



House of Commons  
Committee of Public Accounts

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# Progress on 15 major capital projects funded by Arts Council England

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**Seventh Report of  
Session 2003–04**

*Report, together with formal minutes,  
oral and written evidence*

*Ordered by The House of Commons  
to be printed 19 January 2004*

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## The Committee of Public Accounts

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### Committee staff

The current staff of the Committee is Nick Wright (Clerk), Christine Randall (Committee Assistant), Leslie Young (Committee Assistant), and Ronnie Jefferson (Secretary).

### Contacts

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## Summary

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The arts are one of the good causes which benefit from the proceeds of the National Lottery, and Arts Council England is responsible for distributing lottery funds to artists and arts organisations in England. The capital programme covered in this report was Arts Council England's first lottery programme and by far its largest in terms of the value of the grants made. Overall 2,238 grants worth a total of £1.15 billion were made.<sup>1</sup>

Around half of the funding went to 28 major projects, each of which received over £5 million, and in December 1999 the Committee of Public Accounts reported on 15 of those projects.<sup>2</sup> The grant recipients included some of the most well known arts organisations in the country and the Committee found that the overwhelming majority of the projects were not going to plan.<sup>3</sup>

On the basis of a Report by the Comptroller and Auditor General,<sup>4</sup> we took evidence from Arts Council England and the Department for Culture, Media and Sport on what had happened on the projects since the Committee's previous report.

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1 C&AG's Report, *Progress on 15 major capital projects funded by Arts Council England* (HC 622, Session 2002–03), para 1

2 6<sup>th</sup> Report from the Committee of Public Accounts, *The Arts Council of England: Monitoring major capital projects funded by the National Lottery* (HC 129, Session 1999–2000)

3 C&AG's Report, para 2

4 C&AG's Report, *Progress on 15 major capital projects funded by Arts Council England* (HC 622, Session 2002–03)

## Conclusions and recommendations

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1. Of the 15 projects we examined, nine were completed late, six went over budget by 20% or more, and the total cost overrun was £94 million. Ten of the projects received supplementary grants from Arts Council England, totalling £32.5 million, in addition to their original lottery award. These projects were funded in the early days of the National Lottery, however, and since then Arts Council England has taken action to improve its handling of capital grants and reduce the likelihood of similar problems on future projects. For example:
  - grants are now awarded in stages, with organisations having to demonstrate that their project has made satisfactory progress and is worthy of continuing support;
  - to help grant recipients manage capital projects successfully, Arts Council England is providing funding specifically to enhance their management capacity and allow them to buy in specialist expertise;
  - Arts Council England has strengthened its own project monitoring arrangements and adopted a more risk-based approach.
2. All in all the things that Arts Council England has done are sensible and in the spirit of our previous report on these projects. Of course, the impact of the changes will be seen on projects funded under the new capital programme, launched in 2000, and we may wish to come back to this subject and examine the effectiveness of the steps that have been taken and confirm that Arts Council England has delivered on the assurances it has given that performance in the future will be better.
3. Areas also remain where Arts Council England and the Department for Culture, Media and Sport still need to take action.
  - **With nearly £19 million of its lottery money spent on two projects which have closed and a further £78 million tied up in five projects experiencing financial difficulties, Arts Council England does not have a strong track record on project viability.** The Council should be satisfied that recipients of capital grants have a robust strategy for their project's ongoing operation and funding once construction has been completed, and the management capacity to deliver it.
  - **The National Centre for Popular Music is the latest in a series of publicly funded projects to get into difficulty because its visitor number forecasts were greatly in excess of what was actually achieved.** The Dovecot Arts Centre, the other project that closed, had more visitors than expected but did not meet its visitor income targets. Forecasts of visitor numbers should be based on an appraisal of the product and its potential to generate interest, including sensitivity analysis and an assessment of the risk that visitors might not generate and sustain the expected levels of income.
  - **Arts Council England's failure to secure a legal charge in the case of the National Centre for Popular Music has cost in the region of £1 million.** Grant making bodies should secure legal charges on assets developed with public funds

and the Treasury should draw this point to the attention of government departments, agencies and non-departmental public bodies.

- **Through its regional structure, Arts Council England needs to achieve a more equitable distribution of lottery funding across the country.** It should reach beyond the large, well established arts organisations concentrated in London and encourage applications from smaller bodies and from communities that have tended not to benefit from lottery funding.
- **The information provided by Arts Council England on the socio-economic profile of audiences at the projects indicates that audiences remain disproportionately drawn from particular sections of society.** It took Arts Council England some months to provide us with this data so we infer that the Council is not routinely collecting it and monitoring the diversity of audiences. Arts Council England should as a matter of course collect the information it needs to assess the progress made by the organisations it funds in reaching out to new audiences.
- **The Department for Culture, Media and Sport should ensure that the lessons learnt by Arts Council England from these and other projects are shared with other lottery distributors which have capital grant programmes.** It should identify examples of good practice and develop guidance, for example on selecting and incentivising contractors. It should also work with distributors to identify how the Office of Government Commerce's gateway review process might best be applied to the lottery sector.





# 1 The outturn on the projects

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1. In its 1999 report, the Committee was concerned that many of the 15 projects were behind schedule or over budget. At the time of our more recent examination, 13 projects had been completed but only four had been finished on time (Figure 1). The delays had increased on four projects and four had been completed 12 months or more late.<sup>5</sup>

2. Thirteen of the 15 projects were over budget (**Figure 1**) and six had cost overruns of 20% or more. The total overrun was £93.9 million, 16.9% of the original budgets. Since the Committee reported, there had been cost increases on 10 projects and a reduction on one where the scope of the project had been cut back.<sup>6</sup>

3. Arts Council England regretted the delays and cost overruns, as every day lost was a day when the public could not enjoy the new facilities, but considered that it had managed the situation as well as possible following the Committee's previous report. The 15 projects were among the largest and most complex of projects, funded in the early days of the lottery when the current processes were not in place, and Arts Council England believed that the extent of the cost overruns was comparable to the construction industry in general.<sup>7</sup>

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5 C&AG's Report, paras 2.3–2.3

6 *ibid*, paras 2.4–2.7

7 Qq 1, 11–12

Figure 1: Position on time and cost for each project

Project	Delay over original scheduled completion date (months)	Increase/ (decrease) over original budget	
		£ million	%
Cambridge Arts Theatre	1	(0.9)	(7.9)
Dovecot Arts Centre, Stockton-on-Tees (now closed)	4	1.6	20.0
Malvern Festival Theatre	1	0.8	11.8
Milton Keynes Theatre and Gallery	4	7.5	26.7
National Centre for Popular Music, Sheffield (now closed)	0	1.7	11.2
National Glass Centre, Sunderland	12	0.7	5.9
Royal Academy of Dramatic Art, London	1	(0.6)	(1.9)
Royal Albert Hall, London <sup>1</sup>	See note 2	12.8	22.2
Royal Court Theatre, London	20	7.7	36.5
Royal Exchange Theatre, Manchester	0	3.5	11.4
Royal National Theatre, London <sup>1</sup>	See note 3	0.7	1.7
Royal Opera House, London	0	26.0	12.1
Sadler's Wells Theatre, London	12	22.2	58.0
Shakespeare's Globe Theatre, London	0	1.5	8.9
Victoria Hall and Regent Theatre, Stoke-on-Trent	13	8.7	38.2

<sup>1</sup> The Royal Albert Hall and Royal National Theatre projects have not yet been completed so the forecast position is shown.

<sup>2</sup> The work at the Royal Albert Hall has since the outset been scheduled for completion in December 2003.

<sup>3</sup> The remaining work on the Royal National Theatre has been rescheduled with Arts Council England's agreement and is now due for completion in March 2005.

Source: Arts Council England

4. Overall 35% of the cost overrun (£32.5 million) had been covered by supplementary lottery funding from Arts Council England. Five projects funded their cost increases themselves but the other ten received supplementary grants in addition to their original lottery award (**Figure 2**). In its previous Report the Committee expressed concern that Arts Council England might come to be seen as a soft touch in awarding supplementary funding. Since then Arts Council England had nevertheless made a further nine supplementary awards to seven projects totalling £12.6 million.<sup>8</sup>

5. Supplementary grants meant less money was available for new projects, but Arts Council England considered it had a rigorous process for considering applications for additional funding. Each case was reviewed on its merits and supplementary grants were given only if there was no alternative and the funding was vital to the success of the project. In many cases it had either rejected applications for extra funding or advised projects to withdraw applications.<sup>9</sup>

Figure 2: The funding awarded to each project by Arts Council England

Project	Lottery funding received from Arts Council England (£ million)		
	Original grant	Supplementary grants	Total
Cambridge Arts Theatre	6.6	0.8	7.4
Dovecot Arts Centre, Stockton-on-Tees (now closed)	6.3	1.2	7.5
Malvern Festival Theatre	5.1	0	5.1
Milton Keynes Theatre and Gallery	19.7	0.5	20.2
National Centre for Popular Music, Sheffield (now closed)	11.1	0.3	11.4
National Glass Centre, Sunderland	5.9	1.0	6.9
Royal Academy of Dramatic Art, London	23.6	2.5	26.1
Royal Albert Hall, London	20.2	0	20.2
Royal Court Theatre, London	15.8	5.4	21.2
Royal Exchange Theatre, Manchester	23.1	1.9	25.0
Royal National Theatre, London	31.6	0	31.6
Royal Opera House, London	78.5	0	78.5
Sadler's Wells Theatre, London	30.0	17.3	47.3
Shakespeare's Globe Theatre, London	12.4	0	12.4
Victoria Hall and Regent Theatre, Stoke-on-Trent	14.9	1.6	16.5
<b>Total</b>	<b>304.8</b>	<b>32.5</b>	<b>337.3</b>

Source: Arts Council England

6. Arts Council England had also on occasion suspended payments to projects until they put things right. It had decided to cease funding of the Harbourside Centre, a concert hall development in Bristol, despite having given the project £5 million.

7. While some of the problems on the 15 projects arose from unforeseen events, others resulted from the way work had been carried out or managed. At Sadler's Wells Theatre, which went over budget by £22 million (58%—the largest percentage overrun), there had been a number of errors and omissions in the original design and it had not met the planning restrictions placed upon it as a listed building. To help finance the cost overruns, the Theatre received three supplementary grants totalling over £17 million, an increase of 58% on its original lottery award. Arts Council England provided additional support because it considered the project viable in the long term, but said there would be no further money for Sadler's Wells Theatre.<sup>10</sup>

## 2 The projects that have closed

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8. Two of the 15 projects closed due to financial difficulties. The National Centre for Popular Music in Sheffield ceased to operate as a visitor attraction in June 2000 as a result of difficulties caused principally by lower than expected visitor numbers. The Centre attracted 80,000 visitors compared with an annual forecast of 400,000. Arts Council England said that the market assessment for the Centre had been wrong, despite the analysis of likely visitor numbers that had been carried out by management consultants commissioned by the project and Arts Council England's own independent assessors.<sup>11</sup>

9. The key lesson Arts Council England had learnt from this experience was the need for better market assessments, particularly for new visitor attractions like the National Centre for Popular Music, which had been an innovative concept with no immediate comparators. The Centre had not been clear enough about what product it was offering to the public when the judgements about visitor numbers were being made.<sup>12</sup>

10. We have reported on other well known instances, such as the Millennium Dome<sup>13</sup> and the Royal Armouries Museum,<sup>14</sup> where the visitor numbers achieved had fallen well short of what had been projected. The Department said that predicting visitor numbers was difficult and there was a tendency for people to be over-optimistic, but it had now made clear the importance of proper sensitivity analysis for visitor projections and stressed the need for greater prudence in the future.<sup>15</sup>

11. The National Centre for Popular Music's building had been sold to Sheffield Hallam University, but because Arts Council England did not have a legal charge on the building it expected to receive only between £400,000 and £600,000 of the £1.85 million raised from the sale. In the early days of the lottery Arts Council England had not always secured legal charges on assets constructed or redeveloped with lottery funding. In the case of the National Centre for Popular Music, Arts Council England had allowed English Partnerships to take the legal charge, even though it had provided funding of only £1 million compared with Arts Council England's £11 million. On reflection Arts Council England thought it should have secured the first legal charge to protect the lottery funds and confirmed that it now secured legal charges without exception.<sup>16</sup>

12. The second project to close was the Dovecot Arts Centre in Stockton-on-Tees which shut in November 2001. Although the Centre exceeded its forecast for visitor numbers, box office and other income targets were not achieved. The Department said that the possibility that visitors would not generate the expected levels of income was a serious risk which had not been given sufficient attention in the early days of the lottery.<sup>17</sup>

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11 C&AG's Report, para 4, Figure 14; Q 8

12 Qq 8, 39

13 14<sup>th</sup> Report from the Committee of Public Accounts, *The Millennium Dome* (HC 516, Session 2001–02)

14 4<sup>th</sup> Report from the Committee of Public Accounts, *The renegotiation of the PFI-type deal for the Royal Armouries Museum in Leeds* (HC 359, Session 2001–02)

15 Qq 37–39

16 C&AG's Report, para 4, Figure 16; Qq 9, 36, 86–92; Ev 20

17 C&AG's Report, para 4; Q 37

13. Following the closure of the Dovecot Arts Centre, Arts Council England had been working with regional stakeholders on a recovery strategy and the Centre had recently reopened with a new Board, Chief Executive and business plan. Arts Council England was confident that the Centre had a positive future.<sup>18</sup>

14. As well as the two projects that had closed, five other projects had experienced financial difficulties while remaining operational: the Cambridge Arts Theatre, the National Glass Centre, the Royal Academy of Dramatic Art, the Royal Court Theatre, and the Victoria Hall and Regent Theatre. Arts Council England said that over recent months there had been improvements. For example, an independent report had concluded that the Royal Academy of Dramatic Art, which had an accumulated deficit of £4.1 million at the end of 2001–02, was on track to achieve a balanced budget in 2003–04. Although some debts remained, the outlook for the Academy’s financial position in the medium term was sound, partly thanks to the income that would be generated from its newly acquired conservatoire status as a dance and drama educational facility.<sup>19</sup>

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18 C&AG’s Report, para 4; Q 46

19 C&AG’s Report, para 4.8, Figure 15; Qq 6–7

### 3 Reaching new audiences

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15. An evaluation commissioned by Arts Council England in June 2002 concluded that the 13 operational projects were delivering most of the benefits envisaged in their original applications for lottery funding. Amongst other things, the evaluation considered the projects' performance in education and outreach work.<sup>20</sup>

16. Arts Council England considered that all the projects were in different ways reaching out to new audiences. Asked how successful the Royal Opera House had been in this respect, Arts Council England said that there had been considerable progress—in 2001–02, 52% of the audience was new, although this declined to 39% in 2002–03. The Royal Opera House also relayed some of its performances to venues around the country, bringing new audiences into contact with its work, and had a range of educational work and initiatives aimed at allowing more young people and families to experience opera—for example in 2002–03, some 56,000 school children attended matinée performances.<sup>21</sup>

17. To help us assess the success of the projects in reaching beyond their traditional audiences to attract new groups, we asked Arts Council England to provide us with information on the socio-economic profile of audiences at the projects that could be compared with the profile of the population at large and of lottery players in particular. On the basis of data collected from the 11 projects which sell tickets, Arts Council England reported that attendance at paid arts events was highly varied according to venue, art form and geographical location. In broad terms, the data indicated that the audiences included a greater proportion of people from social groups ABC1 than did the population as a whole, and a lower proportion from social groups C2DE. The projects outside London tended to reflect more closely the social make-up of their geographical areas, although only at the Victoria Hall and Regent Theatre in Stoke-on-Trent could the audience be said to be close to representing the social diversity of the regional population and of lottery players.<sup>22</sup>

18. Although it considered that progress had been made in broadening the audience base for the arts, Arts Council England acknowledged that more remained to be done to reach some parts of the country and some sectors of society. Its annual audience survey showed that arts audiences were continuing to rise and there remained considerable scope for further growth.<sup>23</sup>

19. Seven of the 15 projects covered by this report are in London and in main they were awarded the largest grants, receiving 70% of the total funding given to these projects. At the start of the lottery some of the largest and best resourced organisations had been the quickest to put together grant applications, while other smaller, locally based organisations had needed more time. In the first capital programme a quarter of the money had gone to the 10 most deprived local authorities in the country, but the Department acknowledged

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20 C&AG's Report, paras 4.2–4.3

21 Qq 10, 93, 113

22 Qq 116–121; Ev 20–31, 32–35

23 Qq 31–34

that more could have been done to ensure that less well established organisations were ready to bid for funding when the lottery began.<sup>24</sup>

20. In the early years of the lottery Arts Council England had been able only to respond to the applications it had received. But it was now able to be more strategic in looking to support facilities across the country and its regionalised structure ensured that all parts of the country benefited from the lottery. It was keen to achieve the greatest possible spread of cultural facilities throughout the country, including where appropriate developing national facilities outside London.<sup>25</sup>

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24 C&AG's Report, Figure 3; Qq 57, 96–101

25 Qq 53–54, 101–102



## 4 Managing risk on future projects

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21. Arts Council England launched a successor to its original capital programme in 2000, with a budget of £176 million. The new programme was designed to fund fewer projects than the first, with smaller average awards, and Arts Council England took steps to increase the likelihood of projects being delivered on time and within budget. Arts Council England is to undertake a risk assessment of each project awarded funding to determine which will require additional monitoring, and at key stages of each project it will review whether adequate progress has been made and agree with the grant recipient what is to be achieved in the next stage.<sup>26</sup>

22. Arts Council England had also changed to its grant application arrangements. In the early days of the lottery, organisations made just one grant application and Arts Council England one funding decision, both at a very early stage of the project. But since then a three stage application process had been introduced with each project having to provide a feasibility statement, then a design case, and finally a construction case, each considered on its own merits.<sup>27</sup>

23. Arts Council England was confident that the various changes it had made would ensure that in future it identified problems at an early stage. There was evidence that the new measures were having a positive effect and Arts Council England expected any delays and cost overruns on projects funded under the new capital programme would be far less than had been the case on the 15 projects covered by this report.<sup>28</sup>

24. The Department added that it expected lottery distributing bodies to be more rigorous about managing large capital projects in the future and not to award all their funding up front at the start of a project. The Department was encouraging distributors to use the kind of gateway review process that the Office of Government Commerce had developed, which provides assurance at critical points that a project can progress successfully to the next stage. Arts Council England agreed that a rigorous staged review process was required for capital projects and it had invited the Office of Government Commerce to accredit its processes.<sup>29</sup>

25. Managing a capital project places a considerable burden on arts organisations and Arts Council England was seeking to strengthen the management capacity of grant recipients. The importance of ensuring that grant recipients had the necessary management capacity had not been fully recognised in the early days of the lottery and it now carried out a health check of each organisation admitted to the new capital programme and provided funding to enable organisations to enhance their skills.<sup>30</sup>

26. A number of the projects we examined had been in dispute with contractors about cost claims or the need for remedial work to fulfil contracts. Dealing with the construction

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26 C&AG's Report, paras 1.14, 2.9, Figure 8

27 Q 3

28 Qq 14–15, 64

29 Qq 16, 22

30 C&AG's Report, Figure 8; Qq 83–85

industry could be a difficult issue for some arts organisations, and Arts Council England therefore provided guidance to help projects avoid such difficulties in the future. It also required them to take advice on procurement matters from the Commission for Architecture and the Built Environment.<sup>31</sup>

27. The contingency budget of 5% that Arts Council England had originally set for the first capital programme had not been enough to cover the supplementary grants it awarded. In the light of this experience Arts Council England had made available a larger contingency provision of 7% for its new capital programme. It was confident that this contingency would be sufficient to cover any supplementary funding it awarded in the future.<sup>32</sup>

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31 C&AG's Report, Figure 8; Q 22

32 C&AG's Report, Figure 12; Qq 18–21

# Formal minutes

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**Monday 19 January 2004**

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon  
Jon Cruddas  
Mr Frank Field

Mr Brian Jenkins  
Jim Sheridan  
Jon Trickett

The Committee deliberated.

