts activity through the medium of Welsh

The Operational Plan would need to be completed by March 2017.

7.2 Budget 2017/18

NC asked Council to consider, and approve, the overall head-line budget allocations for 2017/18 as set out in the paper. The allocations reflected the proposed increase in Welsh Government grant in aid funding of 3.5% (£1.066m), which is subject to confirmation. The Budget proposals also take account of a likely reduction in income from the National Lottery. This is impacting on current year's spending plans. Next year, the drop in income

could, potentially, be as high as £2.0m.

A key consideration in setting next year's budget is the outcome of the Organisational Review 2016. Once implemented, the outcome of the Organisational Review is designed to reduce our cost base, ensuring that we allocate as much as we can to direct arts activity. In the short term it was noted that Council will need to budget for the costs of change as we make the transition from one structure to another.

Council discussed the paper and the budget recommendations.

For the financial year 2017/18, Council:

1. **Noted** the Welsh Government's provisional allocation of **£31,582,000** to the Arts Council of Wales (page 5)
2. **Noted** that the Arts Council of Wales is estimating annual income of **£16,000,000** from the National Lottery (page 5)
3. **Approved** funding allocations to the Arts Portfolio Wales of **£26.744m** grant-in-aid and **£1.932m** Lottery (page 7)
4. **Approved** an overall budget allocation for Strategic funding of **£2.500m** (page 8)
5. **Approved** an overall budget allocation for Lottery funded activity of **£23.593m**, including the APW allocation above (page 9)
6. **Approved** an overall budget allocation for Running costs of **£3.900m** (pages 11,12)
7. **Noted** that detailed Strategic, Lottery and Running Costs budget proposals will be presented for Council's approval at our February 2017 meeting

Council also asked that officers return to February Council with an analysis of the potential impact of Lottery income reductions.

HT

7.3 Arts Portfolio Wales funding recommendations 2017/18

The following members declared interests:

RT – Artis Community

MWJ – Canolfan Gerdd William Mathias

MJ – Valleys Kids

JW – Theatre Iolo

AW – Clwyd Theatr Cymru

KD reported that in February 2016 Officers completed the Investment Review 2015 by announcing the levels of funding to our new Arts Portfolio Wales (APW). The Arts Council is now into the first year of funding and

development for the new Portfolio.

In preparing recommendations for 2017/18, officers had taken account of three particular issues:

1. The performance of the Portfolio since our Investment Review decisions
2. Our scrutiny of Portfolio members' business plans
3. The information that is starting to emerge as part of our new Resilience programme

Consideration was also given to the fact that the majority of Portfolio members had received funding cuts over a number of recent years. Council examined a number of overall strategic options. It was noted that the Welsh Government's positive funding proposals were the result of specific budget negotiations between the Government and Plaid Cymru. The positive response to the arts undoubtedly recognised the important contribution made by the Arts Portfolio Wales to the cultural life of the nation. Council supported this assessment. It was therefore agreed that the full benefit of the 3.5% increase in funding would be passed on to the Portfolio, unless there was a clear instance of where this would not be appropriate.

Council then reviewed individual funding recommendations.

Council **approved** the strategy of a 3.5% funding increase to members of the APW funding recommendations for 2017/18 (as set out in Appendix 1 of the report).

8. Chair's Report

PG reported on recent events and matters.

Conference

PG reported that the Arts Council Conference had been a big success and thanked the staff for all the hard work.

Bi-annual Welsh Government Ministerial meeting

Both PG and NC had met with the Cabinet Secretary for Economy and Infrastructure. The meeting had been positive and the Cabinet Secretary had thanked Council members for their work.

Organisational Review

PG noted that a significant amount of time had been spent on Organisational Review matters. He thanked officers, on Council's behalf, for their work.

9. Chief Executive's Report
Chief Executive

The Chief Executive's report detailed recent meetings, events and performances that he had attended. The Chief Executive's report also included information on staff joining and leaving the Council since the last meeting.

Council members asked about the following meetings:

Meeting with Head of Welsh Government Brexit team

NC, PG and Eluned Haf had met with Des Clifford, the Welsh Government official leading the Brexit team, to discuss the Welsh Government's future approach to international activity. Although it was an initial information gathering conversation, it had been positive and the Welsh Government was keen to find ways of working better together.

Appointment of Programme Manager for the Creative Learning team

The outcome had been a slightly unusual proposals for a three-person job share. DH reported that the partnership was working well.

World Culture Summit

The summit, organised by the International Federation of Arts Council's and Cultural Agencies (IFACCA) had taken place in Malta. NC had attended and some 85 countries were represented in total.

The report was **noted**.

10. Financial reports

10.1 Financial report for the year to October 2016

The report provided Council with a high-level overview of income and expenditure to the end of October 2016. It also drew attention to matters which Council was asked to note.