Draft Report (Progress on 15 major capital projects funded by Arts Council England), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 27 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

*Resolved*, That the Report be the Seventh Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

Adjourned until Wednesday 21 January at 3.30 pm

## Witnesses

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**Wednesday 10 September 2003**

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**Sue Street**, Department for Culture, Media and Sport, and **Mr Peter Hewitt**, Arts Council England

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# Oral evidence

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## Taken before the Committee of Public Accounts

on Wednesday 10 September 2003

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon  
Mr Ian Davidson  
Mr Frank Field

Mr David Rendel  
Mr Gerry Steinberg  
Jon Trickett

**Sir John Bourn KCB**, Comptroller and Auditor General, further examined.

**Mr Rob Moran**, Second Treasury Officer of Accounts, HM Treasury, further examined.

### REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

#### Progress on 15 major capital projects funded by Arts Council England (HC 622)

*Witnesses:* **Sue Street**, Permanent Secretary and Accounting Officer, Department for Culture, Media and Sport, and **Mr Peter Hewitt**, Chief Executive, Arts Council England, examined.

**Q1 Chairman:** Good afternoon, ladies and gentlemen. Welcome to the Committee of Public Accounts. This is a historic occasion because I do not think we have met in September before. I hope we come back from the recess refreshed. Today we are looking at a very interesting subject, progress on 15 major capital projects, basing our report on the NAO document of that name. We welcome Sue Street, of course, who is Permanent Secretary at the Department for Culture, Media and Sport, a very welcome return to the Committee, and Mr Peter Hewitt who is Chief Executive of the Arts Council. Perhaps I can start by asking a few questions before my colleagues come in. Mr Hewitt, I will be asking my questions to you if I may. Could I please refer you to page 16, figure 6? We last looked at these projects in 1999. Since then you have had to contribute extra lottery funding towards increased over-runs and delays on many of these and in the case of four of them these delays and cost over-runs have got worse. Can you explain why that is?

**Mr Hewitt:** The Arts Council has introduced a number of measures to improve our processes and procedures over the last few years and has indeed already acted on the recommendations of this Report but, as the Report acknowledged in paragraph 9, these projects were first of all some of the earliest decided by the Arts Council in terms of the lottery process. The decisions were taken back in 1995–96. The Report also acknowledges that these were some of the largest and most complex projects and it states that once these projects encounter some difficulties there are sometimes further difficulties in steering them back on course. The Report does refer to the improvements that we have introduced over time, but the point is that those improvements will have maximum impact the earlier they are applied to the projects themselves, and by the time the last report was published and a hearing took place the construction phase on these

projects was already very well under way and therefore the impact of the changes has not been as great as would have been the case had they been introduced earlier. We have at least, however, made provision, some 5% in contingency, for possible or anticipated over-runs and costs which would need to be met by the Arts Council. I also would like to point out that I absolutely accept that there have been some over-runs and delays which are regrettable but at least the vast majority of the projects are meeting the targets that were set.

**Q2 Chairman:** Let us just develop this theme a bit. Look please at page 21 of the NAO Report, paragraph 3.4. Mr Hewitt, if you look at that you will see that the predecessor committee were concerned in 1999 that the Arts Council might be seen as a “soft touch”—you can read it there—when it comes to awarding supplementary grants. Why have you since, in the light of these recommendations and these points that were made by our predecessor committee, given a further £12.6 million to these projects?

**Mr Hewitt:** We have given a further number of supplementary grants to these projects for a variety of reasons and different reasons in each case. But I would say this, as the previous two paragraphs state, paragraphs 3.2 and 3.3, the Arts Council has a very thorough process for consideration of supplementary applications. We only give supplementaries in exceptional circumstances when there is no alternative and when the funding is vital to the success of the project. In every case we review the application on its own terms. There is a new application, a fresh assessment process, independent assessors are brought to bear, and in every case each supplementary application is considered afresh and anew. Whilst of course I do acknowledge that there have been some supplementary grants made, I would argue that the processes which the Arts Council has are very thorough and very rigorous.

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 Department for Culture, Media and Sport and Arts Council England
 

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**Q3 Chairman:** Let us just look at one example of trying to turn round a project and explore how difficult this is for you. Let us look at Sadler's Wells, shall we, and there are various references to this, for instance, paragraph 2.3 on page 15, case study 3 on page 18 and so on. Here is a case where you have just told us that you look at these projects very rigorously, you do have a choice, but here is a situation where you continue to award more and more money to Sadler's Wells despite its mounting problems and cost over-runs. Can you explain why you do so?

**Mr Hewitt:** If I may I would like to go back to the way in which applications have been considered over the lifespan of the lottery. When these decisions were taken on Sadler's Wells and the other 14 projects there was simply one application that was made by the project to the Arts Council and one decision taken. Since then we have significantly improved our processes so that there are three bites at each cherry. In other words, each project comes forward with a feasibility study, then a detailed design and then a construction proposal and each is considered on its own merits. In the case of Sadler's Wells there was a single application and a single award made back in 1995 at a very early stage. The position is that had there been further analysis on a three-stage basis as subsequently introduced some of these difficulties would have been overcome. The problems with Sadler's Wells were partly to do with some errors and omissions in design which took place at an early stage and which would have been avoided had we had the three-stage process. They resulted in a number of construction issues. There were serious problems with the flytower, as the Report says, and this led to further remedial works having to take place in relation to Sadler's Wells. However, the key issue here is that the original process in the very early days of lottery back in 1995–96 was one which was taken, if you like, in one bite rather than in a more systematic three-stage process as subsequently introduced.

**Q4 Chairman:** Can we just have an assurance from you that that is it with Sadler's Wells, that you do have a willingness to make hard decisions and there is no more money going to Sadler's Wells?

**Mr Hewitt:** Absolutely.

**Q5 Chairman:** That is an absolute assurance you can give us, is it?

**Mr Hewitt:** Absolutely.

**Q6 Chairman:** Thank you very much. Now let us look at the Royal Academy of Dramatic Arts. If you want to get a reference point you can look at that on page 33, figure 15. How did you address its accumulated deficit of £4.1 million? I know you have given us a supplementary note but you might bring the Committee up to date on this.

**Mr Hewitt:** Most recently an independent report was commissioned on the financial situation at RADA. That report concluded that RADA is now, I am pleased to say, on track towards a balanced budget in the current financial year.

**Q7 Chairman:** It is still, is it not, a £1.4 million deficit?

**Mr Hewitt:** It is on track towards a balanced budget for the current year, 2003–04. There certainly are still financial challenges. There is a degree of debt overhang, as you say, and some estates issues to be resolved. However, that Report does say that the medium term outlook for RADA is sound. It has recently achieved a very substantial additional income stream through having been granted conservatoire status as a dance and drama educational facility from HEFCE, and as a result of that and other measures it is now on track to achieve the kind of long term financial stability that of course we want to see.

**Q8 Chairman:** Two of these projects have closed completely, have they not, and there are references to these, for instance, in paragraph 4 on page 3 and case studies 5 and 6? It is not a very good story. What lessons were learned?

**Mr Hewitt:** I think in the case of the National Centre for Popular Music the key lesson has to be that the original market assessment that took place at the point of decision was simply not got right. It is not true, however, that we did not apply a great deal of marketing expertise to it. One of the country's leading management consultants led the process of market assessment and market appraisal on NCPM. We applied our own independent assessment to their analysis and the conclusion to that was that the market analysis as suggested was one that was viable. In actual fact, the report which I have recently reminded myself of said that they could expect an attendance of 500,000 a year but, to be prudent, they were reducing it to 400,000 a year. That was assessed by a number of people and obviously it was proved to be wrong. The lesson is that clearly we need to get the market assessment right for projects such as this, particularly new projects, visitor attractions of a kind such as the NCPM, which are challenging,—it was a very new concept, it was technology based, there were no immediate comparators that you could apply it to—but we obviously need to ensure that the market assessment of these cases is better in future.

**Q9 Chairman:** You put into the National Centre for Popular Music £11 million. You are going to recover £600,000 of that rather large investment of £11 million. Why did you not put in legal safeguards to ensure that you recovered more of the money? You must have been aware from the start that this was a risky venture.

**Mr Hewitt:** It was usual but not automatic at the time to apply a legal charge. In this case English Partnerships, one of our partners, insisted on the first charge. For that reason the Arts Council decided not to apply a further charge. Since that date we have changed our policy and we apply legal charges without exception.

**Q10 Chairman:** Can I ask you about the Royal Opera House? What success has the Royal Opera House had in attracting a new type of audience?



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How are you trying to encourage them to get people in who can pay realistic prices for their tickets, ordinary members of the public, given the very large public investment in the Royal Opera House?

**Mr Hewitt:** I feel we have had considerable success in that respect. Since re-opening the Royal Opera House relays some of its performances to a number of venues—Hackney, Gateshead, Liverpool, Sheffield, Belfast—and that has brought a new audience into contact with their work. The Royal Opera House has been able to show that in 2001–02 52% of its audience was new to the Royal Opera House. It went down to 39% in the following year but even so that was a considerable achievement. As a result of the investment they do not only have the main house but also two smaller houses, the Linbury and Clore. That has brought in another 90,000 people, many young people, a lot of educational work taking place at the Royal Opera House. It now plays a part in the Notting Hill Carnival. I think the Royal Opera House has opened itself up very significantly indeed, partly as a result of this investment and partly as a result of the new leadership which is there now.

**Q11 Chairman:** Before I ask Mr Field to ask his questions I would like to sum up. Let us look at this Report. What we see is 13 projects that are over budget. Nine are delivered late, two are closed completely, five are in financial difficulty. To sum it up, can this Committee trust the Arts Council to manage these major capital projects?

**Mr Hewitt:** I, like you, regret any additional money going to capital projects because money going to these projects is money not going to new projects. I also regret any delays in projects because every day lost is a day when the public does not enjoy these fantastic and wonderful facilities. I therefore do share your concerns but, to answer your question, I believe that we have managed the situation as well as possible. These projects date back to 1995–96 when the processes which are now in place were not in place. We have managed them as well as reasonably possible in the circumstances. They are the largest, most complex, most difficult projects of all and I believe we have seen them through to successful fruition and at least at the end of the day we have the vast majority of the projects delivering the vast majority of targets right across the country.

**Mr Field:** Mr Hewitt, can I continue the conversation with you to begin with? If we look at table 9 and at the actual expenditure and over-run and the time factor, it probably is fair to add, is it not, that the cost of this building, its over-run and its lateness are greater than all your projects put together, so you are actually being grilled by a group of specialists who have incredible knowledge of how to deal with large capital projects and deliver them on time? I hope that puts a certain amount of fear into you.

**Chairman:** We gave that project a hard time too.

**Q12 Mr Field:** We have not been given another project to run since then either. Do you think it is inevitable with large capital projects, particularly

those associated with the public sector, that there is going to be over-run? Is that part of the culture for all of us now?

**Mr Hewitt:** I am not sure whether it is part of the culture but, when the findings of this Report began to become clear to me, entirely for my own personal sake I did ask for a report to be commissioned on the construction industry in general. That report, which I did not want to make too much of today, did give me some comfort in that what it said was that, according to a DETR report in 2001 and the key performance indicators that were contained within that report, there is no doubt that over-runs are endemic in the construction industry. That same report suggested that in the construction industry the over-runs average about 18% which is pretty similar to the total over-run in this case. We looked at a number of projects in particular and we found that the scale of over-runs and the degree of delay in projects, as far as we could find comparable projects, again compared with what we are doing now—and I do not want to make too much of this because as far as I am concerned we can still improve and the fact that the construction industry may or may not be working in this way is one matter and we need to improve whatever we can and to ensure that we are far better than the industry in general—there is no doubt that there are characteristics of the industry which are problematic. If one looks at the causes of the over-runs in this report, some of them are undoubtedly about design error, design omissions in the projects themselves, which we can do something about, but others are not. There are problems with the construction industry itself in our relationship with it. There are contractor problems, there are unforeseeables which occur in construction, many of which are referred to in this report—flooding at the Royal Court, mine workings in Stoke, whatever they might be, and we have to acknowledge that at least some of this is simply endemic and innate in the construction industry.

**Q13 Mr Field:** In paragraph 1.12 you list the composition of the capital development panels that you have. One group that you have advising you are property developers themselves. Are they ones with good track records? Do you look for people who have been able to deliver projects and spot the sorts of problems which arise?

**Mr Hewitt:** Yes, indeed we do. We have had and do have members on our capital panel who work in the construction industry on the commercial side and also who have worked in construction on the public sector side, for example, people who have worked in regional development agencies and English Partnerships and agencies such as that, so we absolutely do try to ensure that we have that expertise round that table. We also take advice beyond the capital panel. The Arts Council has a register of professional expertise. It takes advice from people with knowledge of the construction industry, the design industry and a range of other professional areas.

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**Q14 Mr Field:** Since 2000 you have had a much smaller budget. Are you more successful in managing a smaller budget with smaller projects than a bigger budget with bigger projects? When we do a study on your programme for 2000 onwards will that show an improvement on the trends the Chairman highlighted?

**Mr Hewitt:** It will. Again, in order to satisfy myself, when the findings of this report became apparent I asked for a study to be carried out of projects that were subject to the improved processes that I have referred to and were part of, if you like, a less ambitious capital programme, and I have clear evidence to suggest that the over-runs and the delays in those projects are and were far less than in the case of these 15 very large, very complex early projects that received very large sums of money.

**Q15 Mr Field:** But are the delays and the over-runs proportionately smaller? Obviously, in size the over-runs must be smaller because the capital sums are smaller.

**Mr Hewitt:** They are indeed. I looked at some 22 projects which we identified as being most comparable with the large projects that were the subject of this report. What we found was that 63% of those projects were within budget or within 3% of the budget as opposed to this case where only one of 15 was within budget or within 3%. We also found that only two out of the 22 projects that we looked at in the study grouping were 20% over budget, whereas in this case with these 15 projects six out of the 15 were 20% or more over budget. There is good evidence that the measures that we have introduced since these early days have had an effect and there is good evidence that the less ambitious capital programme that we now run with a ceiling of only £5 million is one where the risks are significantly less.

**Q16 Mr Field:** Ms Street, if you were before a Hutton-type inquiry and had to produce all your e-mails on the Arts Council, and particularly those e-mails concerned with the topic that we are looking at today, what would be the tenor of your comments? Would it be one of alarm, concern that this is what is to be expected? What would be read if we were able to read all your private comments?

**Ms Street:** I have taken to heart very deeply the generic lessons that we learned from the Dome, which I faced when I first took up post, about managing large capital projects, and my general response to all the distributing bodies for the lottery has been to be far more rigorous for the future and to look in tranches in the way that Peter is doing so that the money is not all given up front without the certainties that we need, and the kind of gateway review process that the Office of Government Commerce has introduced is the discipline that most of my e-mails would be calling for. I think you would find in my e-mails a degree of concern over what happened in the past, moving, I hope constructively and in partnership with colleagues, to saying, "What is the best thing to do?". That is the way it would play out and I think it is very hard to read any e-mails without the words "Office of Government

Commerce", "gateway review" or something like that in there. That has been my whole positioning on all of these big projects

**Q17 Mr Field:** If you were looking at the whole of your portfolio of duties would the Arts Council be on the list of those which are likely to cause you trouble or to blow up, or is it one which you think you are likely not to be tripped up by?

**Ms Street:** I have complete confidence in the Arts Council under Peter Hewitt's leadership and complete confidence in the chair and the governance; that is not the cause of concern, but I maintain a very clear line of sight because they are such a big body. They are funding through the lottery big, innovative, grand projects which we know from recent consultation the public really want, but they are bound therefore to be within my line of sight and Peter and I have very regular exchanges on what we need to keep an eye on. I would be concerned if I felt that I did not have that line of sight. If either Peter or I did not know what might be going wrong then that is a desperate situation to be in. I would say I have absolute confidence in the governance and particular confidence in the Chief Executive, but it is on my radar screen.

**Q18 Mr Rendel:** Mr Hewitt, you have told us that you are now budgeting better as a result of what you have discovered from budgeting errors in the past. To my mind, if you were budgeting perfectly, and I do not suppose anyone could ever achieve that, you would end up with projects which on average had a zero increase—some would go down, some would go up above the original budget level. What have you learned about the need to put in larger contingencies in order to account for what you tell us are endemic problems in the construction industry, namely that you are always going to have some unforeseeables, which is what to my mind contingency is all about?

**Mr Hewitt:** What we learned was that from the very outset it was essential that a considerable contingency was made available, and a sum of 5% was made available from the earliest stage in order to meet the unforeseen further requirements that might occur. Since then, partly as a result of the experiences that we are discussing today and for other reasons, for example, the downturn in opportunities for raising partnership money from the private sector, particularly since 11 September, we have increased the contingency that is available for capital projects, so we are now making 7% available as a further precaution to ensure that we are protected in these terms.

**Q19 Mr Rendel:** So can we be assured that your prediction for the future is that on average your projects will end up with zero increase?

**Mr Hewitt:** I can assure you that from our calculation the 7% contingency will provide for any additional needs. I cannot give a categorical—

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**Q20 Mr Rendel:** In every project, or on average?

**Mr Hewitt:** In totality, in terms of the capital programme as a whole, 7% will be sufficient to provide for the additional needs.

**Q21 Mr Rendel:** So you are telling us that in your view there will be on average a 0% increase on your overall capital programme from now on?

**Mr Hewitt:** Yes indeed.

**Q22 Mr Rendel:** We will be very interested to look at that in a few years' time, Chairman. What lessons have you learned from these projects about the way in which you can reduce the risk of cost increases of projects without having to stop them halfway through, given that most of these projects you certainly will not want to stop halfway through because in a sense you will then be accused of having wasted a lot of money?

**Mr Hewitt:** I do not want to reiterate what I have said about the three-stage application process but that is critically important. We have also learned—and this is reflected in figure 8 of the Report where the measures that we have taken are laid out—that it is very important to carry out a thorough risk assessment from the Arts Council's point of view of each project once we start to get involved with it. We have also learned, very much helped by Ms Street and her advice on the OGC, that having a rigorous staged review process for capital applications is very important and we have now introduced that and we are now working very closely with the OGC and indeed are inviting it to accredit our processes. We have also given clearer guidance to projects in terms of how they might go about procurement. Procurement is a very difficult issue for some arts projects. It is a complex issue. We have given written guidance and, as the Report has stated, that written guidance has now been published on our website. We require our projects to take advice from the Commission for Architecture and the Built Environment on procurement and we have also done a number of things which have to do with the health and capacity of projects. They are all required to go through a health check. We provide them with assistance to strengthen their own capacity and we give them money for technical assistance in terms of further advice. In all these respects I think we have strengthened and substantiated our support to projects to ensure that some of these difficulties can be avoided in future.

**Q23 Mr Rendel:** How happy would you be if you had to cancel a project because it was not meeting its gateway review process?

**Mr Hewitt:** Not happy but we have done it.

**Q24 Mr Rendel:** How often have you done it?

**Mr Hewitt:** The most notable instance where we ceased funding was that of the Harbourside Project in Bristol where we had already committed some £5 million but decided we were not going to go forward. This was for a concert hall development. With lots of other projects we have either rejected applications for supplementary assistance or indeed advised

projects to withdraw applications for supplementary assistance. We have suspended payments to projects on occasions pending them putting a particular issue right. Very often we work with projects to try and find a solution to their difficulties.

**Q25 Mr Rendel:** Are you saying there is just one project which has come to an end because you refused to commit any more money?

**Mr Hewitt:** There was one project where we ceased funding once we were very substantially into a programme of supporting that initiative. That was at a very large scale.

**Q26 Mr Rendel:** So the only time that you have been prepared just to cut something in the middle that has had significant funding was when you put in £5 million, you say? Are you telling us that if you ever put in more than £5 million it would get to the stage where it was so big that you could not afford to waste that money and so you would have to go on giving it extra funds if it got into trouble?

**Mr Hewitt:** No, I am not saying that. Of course, one has to accept that the deeper one gets into a project the greater the determination to try and find a solution and I think it is very important therefore in those cases to ensure that one has a really rigorous process so that at least one is considering the case being made by a project from time to time in the most rigorous possible manner, which is why, going back to my answer on how we handle supplementary applications, we have developed a process which is as rigorous as it is.

*The Committee suspended from 4.01 pm to 4.12 pm for a division in the House*

**Q27 Mr Rendel:** You said just now that in future your cost over-runs on average would be zero, which we were pleased to hear. You also said that you have in the past on at least one occasion cancelled a project and that you would be prepared to do so in future. If in future you cancel a project for which, say, you budgeted £5 million, at the stage when you had spent £3 million, would you count that £3 million as an over-run on the grounds that you had got nothing but spent £3 million, or would you count it as a £2 million under-run on the grounds that although you had got nothing for it you were originally expecting to spend £2 million more?

**Mr Hewitt:** I suppose I would count it as a £3 million over-run in that there was no public benefit accruing from that expenditure.

**Q28 Mr Rendel:** What will be the pressure on you then not to do that on the grounds that counting it as a £2 million under-run would be a cheap way of managing to get back to your 0% average over-run? It seems to me you will be under a lot of pressure not to cancel things if they have gone a long way down the track and they are going to make your over-run situation a lot worse, since you have now made your pledge, which we welcome, that you will not have any over-runs on average in future?

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**Mr Hewitt:** Can I just clarify something? You started your question by reiterating that I had confirmed that everything in future will be within budget.

**Q29 Mr Rendel:** No, no; on average.

**Mr Hewitt:** In overall terms including the contingency?

**Q30 Mr Rendel:** That is what I understand.

**Mr Hewitt:** Okay; fine; good. I would simply say that, regardless of the pressures to minimise over-runs or whatever, it is my responsibility to ensure that each case where additional support is needed is considered on its own merits and rigorously assessed and funded or not accordingly.

**Mr Rendel:** I am delighted to have your assurance that you will count them as over-runs and that you will nevertheless be able to remain within the 0% average over-run figure which I am sure we will, as I said earlier, be wanting to look at in a few years' time to see whether that situation has arisen.

*The House suspended from 4.15 pm to 4.23 pm for a division in the House*

**Q31 Mr Rendel:** Can I move on to a slightly different subject? As the number of arts facilities increases inevitably we would expect audiences and spectators or clients to increase as well, but there must come a point when you get to more or less saturation with the number of extra visits to all the arts facilities in the country and it does not go on increasing. First, have we got to that stage, either in geographical terms in any region of the country or in terms of an area of the arts, a particular type of art, if you like?

**Mr Hewitt:** I believe that we have not, for the simple reason that I do not think we have fully penetrated all parts of the country or all sectors and segments of society in the way that we would ideally like. The Arts Council is intent upon broadening its audience base. I think we have done a huge amount to help organisations to achieve that but there is still a great deal more to be done. I think there is still a great deal more audience in general to be attracted to the arts through a variety of different means.

**Q32 Mr Rendel:** How do you know that? How do you assess when we have reached saturation?

**Mr Hewitt:** We carry out an annual analysis of audiences in two ways, partly through the organisations that we fund where we collect data about audiences that they are attracting, and secondly we do a national market analysis, a target group index analysis, which shows that audiences are continuing to rise.

**Q33 Mr Rendel:** Rise or rise fast enough to make new buildings worthwhile?

**Mr Hewitt:** The latter question can only be answered by assessing whether the new buildings are proving viable and whether their income projections are being met, and in very many cases they are. In some cases, one or two referred to here, they are not. In

overall terms, however, both audiences and the income base are continuing to rise and the arts remain in general terms viable.

**Q34 Mr Rendel:** So effectively you are reliant on audience projections still to see whether you have reached saturation or not in any given area, either geographical or area of arts endeavour?

**Mr Hewitt:** Yes, but projections which have a context in terms of the annual audience survey that we do.

**Q35 Mr Rendel:** What about buildings that have been designed for one purpose but may be like, for example, the National Centre for Popular Music, where finally that fails and cannot very easily find an alternative use and therefore the value of it is not anything like as great as the cost of building it to start with? Have you put any thought into designing buildings such that if by chance your projections are wrong and the thing does not work it could then be used for some other project, either arts or non-arts?

**Mr Hewitt:** We have put some thought into it. I think the truth is that many arts projects, and certainly the projects that are the subject of the discussion today, are projects which are bespoke by nature. Many of the buildings are very old buildings, quite a number of them are listed buildings, they are all quite idiosyncratic in one way or another, and the National Centre for Popular Music, as you have rightly identified, although new was again a very individualistic concept, so it is difficult to envisage these projects answering other cultural needs should the cultural needs as originally laid out not prove successful. I think it is more possible in perhaps some multi-purpose venues to achieve what you are saying.

**Q36 Mr Rendel:** You did not, if I may say so, answer my question, which was, what efforts are you making to make sure that they are designed so that they can have alternative uses? Is thought going into that when you design the buildings?

**Mr Hewitt:** I have to confess that in the case of these 15 projects they are so bespoke by nature, it seems to me, something like an opera house or a Stockton Arts Centre or a Royal Exchange, that it is quite difficult to see them being used for other purposes. In the case of the National Centre for Popular Music we have ended up with a resolution which of course is that it is going to be used by Sheffield Hallam University for purposes other than the original purpose and at least it will remain in broad cultural and educational use.

**Q37 Mr Steinberg:** Mr Hewitt and Ms Street as well, would you agree that funding for the vast majority of projects, whether they are these projects or other projects throughout the country, depends first on forecast visitor numbers and, secondly, how many visitors are actually going to attend the projects once they have been developed? It is fundamental to whether they get the money or not. It seems to me, if you look at as early as page 2 in the Report, that only five out of the 15 projects have

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actually achieved their visitor forecasts. I will not say that this Committee has been conned but, for example, where we have talked about giving the licence to Camelot in the first place where all the money comes from, they projected huge numbers of people who were going to play the lottery. In fact, they were not telling lies but it was not far off telling lies, as Virgin did when they tried to get the contract. The point I am trying to make is that they really exaggerate their visitor numbers to get the funding in the first place. Why is it so wrong on so many occasions and why do you not see that?

**Ms Street:** Perhaps I could take the point generically and Peter might want to add to it. I think it is a fair point. There are a number of well-documented instances, and the Dome is one, the Royal Armouries is another. I have got the scars. There are two issues about visitor projections. One is that they can be over-optimistic because naturally when people want to set up an innovative, exciting project they are full of hope, so that is a danger that we have to mitigate. Secondly, as with the Stockton Arts Centre, formerly the Dovecot, which I went to see a couple of weeks ago, you can achieve the visitor numbers but they do not spend the money that you were hoping, so the revenue is not there. It is a serious risk which we were not sufficiently alert to in the first tranche of lottery grants.

**Q38 Mr Steinberg:** You had the perfect example; you mentioned it yourself—the Dome. Although the Dome was actually very successful in the numbers that it got, and that could not be disputed, the numbers that they said they were going to get, they nowhere reached that, did they? Let us take the Sheffield one. They projected 400,000 visitors a year and in fact there were 80,000. That is outrageous. They were telling lies really, were they not, to get the money?

**Ms Street:** I think the Sheffield one, as Peter mentioned, was the subject of an independent scrutiny but it did not bottom out the real visitor projections. The thing about the Dome, I guess, is that a number of these things were happening concurrently. What the department has done since the Royal Armouries is made clear in something called the White Book, which I will not bore you with, that we need proper sensitivity analysis, the worst case scenario, for visitor projections and it is a recurrent theme in my discussions with accounting officers that this has been a vulnerable point and we have to be far more prudent in the future. I do recognise it. I think we have put a number of very rigorous mechanisms in place but it is an art. When I went to Stockton what I discover now is that there is massive community interest again in this centre. The local authority have come back saying how much this is wanted, so again projections are quite positive.

**Q39 Mr Steinberg:** Are you basically saying—and Peter said it earlier—that, for example, the first 15 projects were started in the middle nineties and they are the ones that are failing? Are you saying therefore that the ones that have been built recently

have not got these problems, because I would dispute that and I am going to give you an example in a minute?

**Mr Hewitt:** Judging visitor numbers is difficult and I am sure there are other instances, and we will hear of one in a moment, but there is no question that assessing this six or seven years ahead of implementation is difficult. On the NCPM there is no question whatsoever that we got it wrong. I do not think they lied. I think there was a very serious analysis which got it wrong. Having looked at it, I do not think they were clear enough about what the product was they were offering to the public when they made the judgment about visitor numbers and that is where they got it wrong.

**Q40 Mr Steinberg:** Where are the biggest audiences in the country?

**Mr Hewitt:** Do you mean geographically?

**Q41 Mr Steinberg:** Yes.

**Mr Hewitt:** In the big conurbations, obviously. In London and the big cities.

**Q42 Mr Steinberg:** In the main I would suspect that London would have the biggest audiences.

**Mr Hewitt:** Yes.

**Q43 Mr Steinberg:** Do you compare the projections, for example, of what Sheffield was saying, with what would happen in London in, let us say? There is a pop music one in London, is there not? How many people go through those gates and how many people were the same in Sheffield? Do you compare? Presumably, if they are saying there are more people going to walk through Sheffield than through the one in London that is a load of rubbish because Sheffield is not a tourist centre.

**Mr Hewitt:** The market analysis which is carried out is always carried out with regard to catchment population. They do have sophisticated techniques whereby they are taking into account travel time, etc, and in the case of Sheffield will always be carried out in relation to Sheffield. They will also look at comparable cultural facilities of one type or another in a different part of the country or indeed in a different part of the world. One of the problems with the National Centre for Popular Music was that there was not one and there still is not one. It was a completely unique facility.

**Q44 Mr Steinberg:** But not for Sheffield basically. It was the wrong place, was it not? I have no objection to it being built but it was built in the wrong place.

**Mr Hewitt:** I am not sure about that. At that time the reason why they built it was that in the 1990s Sheffield was a very thriving pop music centre. That was one of the big club centres of the country. It was ahead of Manchester; it was ahead of Tyneside; it was ahead of London. They had a cultural centre in Sheffield with a very popular dimension to it and they saw this as adding to that overall programme of popular culture in Sheffield which was flourishing at that time. There were some good reasons for having this in Sheffield.

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**Q45 Mr Steinberg:** Okay. Two projects have cost £24 million to build in terms of grants. They have actually cost a lot more because that was just the Arts Council's contribution. That is basically £24 million down the drain, is it not, which could have gone elsewhere?

**Mr Hewitt:** You are referring to the popular music centre and the Dovecot?

**Q46 Mr Steinberg:** Yes.

**Mr Hewitt:** I would not accept that it is £24 million down the drain. I would certainly accept that in the case of the National Centre for Popular Music our £11 million is not realising what we hoped for originally. There is an alternative use of an educational nature but I absolutely accept that that is not the same thing. In the case of the Dovecot we have worked hard to bring the Dovecot back into being. It has now re-opened with a new board, a new chief executive, a new business plan, and it has put in place a number of pilot events in the spring and summer which have worked very well. We are very confident that that has a positive future.

**Q47 Mr Steinberg:** Let me just make a point. Seven out of the 15 projects have had financial difficulties, have they not?

**Mr Hewitt:** Yes.

**Q48 Mr Steinberg:** Seven out of the 15 projects have had financial difficulties and one other, which is so important to me, is the Gala Theatre in Durham which was a £12 million grant by the Millennium Commission, a £24 million project and had great problems, lost a lot of money and at one stage looked like it was closing. The point I am making is that I have no objection to these being built at all. In fact, they are great, but I am not so sure I agree with the argument that they should not be funded afterwards, that they should stand on their own two feet. I do not think they should be subsidised to such an extent that it is coming from the taxpayer all the time, but where you do have these facilities,—for example, Durham, where we have never had a theatre before, have tried for 30 years to get one, we get one, the fact is that it is well attended, the audiences are always packed and yet it is making a huge loss,—what is wrong with them being subsidised by yourselves?

**Mr Hewitt:** I would need to look at the business plan for that particular facility and I would be very happy to ask our north east office to have a look at it.

**Q49 Mr Steinberg:** It is a general principle I am putting. It is not such a great crime, I do not think, if they are subsidised. We should not throw money away and, for example, with the Sheffield one it was clear that you could not have continued that because there was nobody going in to see it, but where you have genuine ones that are very successful but still not profitable, I think that there should be some sort of fund which helps these.

**Mr Hewitt:** I absolutely agree with you: there should be a fund for theatres of that nature.

**Q50 Mr Steinberg:** Oh; good.

**Mr Hewitt:** Can I add one thing on visitor numbers? We have talked about the difficulties of visitor numbers. In overall terms, looking at these 15 projects, if you put the National Centre for Popular Music to one side, overall visitor numbers are 5% higher than were targeted for. It is not that bad a story. Five million people went through those projects in a single year.

**Q51 Mr Steinberg:** If that is the case why is it that certain projects do get extra funding, considerable extra funding, and other projects do not get that extra funding? How do you make that decision and is it not unfair that you can pump £22 million into Sadler's Wells to keep it going in the capital but my little theatre in Durham, which was struggling for about half a million pounds, could not get that?

**Mr Hewitt:** I do not know the detail of the case. I would be very happy to take that up with my colleagues in the north east because they must have looked at it and come to a view on it. We will look at the viability of the project, we will look at the local authority contribution to the project, we will look at audiences for the project and we will give money, absolutely. We will subsidise theatres of that nature. I am afraid I do not know the detail of that particular case but I am very happy to look into it.

**Q52 Chairman:** Some would argue that the answer to that question is that the opera lobby in London is much more powerful than any other lobby.