Council:

- **Discussed** matters arising
- **Noted** the financial position

10.2 Mid-year review 2016/17

HT introduced our mid-year of financial performance against the budget profile set for the year.

The analysis drew on information contained in Financial Report – year to date October 2016, presented separately on today’s agenda.

Budget managers have provided updates on current rates of spend and their assessment of spending plans for the remainder of the year. This has been looked at carefully by Senior Management Team, and on the basis of this analysis some budget adjustments are recommended in some areas. These are set out in this paper and are matters for Council’s decision.

Council discussed the paper.

Council:

1. **Noted** the contents of this paper
2. **Approved** the grant-in-aid revenue advances set out in section 3 and Appendix 1 (pages 6 and 21, respectively)
3. **Approved** the grant-in-aid virements set out in section 3 (page 8)
4. **Approved** the proposed Lottery virements set out in section 4 (page 16)
5. **Approve** the proposed running cost virements set out in section 5 (page 19)

10.3 Funding recommendations

Decisions on lottery applications of £50,001 or more require Council approval. Officers recommended approval of 8 grants, rejection of 1 application, and deferral of 2 applications.

RT declared an interest in Hay Festival and left the room.

ID/Ref	Organisation	Request	Recommendation	Strand
20161274	AGE Cymru	£174,932	£174,932	Creative Steps
20161324	AGE Cymru	£55,328	Defer	Taking Part
20161315	Venue Cymru	£90,000	£90,000	Taking Part
20161336	Creu Cymru	£65,000	Reject	Audience Development
20161323	Oriel Wrecsam	£120,000	£120,000	Audience Development
20161267	Arad Goch	£79,655	£60,000	Festivals
20161322	Eisteddfod Genedlaethol Cymru	£75,000	Defer	Festivals
20161334	Green Man Trust	£80,000	£60,000	Festivals

20161350	Hay Festival	£80,000	£60,000	Festivals
20161319	Hijinx Theatre	£80,000	£80,000	Festivals
20161284	Swansea Festival	£70,000	£60,000	Festivals
		£969,915	£704,932	

Arad Goch

Council was keen to ensure that the event continued to operate to a high standard. Council **agreed** that an evaluation report should be requested.

Age Cymru

It was noted that the deferred application was pending further information. Council **agreed** to delegate the deferred position to a Chair's action, if necessary.

National Eisteddfod

DA and BM will be meeting with the Eisteddfod to address logistical matters and the future of arts programming.

Council **approved** the recommendations, subject to the matters noted above.

PG

11. Reports for information and approval

11.1 Arts Portfolio Wales Radar report

It was noted that the four new members of the Portfolio are automatically rated as higher risk as they adapt to being part of the Portfolio. Overall, however, it was noted that overall, the number of high risk organisations has decreased slightly. The performance of the majority of continuing APWs is generally within expectations considering the current financial climate. The squeeze on finances continues, and increasing costs coupled with level, or in some cases, reducing income from many of the traditional sources – especially local authorities – means that Portfolio organisations continue to experience financial challenges.

Council **discussed** and **noted** the contents of the report.

11.2 Use of the Seal

Council **noted** that the following documents have been sealed since the last report to Council (March 2016), in accordance with the authority dated 31 March 1994:

439	The Arts Council of Wales and Wrexham County Borough Council – Agreement in relation to the application of monies from the NLDF for Oriel Wrexham project.	29/11/2016		
440	As 439	29/11/2016		
11.3 Sustainable Development Action Plan and Welsh Language Action Plan				
Council noted the year end plans.				
12. Date of the next meeting				
Friday, 3 February 2017 Arts Council of Wales, Cardiff				

Council meeting Friday 9 December 2016: Summary of actions and decisions

Agenda item	Action/Decision	Responsibility
5.3	PG to discuss with Council members their appointment to Council Committees.	PG
5.4	ST to consider the appropriate time to bring a fuller report to Council on Ideas: People: Places.	ST
6.1	Organisational Review – Council delegated to PG and NC the responsibility for finalising the text of Council’s response to the Staff Consultation.	PG/NC
6.2	Organisational Review – Council delegated to PG and NC the responsibility for finalising the text of the final staff structure document “Our Way Forward”.	PG/NC
6.2	A draft of the Implementation and Transition Plan would be circulated to Council members.	ST
6.2	A small task group of Council would be established to support senior leadership team during the implementation of the new structure.	PG
6.2	Membership of the Council task group to progress the redeployment of staff would be finalised.	PG
7.2	Officers to return to February Council with an analysis of the potential impact of Lottery income reductions.	HT
10.3	Delegated authority was passed to the Chair, should it be needed, to approve the deferred Age Cymru application.	PG