**Mr Hewitt:** My answer to that would be that from the Arts Council's point of view we have devolved almost all our decision making on revenue grants to projects of this nature to regional level in the last couple of years. Therefore, decisions have been taken regionally throughout the entirety of the country and therefore lobbies like that should at least be—

**Mr Steinberg:** What you are seeing is Gateshead getting all the money.

**Q53 Chairman:** Just to round off Mr Steinberg's interesting line of questioning, there has been discussion of the Royal Armouries and of the National Centre for Popular Music in Sheffield. There are political imperatives for putting national centres out of London; we understand that, but you are not interested in those political pressures in your particular position, are you? You are interested in maximising audience numbers and ensuring value for money. Are you telling us that you are going to resist these pressures in the future if somebody calls for a national centre somewhere outside of London?

**Mr Hewitt:** No, not at all. We were persuaded, for example, that the National Glass Centre should be developed in Sunderland. We were persuaded that the National Centre for Popular Music should be developed in Sheffield, and we will be persuaded in future that other national facilities should be developed outside of London. We are very keen to work with regional colleagues to ensure that there is

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the greatest possible spread of cultural facilities throughout the country and that includes national facilities.

**Q54 Jon Trickett:** The fact of the matter is that this whole funding regime as illustrated in here is certainly a conspiracy by the people in the south and almost certainly it is a middle class racket as well in the sense that the figures are striking. The vast bulk of the money is going to London and the south east, hundreds of millions of pounds actually, and the vast bulk of the overspend as well is in the south east, is it not? Sheffield, which I will come to in a moment, which to some extent is a catalogue of incompetence, was not overspending anything like the £22 million that the single scheme in London was and yet it was decided to close Sheffield but continue forking out money to Sadler's Wells. How do you justify this expenditure in terms of the money going to the south east and middle class activities, since it is working class people in general who fund the lottery, is it not?

**Ms Street:** I am very sympathetic to your point. The way that it started was that the Arts Council had to respond to applications that came into them. Now they are able to be far more strategic in looking to establish the provision of facilities across the country. They were literally in reactive mode to start with. What I think is also happening much more is that even those centres which traditionally would be seen as the privileged south eastern facilities—The Royal Opera House is probably a prime example—are outreaching much more, so they have screens in Gateshead. They are starting to make sure that everything they have to offer is more available. I think you are right. We have to continue to address this, but what we are seeing here is the early reaction to applications and we are now spreading it further.

**Q55 Jon Trickett:** You accept the point I am making that the historical pattern of expenditure was certainly biased to the south and south east and beyond that probably to what might be categorised as elite interests. Are you now specifying to your body, the body which you are funding, objectives which will ensure that that historical pattern will change?

**Ms Street:** We have two ways of influencing our bodies. One is the financial directions, which are quite technical. The other is the policy directions where we do look specifically at increasing participation and responding to regional need, so yes.

**Q56 Jon Trickett:** 60% overspend by Sadler's Wells, 34% overspend by the Royal Court and so on: these are huge amounts of overspend. I am looking at illustration ten. Sheffield overspent by 2.4%. It is capital costs rather than revenue but it is striking, is it not, that we have tolerated a 60%, tens of millions of pounds, overspend by Sadler's Wells and closed Sheffield down for a 2.4% overspend? That is a fact, is it not? That is a demonstration of the southern bias, is it not?

**Mr Hewitt:** No, I do not think it is. I think the situation in terms of the National Centre for Popular Music was one where we gave it all the support we had. We trusted the organisation to prove its value and its effectiveness. It found that it could not bring the audience that it needed to remain open and it therefore had to close itself down. It was not the Arts Council which did that. In the case of Sadler's Wells, there was a different situation and there was a project which undoubtedly had serious difficulties which we had to help it manage through, but it did have an ultimate, long term viability and that is proven by its great success at the present time.

**Q57 Jon Trickett:** Sadler's Wells are failing to deliver the audience by 10%. There was negligence and incompetence by the architects and quantity surveyors and others who were working for Sadler's Wells but beyond that the audience projections were wildly out as well in terms of Sadler's Wells. Sheffield, had it been located in London, would not have been allowed to close. That is a fact, because it is in the north.

**Mr Hewitt:** There really is not this north/south bias. In the case of Sadler's Wells, the audience figures that were targeted have now been met. At the time of the publication of this Report, they had not been met. There are three other organisations that are now meeting their audience figures, The Albert Hall, RADA and Sadler's Wells and Sadler's Wells undoubtedly has got there. I really would question the underlying point about north/south bias. In the case of the Arts Council I do accept this Report because it deals with some of the bigger projects and some of the London based projects. It gives the impression of a north/south bias. The Arts Council, even in the first capital programme before we could be strategic, were able to show that a quarter of our spend went to the ten most deprived local authorities in the country and half to the 35 most deprived local authorities in the country, throughout the country. Once we got strategic, we were able to take that further. The fact that we have a highly regionalised and devolved structure has made it possible for us to ensure that the country does benefit in overall terms, although I acknowledge this Report may not give that impression because of the nature of the projects which are its specific concern.

**Q58 Jon Trickett:** With all due respect, the evidence is in the Report rather than in your response here. There were 2,238 grants issued but only 28 of them were over £5 million. Most of those are here, overwhelmingly in the south of England. Overwhelmingly, the large overspends were also in London. None of those has been allowed to close. They have all been bailed out. Will you name the consultants who so spectacularly failed Sheffield in estimating 400,000 visitors when there were only 80,000 a year? Will you tell us how much they were paid for this incompetent piece of information?

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**Mr Hewitt:** The consultants were Coopers & Lybrand. I cannot tell you immediately how much they were paid. I would be very happy to give you a note of that following the meeting.<sup>1</sup> I do not have that information with me here.

**Q59 Jon Trickett:** What was the nature of your contract with Coopers & Lybrand? It was a five fold error, was it not, 80,000 and 400,000, 500%?

**Mr Hewitt:** The contract was between the project that was managing the development of the National Centre for Popular Music and Coopers & Lybrand, not the Arts Council and Coopers & Lybrand.

**Q60 Jon Trickett:** You said you had independent people look at it, did you not?

**Mr Hewitt:** As part of our assessment process, we have our own independent assessors who then look at the Coopers & Lybrand report and they advise us.

**Q61 Jon Trickett:** Who were they? Are they in-house?

**Mr Hewitt:** No. They are independent assessors. We have a register of independent assessors who we use in different circumstances. I do not have the name of the particular assessor available to me at this moment. Again, I would be happy to make that available.<sup>2</sup>

**Q62 Jon Trickett:** This is the much vaunted private sector, is it not, spectacularly failing Sheffield and also everybody who plays the Lottery every week. Do you know what the nature of the contract was and whether any thought was given to tackling what must be a spectacular breach of contract in terms of the failure to predict the numbers to this extent? Anybody can make a mistake but this is a monumental error and it has cost us £11 million, has it not?

**Mr Hewitt:** It was undoubtedly a very big error. There was a contract between the organisation responsible for developing the National Centre for Popular Music and, in this case, Coopers & Lybrand. It is extremely regrettable that that error was made.

**Q63 Jon Trickett:** I think it would be interesting to receive the names and the contract details of the independent assessors as well. I would like to go on to Sadler's Wells. There is a £22 million overspend, if I remember rightly. Most of these errors were the architects' fault, it seems to me, since they failed to take account of the fact that this was a listed building. Has any thought been given to the possibility that they may have been incompetent, or that the people who were doing the design work were incompetent, and whether there might be some redress for the public purse against them, since their mistakes in forgetting that they needed an entertainments licence, for example, or that they

ought to seek planning permission before they began building work have cost the public purse £22 million?

**Mr Hewitt:** I would accept that in the case of Sadler's Wells there were a number of errors and omissions made in terms of design considerations by the design team within Sadler's Wells and that that, in due course, caused certain over-runs and delays of the kind that you have referred to. I think that is very regrettable. As I said earlier, had we had in place the kind of processes which we have in place now which we have systematically introduced, the likelihood of those errors would have been very greatly reduced. The new measures we put in place are in part to ensure that we have greater cost certainty and greater confidence over time requirements for the delivery of projects than was previously the case.

**Q64 Jon Trickett:** Was this an in-house team entirely or was it an independent architectural practice or an independent consultancy? If it was, has any consideration been given to the possibility that they may have negligently executed their duty, as appears to be the case?

**Mr Hewitt:** In the case of Sadler's Wells there would be a design team made up of design specialists, construction specialists, project management specialists, who would be taking forward the project from within Sadler's Wells. They were the people responsible for doing this. One has to ask questions about the errors and omissions that were made. From my point of view, we need to ensure in future—and the new measures that we have introduced will allow this—that we identify such problems and omissions ourselves so as to advise the project to put matters right at an early stage.

**Q65 Mr Bacon:** I was struck by what Mr Field said at the beginning because the figure of £1.1 billion, which is the total for all the capital projects, of which we are looking at a proportion, is etched on my mind because it is also the amount of money the Work and Pensions Department lost on the benefit payment card project, at the end of which of course there was absolutely nothing to show for it, whereas you have over 2,000 projects. I think it is hard to think of anything more enriching and civilising which you could spend taxpayers' money on than this. Having said all that, it does go back to what you were saying earlier, that anything that is mismanaged does mean there are fewer resources around for others who need them, including the people in Mr Steinberg's constituency, which brings me to Sadler's Wells and this £22 million over-run. It says on page 18 that the project—this is an extraordinary sentence—had to be redesigned and restructured because the original design for the theatre did not meet the planning restrictions placed upon a listed building. I have just bought a house. It happens to be a grade two listed building. It is part of an old rectory that has been divided into three and slightly to my chagrin I find it is listed which means I cannot just do what I want. I know, because I know it is a listed building, that if I want to do anything to it I have to check. If you are running a big project and you are spending tens of

<sup>1</sup> Ev 19.

<sup>2</sup> Ev 19.



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millions of pounds, whether you are an external contractor or whether you are in-house, surely to goodness, if you are designing a project, you find out whether it is a listed building. Does this sentence mean that they did not know that it was a listed building?

**Mr Hewitt:** No. What it means is that there was a degree of confusion over the exact nature of the planning restrictions which applied because it was a listed building.

**Q66 Mr Bacon:** If you are designing a project and you have a design and you know it is a listed building, is not one of the first things you do to go and talk to the planners and say, “We have a listed building here. There are things we want to do to it. It is going to involve expenditure of tens of millions of pounds. We need a very early conversation with you about this listed building and about the things we can and cannot do”? Would that not be the sensible approach?

**Mr Hewitt:** It would.

**Q67 Mr Bacon:** Was that done?

**Mr Hewitt:** Those conversations took place.

**Q68 Mr Bacon:** When? How long before the project started?

**Mr Hewitt:** In the very early stages of the project.

**Q69 Mr Bacon:** When you say there was confusion, you mean they went and had a discussion. After the discussion they walked away and drew up a plan and spent lots of money doing it, completely ignoring the discussion or having completely misunderstood the discussion?

**Mr Hewitt:** Certainly not ignoring the discussion.

**Q70 Mr Bacon:** Was there any documentary evidence of the discussion?

**Mr Hewitt:** I am sure there is documentary evidence.

**Q71 Mr Bacon:** Have you looked into this in detail?

**Mr Hewitt:** I have not personally looked at the detail of this particular aspect.

**Q72 Mr Bacon:** Do you know more than you are saying?

**Mr Hewitt:** No.

**Q73 Mr Bacon:** Does anybody in your department know more than you are saying?

**Mr Hewitt:** No.

**Q74 Mr Bacon:** It does seem rather extraordinary. Who did the original design?

**Mr Hewitt:** It goes back to the point I made about there being undoubtedly errors and omissions in the original design which took place at Sadler’s Wells.

**Q75 Mr Bacon:** Who did the original design?

**Mr Hewitt:** I do not have that information available in front of me. RHWL, I am told.

**Q76 Mr Bacon:** Who are they?

**Mr Hewitt:** Leading theatre architects.

**Q77 Mr Bacon:** If you are a leading theatre architect, you are an external consultant effectively. If you make a mistake of this magnitude, you are liable, are you not? They could have been sued for an error of this magnitude. Was consideration given to suing them? If you buy a house and your solicitor screws up on the transaction and you end up not owning the house or you end up owning a different house from the one you thought you were going to own and the Land Registry says you own number 43 and you thought you had bought number 42, you can sue the solicitor, can you not? Has consideration been given to suing this architectural practice over their gross failure?

**Mr Hewitt:** I know that Sadler’s Wells certainly gave consideration to taking legal action in relation to a number of the professional services that they had been provided with. I do not know in this particular case whether consideration was given to suing RHWL.

**Q78 Mr Bacon:** Can you find out and give us a note?

**Mr Hewitt:** I can certainly find out.<sup>3</sup>

**Q79 Mr Bacon:** Can I turn to the Dovecot Arts Centre? I am very struck by the fact that in the Report on page ten it is sitting next to the Malvern Festival Theatre and they are very similar projects in a way, not only because the money involved was quite similar. In the case of one it was 6.8 that went up to £7.6 million and in the case of the Dovecot it was 8 that went up to 9.6. Secondly, they both have three spaces, a theatre, a hall and a cinema in Malvern, and a performance space, a theatre and a cinema at the Dovecot. I happen to know the Malvern Festival Theatre very well. I have been to many performances there of different things. It has transformed the experience. It is an extraordinary facility and very good value for money. It has exceeded its numbers. Looking at the chart with the blocks on it on page two, there is no little block next to the column saying that the Dovecot Arts Centre exceeded its numbers yet, if you look on pages 31 and 32, it looks like it did exceed its predicted visitor numbers and indeed on page 32 there is a sentence which says, “Although the Centre exceeded its visitor number targets . . .”. It is extraordinary therefore that the thing went so horribly wrong. What were the Arts Council’s concerns about the management capacity at the Dovecot Arts Centre?

**Mr Hewitt:** It is true that although the Dovecot Arts Centre exceeded its visitor numbers it did not meet its income targets and that was the fundamental problem. It is also true that we did have management concerns in relation to the Dovecot Arts Centre fairly early in its life span.

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<sup>3</sup> Ev 20.

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**Q80 Mr Bacon:** You now have a new board, a new chief executive and a new business plan but presumably the old business plan was done by the old chief executive and the old board. Is that right?

**Mr Hewitt:** It was indeed.

**Q81 Mr Bacon:** Who chose the old board and the old chief executive?

**Mr Hewitt:** The old board will have been chosen through arrangements laid down in the memorandum of articles for that particular organisation.

**Q82 Mr Bacon:** It would have been done locally. It was not an Arts Council inspired decision?

**Mr Hewitt:** Absolutely, and the board itself would have identified and appointed its chief executive. The north east office of the Arts Council would have participated in the appointment of the chief executive, but the board would have the responsibility for appointing its own chief executive.

**Q83 Mr Bacon:** You had concerns but you did not act until there was already a serious problem and money was being lost?

**Mr Hewitt:** I think this takes me back to one of the measures which has since been introduced where we have become increasingly aware of the need to improve the capacity of arts organisations to be able to deal with and manage capital projects.

**Q84 Mr Bacon:** Can I stop you there because you bring me straight on to my next question which is about management of arts organisations? Words like “project management”, “risk assessment”, “rigorous financial analysis”, “budget planning and management” and “business plans” and so on are deeply familiar to this Committee. We see them all the time across different aspects of government. There is no doubt that despite the fact that we use those words there is no area of government—indeed, there is probably no area of the private sector—where these things are not capable of being got horribly wrong, and regularly are. It does seem likely, does it not, that that vocabulary is uniquely alien to people in the arts? You do not go and work in the arts because you are interested in rigorous financial analysis, budget planning and risk assessment. You go and work in the arts because you are in love with the arts, you are a luvvie basically, and you want to be near the arts and do as much with them as you can. Would it be fair to say that the quality of the management in the arts organisations generally in this country has suffered? Am I being wholly unfair in my characterisation of the people who go into the industry? What are you doing to make significant improvements in the quality of management so you get these disciplines and get more of the money going where it is needed and more output?

**Mr Hewitt:** I would not entirely agree with your analysis of the quality of management in arts organisations but figure eight does lay out the measures that we have taken to improve the management capacity of arts organisations.

Recognising that projects that take on capital developments have put upon them a considerable additional burden, we have introduced measures whereby, in every case when they take on a new capital project, there is a health check done of that project. We look at building the capacity within its management to ensure that it can deal with the additional demands of the capital initiative. We provide additional assistance for technical support and a range of other measures that are laid out here. We do recognise that when a project takes on a major capital initiative it is necessary to look at and to strengthen its management acumen.

**Q85 Mr Bacon:** In a way that you perhaps did not recognise five, six or seven years ago?

**Mr Hewitt:** I would agree. Back in 1995–96, this was not fully recognised. I think we have learned from that and introduced measures now which ensure that we do have the necessary management acumen to see these projects through.

**Q86 Mr Bacon:** In relation to the National Centre for Popular Music, you mentioned earlier the legal charge and English Partnerships insisted on a charge. How much money did English Partnerships and you put into it?

**Mr Hewitt:** English Partnerships provided, I believe, a loan of £1 million and a grant of £1 million into the National Centre for Popular Music. I would like to confirm those figures.<sup>4</sup>

**Q87 Mr Bacon:** How much did the Arts Council put into it?

**Mr Hewitt:** The Arts Council put in a total of £11 million.

**Q88 Mr Bacon:** They put in one million; you put in 11. When I heard the sentence, “English Partnerships just insisted on a charge” I remember thinking at the time that if we were sitting here listening to the English Partnerships chief executive and he were saying “The Arts Council just insisted on a charge and that is what we had to put up with” we might have wondered why they were in second place; but you put in a lot more money than they did. Why were not you the ones doing the insisting?

**Mr Hewitt:** I think there is no doubt that the Arts Council should have taken out the first legal charge. No doubt keen to encourage co-funders and other people to contribute to projects, it was accepted that English Partnerships should be able to take the legal charge in this case.

**Q89 Mr Bacon:** The consequence was that you only got £400,000 to £500,000 of the 1.85 being raised from the sale of the building. Who got the rest? Who owned the building? Did English Partnerships get the rest?

**Mr Hewitt:** English Partnerships will get the balance of the sale on the buildings.

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**Q90 Mr Bacon:** The difference between the £400,000 or £500,000 that you get and the 1.85, so you get some but they get most?

**Mr Hewitt:** Yes, they get more.

**Q91 Mr Bacon:** Yet you put in 11 times more money than they did.

**Mr Hewitt:** Indeed.

**Q92 Mr Bacon:** It is absolutely extraordinary, but you are confident that that cannot happen again?

**Mr Hewitt:** I am entirely confident it cannot happen again. As I have said previously, we now take out a legal charge without exception. It was actually customary for us to take out a legal charge at that time, but on this occasion for the reasons I have stated we did not take out a legal charge on this particular project.

**Q93 Mr Bacon:** When I lived in Berlin I used to go to the opera a lot because I lived ten minutes' walk away and it was very cheap. You could go with a student card for six Marks which then was, thanks to the over-valued exchange rate, £2. I often used to notice that behind me—I was sitting up in the gods—there were schoolchildren, teenagers of 13, 14, 15 and 16. It was very common. It was normal. It was so cheap that, when kids in this country were going to the cinema, over there they were going to the opera. I do not think we get that here even now. What steps are you taking to encourage people who do not currently go to opera and to orchestras and the theatre to do so? I have some sympathy with Mr Trickett's point about all these big, middle class subsidies for big London orchestras, opera houses and everything else. Surely the answer is not not to have opera houses or orchestras; the answer is to have loads of people who do not know about them going to them. What are you doing to make that happen?

**Mr Hewitt:** Without repeating the Royal Opera House examples from earlier but to give some additional examples, 56,000 schoolchildren went to matinee performances at the Royal Opera House in 2002–03. There is a new initiative on which we are currently working with the Royal Opera House and the Paul Hamlyn Trust whereby 6,500 entirely new people on a family based project will go to productions of *Madame Butterfly* and *Romeo and Juliet* over the coming few months. This is expressly intended to ensure that families and young people get experience of opera at an early stage. That is just one instance. There are many other examples. I entirely agree with you. We should continue to ensure that we broaden the audience base in organisations of that kind.

**Q94 Mr Bacon:** What proportion of your budget goes into audience broadening?

**Mr Hewitt:** It is very hard to quantify that because basically our grant to every regularly funded organisation requires that they show evidence of broadening audiences of whatever kind. There is a

whole range of measures that every organisation implements in terms of black audiences, disability, socio-economic groups, young people and whatever.

**Q95 Mr Davidson:** Earlier on, there was an expression of complete support from the Permanent Secretary. If you had been the manager rather than a fan of Middlesbrough, would you be happy to have such an expression of absolutely confidence?

**Mr Hewitt:** Of course I would.

**Q96 Mr Davidson:** Could I just ask about the pattern of grants that we have here? You have mentioned several times about how procedures have changed since then. Am I right in assuming that basically the toffs got in first and that this tranche of moneys was basically captured by the establishment, who were quicker off their feet, who were already organised, who had all the connections and were able to gouge out the money before systems were established? If that is the case, I can understand and have some sympathy for that and accept that maybe you have changed your procedures since then and you were just caught on the hop. Is that a fair way of putting it?

**Mr Hewitt:** I think it would be true to say that some of the largest and most established organisations, once they saw the Lottery coming, were the quickest to equip themselves with applications because they had the resources to do so. An organisation like the Royal Opera House went straight into top gear and got an application prepared, whereas some smaller, more local organisations may have needed more time to do so. I think the others very quickly caught up.

**Q97 Mr Davidson:** They would be in other tranches, would they not?

**Mr Hewitt:** Even in the first tranche, 75% of our grants went to organisations receiving grants of £100,000 or less, so three-quarters of them went to relatively small organisations.

**Q98 Mr Davidson:** Three-quarters of the grants but not of the money.

**Mr Hewitt:** Yes.

**Q99 Mr Davidson:** What we are interested in is the money really. The people who got the big money were the people who were already getting big money, unless I am very much mistaken? Is that fair?

**Mr Hewitt:** I think there is an element of truth in that. I do not think it is quite that black and white but the big organisations were well prepared to make strong cases.

**Q100 Mr Davidson:** Ms Street, why did the department allow that to happen? You must have noticed when the Lottery was on the horizon that this was likely to be the result. These people were, quite rightly, going to seize an opportunity. Why was encouragement not given to other organisations and action taken to try to make sure that the money did not just go to those who had it already?

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**Ms Street:** With hindsight, the department could have done more to help the state of readiness. The Lottery was completely new. It was the first legislative framework and it was set up to respond to applications.

**Q101 Mr Davidson:** That is right. There was a period, was there not, when it was being thought of, worked through and all the rest of it. Surely the department must have anticipated that those who were already well organised were going to be quickest with applications. Surely you ought to have been proactive in encouraging, helping or assisting other organisations, more socially representative, to be bidding as well?

**Ms Street:** I accept the point absolutely. I think there will have been a considerable balance about where it was safest to put investment to start with in managing the risk.

**Mr Hewitt:** It is very important to recognise, with the first capital programme, we were not allowed to be strategic and to go out and encourage applications. We had to be entirely responsive. The regulations required that. After that, we were able to be much more focused.

**Q102 Mr Davidson:** You were forbidden by the government to do that?

**Mr Hewitt:** Yes, we were.

**Q103 Mr Davidson:** I knew that, actually, but I think it is valuable to have that registered because that is an issue for the future. Can I clarify the point about intended benefits? I am not satisfied, on the basis of what I have heard, that you are reaching other groups in the way that I and many others here would want. I worry that the cheaper seats are, for example, for those who were going to pay a greater price anyway and the young people that are being attracted are the young people of families who already have an attachment. Do you give money, for example, to art establishments where there are either formal or informal dress codes which are deliberately designed to exclude those from particular backgrounds? It is my impression that you do.

**Mr Hewitt:** We certainly do not give money to any organisation where there is a formal dress code which excludes a particular grouping.

**Q104 Mr Davidson:** Informal dress codes?

**Mr Hewitt:** Every cultural facility, whether it is a pop venue or whether it is the opera house, does have norms in terms of dress and behaviour.

**Q105 Mr Davidson:** Some are designed to exclude.

**Mr Hewitt:** I think they are all designed to make whoever goes there feel that they are with similar people, whether it is a pop venue or whether it is a theatre.

**Q106 Mr Davidson:** What sort of group of similar people do you think attend many of the establishments that have huge amounts of money? What sort of similar people attend Sadler's Wells, for example?

**Mr Hewitt:** I believe that we, Sadler's Wells and other organisations, have very deliberately broken down those sorts of limitations. Sadler's Wells has introduced a programme which they call their Connect Programme. It has brought 13,000 people in.

**Q107 Mr Davidson:** Can you clarify for me what sort of people were attending where they are now trying to break down those social barriers? What was the group that was attending?

**Mr Hewitt:** At Sadler's Wells?

**Q108 Mr Davidson:** Yes.

**Mr Hewitt:** I believe Sadler's Wells has always had a pretty broadly based programme. Contemporary modern dance is something which appeals to young people. It is not a grouping of middle aged or more affluent people. Sadler's Wells has a long history of being very open and inclusive to the community.

**Q109 Mr Davidson:** Which establishments would have a more reactionary audience?

**Mr Hewitt:** The one that I would refer to as having had would be the Opera House. However, in the course of the hearing, I have pointed out a large number of actions that they have taken which have really significantly changed the way in which the Opera House—

**Q110 Mr Davidson:** Is everything okay now?

**Mr Hewitt:** At the Opera House, I think things are very promising indeed. More can be done, obviously.

**Q111 Mr Davidson:** We should not be satisfied, should we?

**Mr Hewitt:** No. The Arts Council is not satisfied with regard to the Opera House or with regard to the arts as a whole in any respect whatsoever. We want to broaden audiences in all kinds of ways and we are intent on doing so.

**Q112 Mr Davidson:** The message is "must try harder". Which of the organisations whose grants we are looking at should try hardest?

**Ms Street:** It might help in terms of departmental policy, although that is not usually for this Committee, to say that the Secretary of State makes it very clear that children, young people, local communities and hard to reach groups in local communities are her strategic priorities, so taxpayers' money flows. Lottery decisions have a different framework but there is a great alignment all the way through to try and spread the benefits of the arts more broadly.

**Q113 Mr Davidson:** I know what the policy is but I am just seeking clarification. Can you tell me who you think ought to try hardest?

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**Mr Hewitt:** I sincerely believe, looking at this list of 15 projects, that they are all in different ways reaching out to new audiences.

**Q114 Mr Davidson:** That is not what I asked you. I asked you which you think ought to be trying hardest because they have the furthest to go.

**Mr Hewitt:** I am afraid I think they are all at the same point, all reaching out to the audiences.

**Q115 Mr Davidson:** They are all equally bad or good then, are they?

**Mr Hewitt:** Good, yes.

**Q116 Mr Davidson:** Would you be able to give me audience profiles in order that I can compare these with, say, the population profile of the country as a whole and particularly with the profile of Lottery purchasers?

**Mr Hewitt:** In the case of those organisations that collect that kind of Lottery audience profile information—and that tends to be those organisations that sell tickets, where it is easier to do so—we can certainly provide you with audience profiles.<sup>5</sup>

**Q117 Mr Davidson:** You yourself presumably have compared with the national profile and with the Lottery sales profile?

**Mr Hewitt:** Indeed.

**Q118 Mr Davidson:** Presumably you would be able to let us have that? I would very much welcome having that. You mentioned those that sell tickets. For how many here is entry available without buying tickets? Sadler's Wells is not available without buying tickets, is it, or The Royal Albert Hall? How many of them here are free?

**Mr Hewitt:** It is complicated in the sense that quite a number of these organisations offer some things free and some things on a paid basis.

**Q119 Mr Davidson:** All of them would have the opportunity to collect data from ticket sales and presumably are doing so. Given what you have said about the policy, presumably they would have sociological data that we would be able to compare both with the national profiles and with the profiles of Lottery sales?

**Mr Hewitt:** I would hope that in most cases that kind of socio-economic information would be available.

**Q120 Mr Davidson:** You would hope that? Given what the policy of the department is as I understand it and the policy of the government, I was under the impression from previous investigations that we have had that there was a standing instruction that that ought to be collected, because we had political objectives which you ought to be following. I am astonished to hear that you might not actually have any of that information or be collecting it. Have I misunderstood your answer?

**Mr Hewitt:** It simply depends. The only qualification I want to put on an absolute assurance has to do with the technology that the organisation has in order to be able to capture that information. I would be very happy to provide you with a note.<sup>6</sup>

**Q121 Mr Davidson:** I am not aware of the technology that would enable you to ascertain social class of ticket purchasers, but if that is available that would certainly make a lot of our work much easier. I thought that conscious efforts had to be made to collect that and I would have thought that the management of these establishments would be undertaking that.

**Mr Hewitt:** There are technology based systems whereby audience purchasers can be identified by place of residence, ACORN statistics. One can then collect information as to where they come from.

**Q122 Mr Davidson:** I understand. I wonder if I can pursue the question of borrowing? I was interested in some points about borrowing and I wanted to clarify why it was that you accepted somebody just being a guarantor of borrowing and then allowing all that money to be considered as partnership money? You could end up not putting in any money at all. The organisation then pays back the borrowing from its own resources and there is then no contribution from anyone else at all. I can understand that the guarantee might be called upon but you could end up allowing that money as balancing funding and not a penny piece being put in at all. Does that not seem unusual?

**Mr Hewitt:** We allow a loan to be counted as partnership funding when it is absolutely guaranteed by an independent third party and therefore is assured. They are the only circumstances in which we will allow it as countable towards partnership funding.

**Q123 Mr Davidson:** But it might not actually be provided at all.

**Mr Hewitt:** With that guarantee from an independent third party, we would hope that it would be provided.

**Q124 Mr Davidson:** The independent third party would not themselves be providing any money. Presumably they would be guaranteeing the loan. There would be a mechanism for repaying the loan, presumably from income, and therefore the guarantee would never have to be called on. The organisation is effectively paying off its own loan with no partnership contribution.

**Mr Hewitt:** Yes. Obviously it is possible that the independent third party, very often, would not be called upon.

**Q125 Mr Davidson:** That is not really partnership funding because they are not actually providing anything.

**Mr Hewitt:** A sum of money is still being made available towards the overall cost of the project.

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<sup>5</sup> Ev 20–31.

<sup>6</sup> Ev 20–31.

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**Q126 Mr Davidson:** It is being paid for by the project itself out of an income stream.

**Mr Hewitt:** It is being borrowed from one source or another and is therefore, in our view, properly countable towards balance of funding required in terms of partnership funding.

**Q127 Mr Davidson:** In a couple of cases at least you ended up repaying the borrowing yourselves?

**Mr Hewitt:** It is true that in a couple of cases eventually the projects—

**Q128 Mr Davidson:** Was there no guarantor in those circumstances? Had that money counted as partnership money that you ended up paying for?

**Mr Hewitt:** It is true that in a couple of cases those loans came through in the form of supplementaries to the Arts Council.

**Q129 Chairman:** I am not sure you were being entirely open with Mr Davidson. You must know what the profile is of people who go to an opera house. It is nothing to be ashamed of. We all know what that profile is. It seems incredible that you cannot even answer the question and you have to provide a note to the Committee. How many working class people are there who want to go and see ballet and opera? You can at least have a stab at the question, can you not? It is obvious, is it not?

**Mr Hewitt:** Yes. It is very clear who goes to the Opera House and I have given you a lot of information today as to who does go to the Opera House. 52% of the attendance in 2001–02 were new attenders. 39% in 2002–03 were new attenders.

**Q130 Chairman:** What about a class profile?

**Mr Hewitt:** We can certainly give you the class profile on the attendances in the main house at the Opera House. That can be provided.

**Chairman:** Thank you. I am surprised you cannot even attempt the answer at the moment.

**Q131 Mr Rendel:** I wanted to tease out a little bit more about this question of first charges. You have said that you are now always putting on a first charge with any of these projects and the Committee was very welcoming of that idea on the grounds that we will not totally lose out in future if something goes very badly wrong. I wanted to test whether it is actually correct to make that an absolute rule on all occasions, given that if we insist on a first charge it must make it rather more difficult to get other funders into place. It may even make it more expensive to get other funding into place. There must surely be a balance somewhere between the savings where you have a lower risk so you get more of your money back, as against the possibility of getting in cheaper funding to start with. I am not sure that with an absolute rule that you always want a first charge is necessarily, self-evidently, the right way to go and I would like some further comments about it.

**Mr Hewitt:** I think there is a potential downside to the Arts Council always requiring a first charge but on balance my view is that that is offset by the advantages of the protection that that affords.

**Q132 Mr Rendel:** In financial terms, that is always on average going to work out?

**Mr Hewitt:** In financial terms. We have that protection. It goes back to the earlier question on the National Centre for Popular Music where we acceded to English Partnerships, partly no doubt out of a desire to encourage them to participate in the project. In overall terms, with regard to that project and others, I would argue that it is better that we universally apply a first charge in future and that is what we are doing.

**Q133 Mr Rendel:** You have done that calculation somehow, as to how much you could save by not insisting on a first charge, as against the potential risk involved? In this case it went badly wrong but it would not always go badly wrong if you did not insist on a first charge.

**Mr Hewitt:** If we felt that by applying a first charge we were losing out on substantial sums of money that might otherwise be brought into projects of this nature, we would obviously need to have a look at it, but our evidence so far is that that is not the case and that, in overall terms, it is better to apply the first charge.

**Q134 Jon Trickett:** I understand that at the Royal Albert Hall the boxes have all been sold to private companies, presumably for corporate hospitality. The Albert Hall has had £70 million of public money. Is that the case and is it right in principle, if it is the case, that public money is going in to provide facilities in some cases which have already been frozen out by powerful corporations with large amounts of money?

**Mr Hewitt:** I am afraid I do not know whether all the boxes at the Albert Hall have been already sold.

**Q135 Jon Trickett:** Many of them have.

**Mr Hewitt:** I just do not know. You may know more than I do. What I do know is that the Albert Hall has in my view a sensible and broadly based ticket pricing policy and does bring in a broad audience to many of its cultural events.

**Q136 Jon Trickett:** Let us disregard the Albert Hall. As a matter of principle, is it right that public money should be made available to institutions who then sell on seats or facilities so that effectively they are excluded from the rest of the public? It may be that it was part of the original funding package.

**Mr Hewitt:** I think if the effect of that is that people with lower incomes are prohibited from attending that cultural facility, it absolutely is unacceptable. In overall terms, however, these are businesses that have to make their ends meet, as we have discussed today. No doubt in the case of the Albert Hall there are some income requirements that necessitate it making available some of those boxes for corporate purposes. It is finding a balance between overall

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financial viability and ensuring that its ticket pricing is broad based and encourages a wide sector of society to attend.

**Ms Street:** As a matter of principle, you are looking for an overall revenue for the business plan and you want to make more facilities accessible to the lowest incomes.

**Q137 Jon Trickett:** Is it not arguable that then we are subsidising rich corporations? Is it not arguable at least that the facilities are being enhanced by public money and then being privatised effectively?

**Ms Street:** I think it is arguable. I think the Committee will want to reflect on this. What normally happens is that for the business plan you are looking for the minimum amount of public subsidy for maximum participation by taxpayers or Lottery players. Sometimes, the big corporations assist in reducing the amount of public money needed.

**Jon Trickett:** I think you could argue it either way, but I would be interested in Mr Hewitt perhaps providing the Committee with a note reflecting on the point I have raised.<sup>7</sup>

**Q138 Mr Bacon:** I want to ask a question about the general position but first on the Albert Hall, as someone who once went to a whole series of proms for a whole summer, the only place where you are going to hear anything going on is standing at the front where you only pay a pound anyway. If you can get money out of businesses paying top whack to sit in a seat where they cannot hear anything, I would have thought it would mean more public money could go into the bits for everybody else so I do not think there is necessarily a problem there. Mr Hewitt, the information in the Report indicates and the National Audit Office has said to us that basically the position has worsened since the Committee last looked at this in 1999. You have been chief executive of the Arts Council since March 1998 so it is during the period of your stewardship that the position has worsened, since the Committee last looked at this. My question is: why should we have confidence that when we next look at this the position will have significantly improved as opposed to worsened still further?

**Mr Hewitt:** Firstly because the Report also states very clearly that the Arts Council has introduced a whole range of new measures since I have been chief executive. As I said earlier in the hearing, I have looked into the impact of those new measures on the capital programme more generally and I have satisfied myself that the difficulties that were the subject of this Report are not experienced more widely. I know that the performance is much better. I would also add that, as I said at the beginning of this hearing, we have to acknowledge that these projects are quite special. They were the earliest. They are the most complex. They are the largest. They were projects which, by the date of the last hearing in 1999 shortly after I arrived at the Arts Council, were already well out of the stocks. I think

we have managed the situation as well as we possibly might since then but I have absolute confidence that the measures introduced over the last few years will ensure that these difficulties will be minimised in future.

**Q139 Mr Steinberg:** We shall be watching very carefully to see that no money goes to Middlesbrough Football Club. I am not sure I got an answer when I pursued this before. It says in the Report that 7 out of the 15 projects have financial problems. How many projects are there throughout the country, approximately? Do you know? There must be hundreds.

**Mr Hewitt:** Hundreds of thousands.

**Q140 Mr Steinberg:** Big ones?

**Mr Hewitt:** It depends on your definition.

**Q141 Mr Steinberg:** How many of these projects that have been developed from Lottery money have financial difficulties? Do you know?

**Mr Hewitt:** A relatively small number. In many cases, the original hope and expectation that a new facility, a better facility more attractive to the public, would draw in more income has proved to be the case. I would add that of the five projects that are referred to in this Report that have financial difficulties there is no doubt whatsoever that over the last six to nine months, at least in the case of four of the five projects, their circumstances have improved quite significantly. We are on an upward trajectory there.

**Q142 Mr Steinberg:** If you look at page 24 of the Report, paragraph 3.7, it tells us that as well as giving some projects grants you also give some projects loans, so some projects get a grant; some get a loan; some get both; some get neither. How do you make this decision? How do you decide who gets what?

**Mr Hewitt:** We decide on who gets grants according to criteria that are laid down. In the case of supplementary capital grants, the criteria are referred to in paragraphs 3.2 and 3.3, where we lay out the circumstances where we give a supplementary grant. We will give a loan only where there is a very specific cash flow problem that a project experiences where some short term assistance from the Arts Council will see it through that cash flow difficulty. The instances that are referred to here are of that nature. There are different circumstances for grants and different circumstances for loans.

**Ms Street:** Could I put a few numbers forward on the original question, if it helps? In the first tranche of capital programmes, there were 1,870 projects. 1,813 of those did not need extra help. It follows that 3% did and 97% did not. They required big slugs of help. I am not saying it was not serious money; it was, but I think that perhaps puts a bit of a context on it. Most of those projects that did require help are delivering their benefits. While I have the floor, I want to put on the record that I think it is a demonstration of Peter Hewitt's grip on this that we

<sup>7</sup> Ev 32.

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have, both of us, accepted and acted on all the recommendations in this Report, which we found very constructive.

**Chairman:** I am very grateful to Ms Street and to Mr Peter Hewitt for coming here this afternoon. You were asked by Mr Bacon about luvvies. Surely one of the answers is that the great impresarios of the past were great artists but they were also very shrewd businessmen who knew that there was not an Arts Council waiting to bail them out. What this Committee is worried about is whether the people you are dealing with really are aware that you are sufficiently tough minded to pull the plug if it is necessary. You have given various reassurances this afternoon which we will look forward to considering

in our report and I am sure that the successor committee to this will look forward to considering your reassurances, particularly on Sadler's Wells, and on dealing with the cost over-runs. You have given some very specific assurances to this Committee and we will hold you to those assurances.

**Mr Steinberg:** That is all well and good, Chairman, and I agree with most of what you say but there is also the problem where there are some really good projects that are not making a profit but are so worthwhile and have been run quite well. It would be a disaster if the plug was pulled on those because the Arts Council did not give them extra finance.

**Chairman:** With that caveat to my comments, I will close the meeting. Thank you very much.

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**Memorandum submitted by Arts Council England**

This note provides updates on certain projects covered by the Comptroller and Auditor General's Report: Progress on 15 major capital projects funded by Arts Council England (HC 622).

FIGURE 15 OF REPORT—"PROJECTS IN FINANCIAL DIFFICULTY"

(i) *Cambridge Arts Theatre*

The company continues to perform well in terms of attendances but also to face financial challenges. In view of the Theatre's strategic importance to arts provision in the area, the company was admitted to the development phase of the Arts Council's Recovery Programme in June 2003. The company is currently preparing a detailed recovery plan, with options, and the Arts Council is in principle willing to consider further financial support if the company is able to develop a sound plan with credible financial projections to support it.

(ii) *National Glass Centre*

The Centre has now developed a comprehensive strategy and action plan for recovery with the core aims of boosting visitor numbers and the average spend per visit, to be achieved by putting in place a stronger management team, raising the standard of maintenance of the building and permanent exhibitions, investing more in the artistic and education programme and in the "visitor attraction" aspects and by relaunching the Centre in terms of Press and PR. The Arts Council believes that the plan is credible, and has provided financial support to enable the Centre to implement it.

(iii) *Royal Academy of Dramatic Arts (RADA)*

A recently completed independent assessment has confirmed that RADA had a small operating deficit in 2002-03, in line with budget, and that it is currently on track to achieve the balanced operational budget that has been set for 2003-04. The assessment also concluded that despite certain challenges the medium term outlook for RADA is sound, with secure regular income through the Conservatoire for Dance and Drama, and that RADA is well on track to achieve long-term financial stability at a lower and sustainable cost-base through improved management of its affairs. RADA's debt (in the form of bank overdraft) is currently forecast to be £1.4 million by end 2003-04 (down from £4.1 million at end 2001-02—see Figure 15 of NAO Report), and the current plan is to eliminate this over five years using the proceeds from a combination of RADA Enterprises, funds raised as part of RADA's 2004 Centenary celebrations and RADA's operating surpluses.



(iv) *Royal Court Theatre*

The company has succeeded in addressing its previous financial difficulties. In 2002–03 it achieved an estimated net trading surplus of £202,000<sup>1</sup>, and for 2003–04 it is budgeting for a net trading surplus (before adjustments and provisions) of £134,000 which, on current forecasts, it is likely to exceed. The company's accumulated deficit, which amounted to £389,000 at end 2001–02<sup>2</sup>, is currently forecast to have fallen to about £131,000 by end 2003–04, and the company's target is to eliminate the deficit entirely by March 2007.

(v) *Victoria Hall and Regent Theatre, Stoke-on-Trent*

Both venues are managed by a commercial operator who always envisaged operating losses in the early years following completion. The Regent Theatre is still operating at a loss, but at a lower level than in recent years. The Victoria Hall is also still incurring losses, mainly because it is facing stiff competition from larger venues elsewhere for pop promotions. Like the Theatre, however, these losses are born by the operator and the Hall itself is used extensively, including by a wide range of community groups and educational organisations.

## DOVECOT ARTS CENTRE—PARAGRAPH 4.11 OF REPORT, AND CASE STUDY 6

The Arts Council has worked closely with local stakeholders to bring the Centre back into operation and progress is encouraging. A new company has been formed with a new board and chief executive, and a detailed business plan. In July 2003 the Centre started running pilot events which are proving to be successful and to have strong support from the local communities, and the current aim is for a full public re-launch in September 2003.

1 September 2003

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**Supplementary memorandum submitted by Arts Council England**

Five areas were raised by the PAC that required further information or clarification. These were highlighted in an email from Laura Brackwell to Moss Cooper. These questions and the part of the uncorrected transcript of evidence to which they relate are highlighted below. Full responses are included for three of the five areas and an update provided on the progress of the other two.

*Questions 58–63: Requested by Jon Trickett MP: the amount paid by the National Centre for Popular Music to Coopers and Lybrand for the assessment of likely visitor numbers and details of the contract (ie scope for seeking compensation); and details of the independent assessor employed by the Arts Council to review Coopers and Lybrand's assessment.*

The work was commissioned in 1995 by The Work Station, a partner organisation in Sheffield's cultural quarter, to explore the possibility of a National Centre for Popular Music. It is unclear from where the Work Station received the funds to pay for this work but it was not Arts Council funded. Once established Music Heritage Ltd commissioned an update to the report in 1996 and again no Arts Council funds were expended as we had not engaged at this stage. Coopers and Lybrand are now part of PriceWaterhouseCoopers and the individuals that undertook the work are no longer employed within the company. The response has therefore been based on a search of the records and may not be conclusive.

Summary of invoices identified by PWC as charges relevant to the NCPM reports:

- October 1995 invoice to the "The Workstation" for £8,000 + VAT = £9,400.
- March 1996 invoice to "Music Heritage Limited" for £3,000 + £110 expenses + VAT = £3,654.25

Total invoices identified = £13,054.25

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<sup>1</sup> Subject to audit, and before certain adjustments and provisions.

<sup>2</sup> Based on the Company's audited accounts for 2001–02. The accumulated deficit of £370,000 mentioned in Figure 15 of the NAO Report was a provisional figure.

*Questions 77–78: Requested by Richard Bacon MP: in relation to Sadler’s Wells Theatre, the background to the failure of RHWL to meet the planning restrictions placed on a listed building and details of whether consideration was given to suing RHWL.*

In further reviewing this case it appears that the focus for the problems has been mistakenly identified as the delay in obtaining planning consents, but is actually a more complicated combination of factors, initiated by this delay, as outlined below. These delays were a key factor in the performance of the project, but mainly in the form of the severe and unpredicted knock-on effects on the programme and costs throughout its implementation.

It is the case that the original design by RHWL had to be changed as a result of objections raised by English Heritage to the initial plans. However this happened before the scheme was costed and an application submitted to the Arts Council. RHWL had originally designed the entire theatre, Nicholas Hare Associates were brought in to redesign the external elevations only and to obtain planning permission and Listed Building consent for these elements. RHWL were retained for the internal arrangements. The statutory consents were obtained after a six to nine month delay and the design then costed and submitted to the Arts Council in early 1995.

The project was let on a construction management basis because the complexity of the design combined with the economic necessity of having as short a period as possible during which the theatre would be closed meant that it was necessary to start the work on site before the design was completed. Bovis were appointed as construction managers.

There were numerous complex issues which caused the cost overrun on the project, including the inflationary effects of the planning consent delay which had not been fully recognised in cost estimates and compounded by difficulties encountered by trade contractors in working up outline designs. These in turn caused delays to the works and acceleration measures produced the late steep rise in construction costs.

Serious consideration was given by Sadler’s Wells to suing Bovis, RHWL and a number of the other consultants and trade contractors and an investigation was carried out which resulted in the preparation and sending of letters of claim.

However the combination of the history of the construction management process, the fact that all the work had to be accelerated in order to meet an agreed opening date (which had been set to achieve programme certainty and consequently became set in stone) and the fact that numerous changes were introduced by Sadler’s Wells as the matter proceeded meant that it would have taken a difficult legal action to establish liability successfully. Once it became clear that all of the prospective defendants to the claim would fight it, Sadler’s Wells were unable to continue to pursue the claims because of lack of sufficient funds to pay the very expensive legal fees that would have been incurred in the course of such action.

*Question 86: Requested by Richard Bacon MP: confirmation of the support provided by English Partnerships to the National Centre for Popular Music*

English Partnerships position is set out in their loan agreement with National Centre for Popular Music, which is dated 6 January 1998. English Partnerships made an interest bearing and repayable loan of £1,000,000 secured by a first charge and a floating charge on the company. (NB a floating charge covers materials and assets that are subject to regular change. Items move into and out of the charge as they are bought and sold in the ordinary course of events. The floating charge crystallizes if there is an event of default and is converted to a fixed charge over the assets which it covers at that time. A floating charge may not be as effective as a fixed charge but it is more flexible.)

*Questions 116–120: Requested by Ian Davidson MP: information on the audience profiles at the 15 projects and analysis of how they compare with the population as a whole and lottery players in particular.*

A report has been prepared and follows below:

The terms and language used within the report are those of the reporting company and are standard references, commonly used throughout the sector. These are not Arts Council standard references and are not terms that would normally be adopted by the Arts Council.

## 2003 AUDIENCE PROFILES FOR MAJOR LOTTERY FUNDED VENUES

### EXECUTIVE SUMMARY

We were asked to provide audience (ie ticket buyers) profiles compared with population profile of the country as a whole and with the profile of Lottery ticket buyers. The document below provides this information. It shows that attendance at paid arts events is highly varied according to venue, art form and geographical location. Furthermore it shows that National Lottery playing varies also, particularly regionally.

Please note that the MOSAIC profiling is nationally recognised. The MOSAIC Group terms are not the Arts Council's terms.

In basic headline terms this analysis offers a broad picture of arts attendance and lottery playing. These are:

- Average National Lottery ticket buying across GB is split evenly between ABC1s (at 41.1%) and C2DEs (at 43.9%).
- Regionally National Lottery ticket buying can vary widely. For example in West Midlands 30.3% of lottery ticket buyers are ABC1s, whereas in East Anglia 56.0% of buyers are ABC1s.
- Applying this to purchasing by the C2DE social group, this ranges from 25.0% of lottery ticket buyers being C2DEs in the South East region to 62.2% in the West Midlands.
- Of the organisations featured the audience make-up varies between 42.1% and 79.5% ABC1s. The GB population average for ABC1s is 43.1%.
- Regent Theatre Stoke has the highest C2DE audience attracting 52.2% C2DE, whereas Cambridge Arts Theatre attracts 9.7% from this group. This difference is reflected in the regional population mix—West Midlands population is 57.2% C2DE, whereas East Anglia is 28.5% C2DE. The GB population average for C2DE group is 40.6%.
- Of the London-based organisations featured in the NAO report, Sadler's Wells attracts the lowest audience from ABC1s (65.5%), whilst the National Theatre attracts the highest ABC1 audience at 76.2%.
- The Regent Theatre Stoke is able to attract 52.2% from C2DE group, higher than the average of people in Great Britain from this group (40.6%), and higher than the average percentage of lottery players from this group (43.9%).

There are, of course, a number of factors which need to be considered when looking at these figures. Firstly, organisations outside London—particularly Regent Theatre, Stoke on Trent, Malvern Festival Theatre, Cambridge Arts Theatre and Milton Keynes Theatre tend to reflect the social makeup of their geographical areas.

Secondly, organisations which are able to be more flexible in their programming inevitably are able to reach a more varied audience. Regent, Malvern Festival, Milton Keynes and Cambridge Arts Theatres are all able to vary their programmes to attract a wider audience. Pantomimes, touring musicals, concerts all help to attract a wider range of audiences.

Finally, the three combinations of Mosaic groupings at the bottom of the tables inevitably do not exactly match recognised social grades. The "mainly ABC1" groups contain a significant minority of C2DEs and vice versa. Also, the relative proportions of ABC1s and C2DEs vary between regions; for example in Greater London and the South East Group F has a higher proportion of ABC1s than at the GB level.

## INTRODUCTION

The purpose of this analysis was to obtain indications of the likely social diversity of audiences at performances over a recent 12-month period at 11 of the 15 venues reviewed in the NAO Report on major Lottery projects. The following eleven venues were selected as they are all ticketed and use computerised ticket systems:

- Regent Theatre, Stoke-on-Trent;
- Malvern Festival Theatre;
- Royal Exchange Theatre, Manchester;
- Cambridge Arts Theatre;
- Milton Keynes Theatre;
- Shakespeare's Globe, London;
- Royal Albert Hall;
- Royal National Theatre;
- Royal Court Theatre;
- Sadler's Wells; and
- Royal Opera House.

The following venues were not included as they have either closed or are un-ticketed:

- National Centre for Popular Music      Closed.
- ARC      Closed.
- National Glass Centre      Un-ticketed.
- Milton Keynes Art Gallery      Un-ticketed.

The MOSAIC classification system for profiling venue ticket buyers was used as the method for showing diversity. The advantages of this are that the large majority of venue ticket buyers across all types of performance are included and that a consistent method can be used for all the venues. A description of the MOSAIC geo-demographic classification system and of each of the MOSAIC groups is given in Annex 1, together with an explanation of how indications of social grades which are shown in the tables were derived from these.

There is also a practical benefit in providing this MOSAIC information on venue ticket buyers. It enables venues to identify, quantify and locate in particular postal sectors, the types of people whom they might want to target for marketing or audience development purposes.

The profile of each venue's ticket buyers, classified by each of the MOSAIC groups, and by combinations of these groups to provide some indications of social grades, was compared with the corresponding profile of the regional adult population and also with the Great Britain adult population. (It was reasonable to use the regional population as a comparator because between 79% and 89% of all identifiable ticket buyers lived in the region concerned).

Except in the case of four of the selected venues which had already had their ticket buyers profiled as part of a major review of audiences in London commissioned by Audiences London (an agency representing arts venues in London—these were the Royal National Theatre, the Royal Opera House, the Royal Court Theatre and Sadler's Wells). This analysis covered all ticket buyers with identifiable GB postcodes and so the base chosen for comparison was all adults in Great Britain.

The tables also show the MOSAIC profile for Great Britain of current buyers of National Lottery tickets (for either the Saturday or Wednesday weekly draws) as shown by the Target Group Index.

The MOSAIC groups' percentages of venue ticket buyers, of regional adults, of Great Britain adults and of National Lottery ticket purchasers are compared through a series of indices. An explanation on the method used to produce these indices is given in Annex 3. Basically an index level of 100 means that a percentage which a particular MOSAIC group has of a venue's ticket buyers exactly matches the percentage which that MOSAIC group has of the regional adult population. Indices over 100 reflect the extent to which the percentage of ticket buyers in a particular MOSAIC is greater than the percentage which that group has of all adults in the region (or in GB). Indices below 100 reflect the extent to which the percentage which a particular MOSAIC group has of venue ticket buyers is less than the percentage which it has of all adults in the region (or in GB).

Tables 1–11 which follow give the MOSAIC profile for each of the venues.

Tables 12–13 show the percentages of adults living in the region in each MOSAIC group who bought National Lottery tickets, and indices relating these to the percentages of venue ticket buyers.

Tables 14–17 show, for the eleven venues, the comparative percentages of venue ticket buyers in each MOSAIC group and indices relating each of these for consistency to the corresponding percentages of the GB adult population.

#### COMMENTS ON THE RESULTS

1. The highest indices were for *Group H "Stylish Singles"*. This group had indices of well over 400 for all six London venues and for the Royal Exchange Theatre and Cambridge Arts Theatre. Remarkably half the ticket buyers at the Royal Court came from this group. The very low indices for the two West Midlands theatres and Milton Keynes Theatre were obviously influenced by the very small representation for this group in these areas.

2. Nine of the venues had indices of 143 or more for *Group A "High Income Families"*. The exceptions were the Royal Court (82) and Sadler's Wells (100).

3. *Group B "Suburban Semis"* had indices of 133 or more in four of the theatres outside London; but the only London venue with a relatively high index was the Royal Albert Hall (122).

4. The Regent Theatre in Stoke-on-Trent had a remarkably high index for *Group C "Blue Collar Owners"* (281) Eight of the other venues had indices well below 100, and none of the six London venues had an index higher than 21.

5. *Group F “Victorian Low Status”* had high indices at Sadler’s Wells (202), the Royal Court (187) and a relatively high index at the Royal National Theatre (119).

6. *Group K “Country Dwellers”*, not surprisingly had very high indices at Malvern (380) and Cambridge (151) and a relatively high index at the Royal Opera House (117).

7. Milton Keynes Theatre was the only venue with an index well over 100 for *Group J “Mortgaged Families”* (285).

8. Ten of the venues had indices of 141 or more for the groups which were identified (at the GB level) as being “Mainly ABC1”. The exception was the Regent Theatre at Stoke-on Trent (98)

9. The Regent was the only venue with an index of over 100 for the groups that were identified as being “Mainly C2DE” (129). In this respect the highest index among the other venues was for the Royal Exchange (71).

10. At ten of the venues the index relating venue ticket buyers to National Lottery ticket buyers was within quite a narrow range (148–193). The exception, again, was the Regent Theatre (102). The Regent had an index of 119 for the “Mainly C2DE” groups, but none of the other venues had an index for this of more than 65.

11. Clearly there is a correlation between the type of area in which a venue is based and the geo-demographic types of people it attracts. The two West Midlands region theatres—at Stoke-on-Trent and Malvern are a good illustration of this.

12. The implication of the analysis is that only at the Regent Theatre, Stoke-on-Trent could the audience be said to be close to representing the social diversity of the regional population and also of National Lottery ticket buyers.

**Table 1**  
REGENT THEATRE STOKE-ON-TRENT

<i>Mosaic Group</i>	<i>Venue Ticket Buyers %</i>	<i>West Midlands Region Adult Pop. %</i>	<i>Index Venue Ticket Buyers v West Mids Region Adult Pop.</i>	<i>Great Britain Adult Pop. %</i>	<i>Index Venue Ticket Buyers v GB Adult Pop.</i>	<i>National Lottery Ticket Buyers (GB) %</i>	<i>Index Venue Ticket Buyers v GB Nat Lottery Ticket Buyers</i>
A “High Income Families”	17.5	12.1	145	12.2	143	11.2	156
B “Suburban Semis”	8.0	7.5	107	10.9	73	12.1	66
C “Blue Collar Owners”	38.0	27.0	141	13.5	281	15.2	250
D “Low Rise Council”	9.4	16.8	56	12.8	73	15.4	61
E “Council Flats”	1.0	4.4	23	5.3	19	4.8	21
F “Victorian Low Status”	3.7	8.8	42	8.6	43	8.0	46
G “Town Houses/Flats”	3.1	4.7	66	9.8	32	11.1	28
H “Stylish Singles”	0.6	1.6	38	5.6	11	4.1	15
I “Independent Elders”	2.7	4.6	59	6.5	42	4.8	56
J “Mortgaged Families”	6.7	6.2	108	7.4	91	6.9	97
K “Country Dwellers”	9.3	6.3	148	7.0	133	5.6	166
L “Institutional Areas”	0.1	0.2	50	0.4	25	0.3	33
Total	100.0	100.0	100	100.0	100	100.0	100
<b>“Mainly ABC1” Groups</b>							
A, B, H, J and K	42.1	33.7	125	43.1	98	41.1	102
<b>“Balanced ABC1/C2DE” Groups</b>							
G and I	5.8	9.3	62	16.3	36	16.0	36
<b>“Mainly C2DE” Groups</b>							
C, D, E, F and L	52.2	57.2	91	40.6	129	43.9	119
Total	100.0	100.0	100	100.0	100	100.0	100

Note \*Less than .05%

**Table 2**  
MALVERN FESTIVAL THEATRE

<i>Mosaic Group</i>	<i>Venue Ticket Buyers %</i>	<i>West Midlands Region Adult Pop. %</i>	<i>Index Venue Ticket Buyers v West Mids Region Adult Pop.</i>	<i>Great Britain Adult Pop. %</i>	<i>Index Venue Ticket Buyers v GB Adult Pop.</i>	<i>National Lottery Ticket Buyers (GB) %</i>	<i>Index Venue Ticket Buyers v GB Nat Lottery Ticket Buyers</i>
A "High Income Families"	23.0	12.1	191	12.2	189	11.2	205
B "Suburban Semis"	14.6	7.5	195	10.9	134	12.1	121
C "Blue Collar Owners"	8.9	27.0	33	13.5	66	15.2	59
D "Low Rise Council"	2.4	16.8	15	12.8	19	15.4	16
E "Council Flats"	0.6	4.4	13	5.3	11	4.8	13
F "Victorian Low Status"	2.7	8.8	30	8.6	31	8.0	34
G "Town Houses/Flats"	8.2	4.7	175	9.8	84	11.1	74
H "Stylish Singles"	1.0	1.6	61	5.6	18	4.1	24
I "Independent Elders"	5.8	4.6	127	6.5	89	4.8	121
J "Mortgaged Families"	6.2	6.2	100	7.4	84	6.9	90
K "Country Dwellers"	26.6	6.3	422	7.0	380	5.6	475
L "Institutional Areas"	*	0.2	18	0.4	9	0.3	*
Total	100.0	100.0	100	100.0	100	100.0	100
<b>"Mainly ABC1" Groups</b>							
A, B, H, J and K	71.3	33.7	212	43.1	165	41.1	173
<b>"Balanced ABC1/C2DE" Groups</b>							
G and I	14.0	9.3	151	16.3	86	16.0	88
<b>"Mainly C2DE" Groups</b>							
C, D, E, F and L	14.6	57.2	26	40.6	36	43.9	33
Total	100.0	100.0	100	100.0	100	100.0	100

Note \*Less than .05%

**Table 3**  
ROYAL EXCHANGE THEATRE

<i>Mosaic Group</i>	<i>Venue Ticket Buyers %</i>	<i>North West Region Adult Pop. %</i>	<i>Index Venue Ticket Buyers v North West Region Adult Pop.</i>	<i>Great Britain Adult Pop. %</i>	<i>Index Venue Ticket Buyers v GB Adult Pop.</i>	<i>National Lottery Ticket Buyers (GB) %</i>	<i>Index Venue Ticket Buyers v GB Nat Lottery Ticket Buyers</i>
A "High Income Families"	19.5	11.9	164	12.2	160	11.2	174
B "Suburban Semis"	18.8	12.1	155	10.9	172	12.1	155
C "Blue Collar Owners"	14.5	20.6	70	13.5	107	15.2	95
D "Low Rise Council"	4.1	16.3	25	12.8	32	15.4	27
E "Council Flats"	1.8	4.8	38	5.3	34	4.8	38
F "Victorian Low Status"	6.3	8.6	73	8.6	73	8.0	79
G "Town Houses/Flats"	9.0	7.9	114	9.8	92	11.1	81
H "Stylish Singles"	12.4	3.0	413	5.6	221	4.1	302
I "Independent Elders"	3.7	6.4	58	6.5	57	4.8	77
J "Mortgaged Families"	5.3	5.9	90	7.4	72	6.9	77
K "Country Dwellers"	4.7	2.4	196	7.0	67	5.6	84
L "Institutional Areas"	*	0.2	*	0.4	*	0.3	*
Total	100.0	100.0	100	100.0	100	100.0	100
<b>"Mainly ABC1" Groups</b>							
A, B, H, J and K	60.7	51.6	118	43.1	141	41.1	148
<b>"Balanced ABC1/C2DE" Groups</b>							
G and I	10.7	20.0	54	16.3	66	16.0	67
<b>"Mainly C2DE" Groups</b>							
C, D, E, F and L	28.7	28.5	101	40.6	71	43.9	65
Total	100.0	100.0	100	100.0	100	100.0	100

Note \*Less than .05%

**Table 4**  
CAMBRIDGE ARTS THEATRE

<i>Mosaic Group</i>	<i>Venue Ticket Buyers %</i>	<i>East Anglia Region Adult Pop. %</i>	<i>Index Venue Ticket Buyers v East Anglia Region Adult Pop.</i>	<i>Great Britain Adult Pop. %</i>	<i>Index Venue Ticket Buyers v GB Adult Pop.</i>	<i>National Lottery Ticket Buyers (GB) %</i>	<i>Index Venue Ticket Buyers v GB Nat Lottery Ticket Buyers</i>
A "High Income Families"	28.8	12.6	228	12.2	236	11.2	257
B "Suburban Semis"	17.2	12.9	133	10.9	158	12.1	142
C "Blue Collar Owners"	5.0	9.7	51	13.5	37	15.2	33
D "Low Rise Council"	1.6	8.0	20	12.8	13	15.4	10
E "Council Flats"	0.2	1.1	22	5.3	4	4.8	4
F "Victorian Low Status"	2.4	6.0	40	8.6	28	8.0	30
G "Town Houses/Flats"	8.3	9.7	85	9.8	85	11.1	75
H "Stylish Singles"	14.9	3.2	464	5.6	266	4.1	363
I "Independent Elders"	2.5	9.4	26	6.5	38	4.8	52
J "Mortgaged Families"	8.0	9.4	85	7.4	108	6.9	116
K "Country Dwellers"	10.6	17.0	63	7.0	151	5.6	189
L "Institutional Areas"	0.5	1.1	43	0.4	125	0.3	167
Total	100.0	100.0	100	100.0	100	100.0	100
<b>"Mainly ABC1" Groups</b>							
A, B, H, J and K	79.5	51.6	154	43.1	184	41.1	193
<b>"Balanced ABC1/C2DE" Groups</b>							
G and I	10.8	20.0	54	16.3	66	16.0	68
<b>"Mainly C2DE" Groups</b>							
C, D, E, F and L	9.7	28.5	34	40.6	24	43.9	22
Total	100.0	100.0	100	100.0	100	100.0	100

Note \*Less than .05%

**Table 5**  
MILTON KEYNES THEATRE

<i>Mosaic Group</i>	<i>Venue Ticket Buyers %</i>	<i>South East Region Adult Pop. %</i>	<i>Index Venue Ticket Buyers v South East Region Adult Pop.</i>	<i>Great Britain Adult Pop. %</i>	<i>Index Venue Ticket Buyers v GB Adult Pop.</i>	<i>National Lottery Ticket Buyers (GB) %</i>	<i>Index Venue Ticket Buyers v GB Nat Lottery Ticket Buyers</i>
A "High Income Families"	28.5	19.0	150	12.2	234	11.2	254
B "Suburban Semis"	14.5	15.8	92	10.9	133	12.1	120
C "Blue Collar Owners"	12.8	8.4	153	13.5	95	15.2	84
D "Low Rise Council"	4.0	7.2	56	12.8	31	15.4	26
E "Council Flats"	0.5	1.3	38	5.3	9	4.8	10
F "Victorian Low Status"	3.6	5.4	67	8.6	42	8.0	45
G "Town Houses/Flats"	5.0	13.0	38	9.8	45	11.1	45
H "Stylish Singles"	1.4	3.3	41	5.6	25	4.1	34
I "Independent Elders"	1.7	8.4	20	6.5	26	4.8	35
J "Mortgaged Families"	21.1	19.8	195	7.4	285	6.9	305
K "Country Dwellers"	6.7	6.8	98	7.0	96	5.6	120
L "Institutional Areas"	0.3	0.6	47	0.4	75	0.3	100
Total	100.0	100.0	100	100.0	100	100.0	100
<b>"Mainly ABC1" Groups</b>							
A, B, H, J and K	72.2	55.7	130	43.1	168	41.1	176
<b>"Balanced ABC1/C2DE" Groups</b>							
G and I	6.7	21.4	31	16.3	41	16.0	42
<b>"Mainly C2DE" Groups</b>							
C, D, E, F and L	21.2	22.9	93	40.6	52	43.9	48
Total	100.0	100.0	100	100.0	100	100.0	100

Note \*Less than .05%

**Table 6**  
SHAKESPEARE'S GLOBE

<i>Mosaic Group</i>	<i>Venue Ticket Buyers %</i>	<i>Greater London/ South East Region Adult Pop. %</i>	<i>Index Venue Ticket Buyers v GL/SE Region Adult Pop.</i>	<i>Great Britain Adult Pop. %</i>	<i>Index Venue Ticket Buyers v GB Adult Pop.</i>	<i>National Lottery Ticket Buyers (GB) %</i>	<i>Index Venue Ticket Buyers v GB Nat Lottery Ticket Buyers</i>
A "High Income Families"	17.4	14.2	123	12.2	143	11.2	155
B "Suburban Semis"	11.0	14.3	77	10.9	101	12.1	91
C "Blue Collar Owners"	1.6	5.4	30	13.5	12	15.2	11
D "Low Rise Council"	1.3	7.0	19	12.8	10	15.4	8
E "Council Flats"	2.5	4.4	57	5.3	47	4.8	52
F "Victorian Low Status"	13.0	11.2	116	8.6	151	8.0	163
G "Town Houses/Flats"	7.8	13.3	59	9.8	80	11.1	70
H "Stylish Singles"	34.2	10.9	315	5.6	611	4.1	834
I "Independent Elders"	2.6	6.7	39	6.5	40	4.8	54
J "Mortgaged Families"	4.0	8.0	50	7.4	54	6.9	58
K "Country Dwellers"	4.2	4.2	101	7.0	60	5.6	75
L "Institutional Areas"	0.2	0.5	44	0.4	50	0.3	67
Total;	100.0	100.0	100	100.0	100	100.0	100
<b>"Mainly ABC1" Groups</b>							
A, B, H, J and K	70.8	51.6	137	43.1	164	41.1	172
<b>"Balanced ABC1/C2DE" Groups</b>							
G and I	10.4	21.0	50	16.3	64	16.0	65
<b>"Mainly C2DE" Groups</b>							
C, D, E, F and L	18.6	27.5	68	40.6	46	43.9	42
Total	100.0	100.0	100	100.0	100	100.0	100

Note \*Less than .05%

**Table 7**  
ROYAL ALBERT HALL

<i>Mosaic Group</i>	<i>Venue Ticket Buyers %</i>	<i>Greater London/ South East Region Adult Pop. %</i>	<i>Index Venue Ticket Buyers v GL/SE Region Adult Pop.</i>	<i>Great Britain Adult Pop. %</i>	<i>Index Venue Ticket Buyers v GB Adult Pop.</i>	<i>National Lottery Ticket Buyers (GB) %</i>	<i>Index Venue Ticket Buyers v GB Nat Lottery Ticket Buyers</i>
A High Income Families	20.0	14.2	141	12.2	164	11.2	179
B "Suburban Semis"	13.3	14.3	93	10.9	122	12.1	110
C "Blue Collar Owners	2.8	5.4	53	13.5	21	15.2	18
D "Low Rise Council"	2.2	7.0	31	12.8	17	15.4	14
E "Council Flats"	2.3	4.4	53	5.3	43	4.8	48
F Victorian Low Status	9.9	11.2	88	8.6	115	8.0	124
G "Town Houses/Flats	9.4	13.3	71	9.8	86	11.1	85
H "Stylish Singles"	26.5	10.9	244	5.6	473	4.1	646
I "Independent Elders"	3.0	6.7	45	6.5	46	4.8	63
J "Mortgaged Families	6.0	8.0	75	7.4	81	6.9	87
K "Country Dwellers"	4.3	4.2	103	7.0	61	5.6	77
L "Institutional Areas"	0.2	0.5	40	0.4	50	0.3	67
Total	100.0	100.0	100	100.0	100	100.0	100
<b>"Mainly ABC1" Groups</b>							
A, B, H, J and K	70.1	51.6	136	43.1	163	41.1	171
<b>"Balanced ABC1/C2DE" Groups</b>							
G and I	12.4	21.0	59	16.3	76	16.0	78
<b>"Mainly C2DE" Groups</b>							
C, D, E, F and L	17.4	27.5	63	40.6	43	43.9	40
Total	100.0	100.0	100	100.0	100	100.0	100

Note \*Less than .05%



**Table 8**  
ROYAL NATIONAL THEATRE

<i>Mosaic Group</i>	<i>Venue Ticket Buyers %</i>	<i>Great Britain Adult Population %</i>	<i>Index Venue Ticket Buyers v GB Adult Population</i>	<i>National Lottery Ticket Buyers (GB) %</i>	<i>Index Venue Ticket Buyers v GB National Lottery Ticket Buyers</i>
A "High Income Families"	21.1	12.2	173	11.2	188
B "Suburban Semis"	8.7	10.9	80	12.1	72
C "Blue Collar Owners"	1.4	13.5	10	15.2	9
D "Low Rise Council"	0.8	12.8	6	15.4	5
E "Council Flats"	1.9	5.3	36	4.8	40
F "Victorian Low Status"	10.2	8.6	119	8.0	128
G "Town Houses/Flats"	6.7	9.8	68	11.1	60
H "Stylish Singles"	38.8	5.6	693	4.1	946
I "Independent Elders"	2.7	6.5	42	4.8	56
J "Mortgaged Families"	2.3	7.4	31	6.9	33
K "Country Dwellers"	5.3	7.0	76	5.6	95
L "Institutional Areas"	9.2	0.4	50	0.3	67
Total	100.0	100.0	100	100.0	100
<b>"Mainly ABC1" Groups</b> A, B, H, J and K	76.2	43.1	177	41.1	185
<b>"Balanced ABC1/C2DE" Groups</b> G and I	9.4	16.3	58	16.0	59
<b>"Mainly C2DE" Groups</b> C, D, E, F and L	14.5	40.6	36	43.9	33
Total	100.0	100.0	100	100.0	100

Note \*Less than .05%

**Table 9**  
ROYAL OPERA HOUSE

<i>Mosaic Group</i>	<i>Venue Ticket Buyers %</i>	<i>Great Britain Adult Population %</i>	<i>Index Venue Ticket Buyers v GB Adult Population</i>	<i>National Lottery Ticket Buyers (GB) %</i>	<i>Index Venue Ticket Buyers v GB National Lottery Ticket Buyers</i>
A "High Income Families"	20.1	12.2	165	11.2	179
B "Suburban Semis"	9.6	10.9	88	12.1	79
C "Blue Collar Owners"	2.1	13.5	16	15.2	14
D "Low Rise Council"	1.1	12.8	9	15.4	7
E "Council Flats"	2.2	5.3	42	4.8	46
F "Victorian Low Status"	9.2	8.6	107	8.0	115
G "Town Houses and Flats"	7.0	9.8	71	11.1	63
H "Stylish Singles"	33.7	5.6	602	4.1	822
I "Independent Elders"	3.1	6.5	48	4.8	65
J "Mortgaged Families"	3.5	7.4	47	6.9	51
K "Country Dwellers"	8.2	7.0	117	5.6	146
L "Institutional Areas"	0.3	0.4	75	0.3	100
Total	100.0	100.0	100	100.0	100
<b>"Mainly ABC1" Groups</b> A, B, H, J and K	75.1	43.1	174	41.1	183
<b>"Balanced ABC1/C2DE" Groups</b> G and I	10.1	16.3	62	16.0	63
<b>"Mainly C2DE" Groups</b> C, D, E, F and L	14.9	40.6	37	43.9	34
Total	100.0	100.0	100.0	100.0	100

Note \*Less than .05%

**Table 10**  
ROYAL COURT THEATRE

<i>Mosaic Group</i>	<i>Venue Ticket Buyers %</i>	<i>Great Britain Adult Population %</i>	<i>Index Venue Ticket Buyers v GB Adult Population</i>	<i>National Lottery Ticket Buyers (GB) %</i>	<i>Index Venue Ticket Buyers v GB National Lottery Ticket Buyers</i>
A "High Income Families"	10.0	12.2	82	11.2	89
B "Suburban Semis"	5.6	10.9	51	12.1	46
C "Blue Collar Owners"	1.0	13.5	7	15.2	7
D "Low Rise Council"	1.0	12.8	8	15.4	6
E "Council Flats"	3.4	5.3	64	4.8	71
F "Victorian Low Status"	16.1	8.6	187	8.0	201
G "Town Houses and Flats"	5.8	9.8	59	11.1	52
H "Stylish Singles"	49.9	5.6	891	4.1	1,217
I "Independent Elders"	2.1	6.5	32	4.8	44
J "Mortgaged Families"	2.1	7.4	28	6.9	30
K "Country Dwellers"	2.9	7.0	41	5.6	52
L "Institutional Areas"	0.3	0.4	75	0.3	100
Total	100.0	100.0	100	100.0	100
<b>"Mainly ABC1" Groups</b>					
A, B, H, J and K	70.5	43.1	164	41.1	172
<b>"Balanced ABC1/C2DE" Groups</b>					
G and I	8.0	16.3	49	16.0	50
<b>"Mainly C2DE" Groups</b>					
C, D, E, F and L	26.7	40.6	66	43.9	61
Total	100.0	100.0	100	100.0	100

Note \*Less than .05%

**Table 11**  
SADLER'S WELLS

<i>Mosaic Group</i>	<i>Venue Ticket Buyers %</i>	<i>Great Britain Adult Population %</i>	<i>Index Venue Ticket Buyers v GB Adult Population</i>	<i>National Lottery Ticket Buyers (GB) %</i>	<i>Index Venue Ticket Buyers v GB National Lottery Ticket Buyers</i>
A "High Income Families"	12.2	12.2	100	11.2	109
B "Suburban Semis"	8.2	10.9	75	12.1	68
C "Blue Collar Owners"	1.5	13.5	11	15.2	10
D "Low Rise Council"	1.7	12.8	13	15.4	11
E "Council Flats"	4.2	5.3	79	4.8	88
F "Victorian Low Status"	17.4	8.6	202	8.0	218
G "Town Houses and Flats"	7.2	9.8	73	11.1	65
H "Stylish Singles"	38.8	5.6	693	4.1	946
I "Independent Elders"	2.3	6.5	35	4.8	48
J "Mortgaged Families"	3.2	7.4	43	6.9	46
K "Country Dwellers"	3.1	7.0	44	5.6	55
L "Institutional Areas"	0.2	0.4	50	0.3	67
Total	100.0	100.0	100	100.0	100
<b>"Mainly ABC1" Groups</b>					
A, B, H, J and K	65.5	43.1	152	41.1	159
<b>"Balanced ABC1/C2DE" Groups</b>					
G and I	9.5	16.3	58	16.0	59
<b>"Mainly C2DE" Groups</b>					
C, D, E, F and L	25.0	40.6	62	43.9	57
Total	100.0	100.0	100	100.0	100

Note \*Less than .05%

**Table 12**  
REGIONAL PERCENTAGES OF NATIONAL LOTTERY TICKET BUYERS

<i>Mosaic Group</i>	<i>Great Britain</i> %	<i>West Midlands</i> %	<i>North West</i> %	<i>East Anglia</i> %	<i>South East</i> %	<i>Greater London/ South East</i> %
A "High Income Families"	11.2	9.6	9.9	9.3	17.9	14.0
B "Suburban Semis"	12.1	8.8	13.6	13.1	17.3	16.4
C "Blue Collar Owners"	15.2	31.4	22.8	12.2	8.8	5.7
D "Low Rise Council"	15.4	19.9	17.0	7.4	9.3	9.2
E "Council Flats"	4.8	3.6	3.7	1.2*	0.7	3.4
F "Victorian Low Status"	8.0	6.8	9.3	4.3	5.2	10.2
G "Town Houses/Flats"	11.1	4.9	9.6	10.9	15.2	15.2
H "Stylish Singles"	4.1	0.8	1.2	1.2*	2.4	8.8
I "Independent Elders"	4.8	2.5	5.2	7.4	6.7	5.5
J "Mortgaged Families"	6.9	6.2	5.7	10.0	11.2	8.1
K "Country Dwellers"	5.6	4.7	1.6	22.2	4.0	2.5
L "Institutional Areas"	0.3	0.1	*	0.6*	0.8	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>"Mainly ABC1" Groups</b> A, B, H, J and K	41.1	30.3	32.2	56.0	53.1	50.0
<b>"Balanced ABC1/C2DE" Groups</b> G and I	16.0	7.5	14.9	18.4	21.9	20.9
<b>"Mainly C2DE" Groups</b> C, D, E, F and L	43.9	62.2	53.0	25.6	25.0	29.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note \*Less than .05%

**Table 13**  
INDICES SHOWING THE EXTENT TO WHICH REGIONAL NATIONAL LOTTERY TICKET BUYERS BOUGHT VENUE TICKETS

<i>Mosaic Group</i>	<i>Regal Theatre</i>	<i>Malvern Festival Theatre</i>	<i>Royal Exchange</i>	<i>Camb. Arts Theatre</i>	<i>Milton Keynes Theatre</i>	<i>Shakesp's Globe</i>	<i>Royal Albert Hall</i>
A "High Income Families"	182	232	197	310	159	124	143
B "Suburban Semis"	91	166	138	131	84	67	81
C "Blue Collar Owners"	121	28	64	41	145	28	49
D "Low Rise Council"	47	12	24	22	43	14	24
E "Council Flats"	28	17	49	17*	71	74	68
F "Victorian Low Status"	54	40	68	56	69	127	97
G "Town Houses/Flats"	63	167	94	76	33	51	62
H "Stylish Singles"	75	125	1,033	1,242*	58	389	301
I "Independent Elders"	108	232	71	34	25	47	55
J "Mortgaged Families"	108	100	93	80	188	49	74
K "Country Dwellers"	198	566	294	48	168	168	17
L "Institutional Areas"	100	40*	40*	83*	38	40	40
Total	100	100	100	100	100	100	100
<b>"Mainly ABC1" Groups</b> A, B, H, J and K	139	235	200	142	136	142	140
<b>"Balanced ABC1/C2DE" Groups</b> G and I	76	184	72	59	30	48	59
<b>"Mainly C2DE" Groups</b> C, D, E, F and L	84	23	54	38	85	64	60
Total	100	100	100	100	100	100	100

Note \*Less than .05%

**Table 14**  
SUMMARY OF PERCENTAGES OF ADULTS LIVING IN REGION WHO BOUGHT  
VENUE TICKETS

<i>Mosaic Group</i>	<i>Regal Theatre %</i>	<i>Malvern Festival Theatre %</i>	<i>Royal Exchange %</i>	<i>Camb. Arts Theatre %</i>	<i>Milton Keynes Theatre %</i>	<i>Shakesp's Globe %</i>	<i>Royal Albert Hall %</i>
A "High Income Families"	17.5	23.0	19.5	28.8	28.5	17.4	20.0
B "Suburban Semis"	8.0	14.6	18.8	17.2	14.5	11.0	13.3
C "Blue Collar Owners"	38.0	8.9	14.5	5.0	12.8	1.6	2.8
D "Low Rise Council"	9.4	2.4	4.1	1.6	4.0	1.3	2.2
E "Council Flats"	1.0	0.6	1.8	0.2	0.5	2.5	2.3
F "Victorian Low Status"	3.7	2.7	6.3	2.4	3.6	13.0	9.9
G "Town Houses/Flats"	3.1	8.2	9.0	8.3	5.0	7.8	9.4
H "Stylish Singles"	0.6	1.0	12.4	14.9	1.4	34.2	26.5
I "Independent Elders"	2.7	5.8	3.7	2.5	1.7	2.6	3.0
J "Mortgaged Families"	6.7	6.2	5.3	8.0	21.1	4.0	6.0
K "Country Dwellers"	9.3	26.6	4.7	10.6	6.7	4.2	4.3
L "Institutional Areas"	0.1	*	*	0.5	0.3	0.2	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>"Mainly ABC1" Groups</b>							
A, B, H, J and K	5.8	14.0	10.7	10.8	6.7	10.4	12.4
<b>"Balanced ABC1/C2DE" Groups</b>							
G and I	52.2	14.6	28.7	9.7	21.2	18.6	17.4
<b>"Mainly C2DE" Groups</b>							
C, D, E, F and L							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note \*Less than .05%

**Table 15**  
COMPARATIVE INDICES RELATING THE PERCENTAGE OF VENUE TICKET BUYERS  
WHO LIVED IN THE REGION TO THE PERCENTAGE OF GB  
ADULTS IN PARTICULAR MOSAIC GROUPS

<i>Mosaic Group</i>	<i>Regal Theatre</i>	<i>Malvern Festival Theatre</i>	<i>Royal Exchange</i>	<i>Camb. Arts Theatre</i>	<i>Milton Keynes Theatre</i>	<i>Shakesp's Globe</i>	<i>Royal Albert Hall</i>
A "High Income Families"	143	189	160	236	234	143	164
B "Suburban Semis"	73	134	172	158	133	101	122
C "Blue Collar Owners"	281	66	107	37	95	12	21
D "Low Rise Council"	73	19	32	13	31	10	17
E "Council Flats"	19	11	34	4	9	47	43
F "Victorian Low Status"	43	31	73	28	42	151	115
G "Town Houses/Flats"	32	84	92	85	45	80	86
H "Stylish Singles"	11	18	221	266	25	611	473
I "Independent Elders"	42	89	57	38	26	40	46
J "Mortgaged Families"	91	84	72	108	285	54	81
K "Country Dwellers"	133	380	67	151	96	60	61
L "Institutional Areas"	25	9	*	125	75	50	50
Total	100	100	100	100	100	100	100
<b>"Mainly ABC1" Groups</b>							
A, B, H, J and K	98	165	141	184	168	164	163
<b>"Balanced ABC1/C2DE" Groups</b>							
G and I	36	86	66	66	41	64	76
<b>"Mainly C2DE" Groups</b>							
C, D, E, F and L	129	36	71	24	52	46	43
Total	100	100	100	100	100	100	100

Note \*Less than .05%

**Table 16**  
SUMMARY OF PERCENTAGES OF GB ADULTS WHO BOUGHT  
VENUE TICKETS

<i>Mosaic Group</i>	<i>Royal National Theatre</i> %	<i>Royal Opera House</i> %	<i>Royal Court Theatre</i> %	<i>Sadler's Wells</i> %
A "High Income Families"	21.1	20.1	10.0	12.2
B "Suburban Semis"	8.7	9.6	5.6	8.2
C "Blue Collar Owners"	1.4	2.1	1.0	1.5
D "Low Rise Council"	0.8	1.1	1.0	1.7
E "Council Flats"	1.9	2.2	3.4	4.2
F "Victorian Low Status"	10.2	9.2	16.1	17.4
G "Town Houses/Flats"	6.7	7.0	5.8	7.2
H "Stylish Singles"	38.8	33.7	49.9	38.8
I "Independent Elders"	2.7	3.1	2.1	2.3
J "Mortgaged Families"	2.3	3.5	2.1	3.2
K "Country Dwellers"	5.3	8.2	2.9	3.1
L "Institutional Areas"	0.2	0.3	0.3	0.2
Total	100.0	100.0	100.0	100.0
<b>"Mainly ABC1" Groups A, B, H, J and K</b>	76.2	75.1	70.5	65.5
<b>"Balanced ABC1/C2DE" Groups G and I</b>	9.4	10.1	8.0	9.5
<b>"Mainly C2DE" Groups C, D, E, F and L</b>	14.5	14.9	26.7	25.0
Total	100.0	100.0	100.0	100.0

Note \*Less than .05%

**Table 17**  
COMPARATIVE INDICES RELATING THE PERCENTAGE OF VENUE TICKET BUYERS  
WHO LIVED IN THE REGION TO THE PERCENTAGE OF GB  
ADULTS IN PARTICULAR MOSAIC GROUPS

<i>Mosaic Group</i>	<i>Royal National Theatre</i>	<i>Royal Opera House</i>	<i>Royal Court Theatre</i>	<i>Sadler's Wells</i>
A "High Income Families"	173	165	82	100
B "Suburban Semis"	80	88	51	75
C "Blue Collar Owners"	10	16	7	11
D "Low Rise Council"	6	9	8	13
E "Council Flats"	36	42	64	79
F "Victorian Low Status"	119	107	187	202
G "Town Houses/Flats"	68	71	59	73
H "Stylish Singles"	693	602	891	693
I "Independent Elders"	42	48	32	35
J "Mortgaged Families"	31	47	28	43
K "Country Dwellers"	76	117	41	44
L "Institutional Areas"	50	75	75	50
Total	100	100	100	100
<b>"Mainly ABC1" Groups A, B, H, J and K</b>	177	174	164	152
<b>"Balanced ABC1/C2DE" Groups G and I</b>	58	62	49	58
<b>"Mainly C2DE" Groups C, D, E, F and L</b>	36	37	66	62
Total	100	100	100	100

Note \*Less than .05%

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*Questions 137–138: Requested by Jon Trickett MP: details of the number of boxes at the Royal Albert Hall sold for corporate hospitality and consideration of the implications of this issue more generally.*

Most of the boxes at the Royal Albert Hall were sold in 1867 on 999 year licences to raise the money for the original construction of the building. Those boxes remain in private ownership. A majority are owned by individuals or families: some are owned by companies and a few by charities or trusts. The owners are entitled to use their boxes for typically 60–65% of the performances that occur each year but when not used they are generally returned for public sale. In return the seatholders contribute significant sums to the annual maintenance and operating costs of the Hall. The seatholders have in addition made significant supplementary contributions and donations towards the partnership funding of the lottery-funded programme of works.

A box (No 70) was recently marketed through Harrods Estates, with a publicised value of £250,000 for an 863 year lease. In addition the box owners make contributions to the running costs of the building and pay annual service charges on each seat. The income from box owners, or members, is considered a significant one by the Royal Albert Hall and is attributed to being an important factor in keeping the building open and financially self sufficient.

The Hall itself owns a small number of “house” boxes. These are variously used by the Hall either for entertaining for business or fundraising purposes, or are made available to corporate users to generate income for the Hall. When not used in this way the boxes are put on sale to the general public.

When an event lends itself to hospitality packaging the total number of seats in boxes used by corporate customers is typically no more than 5–10% of the total seats available in the auditorium. Over a full year of events it is less than 2%. The total audience attending the Royal Albert Hall over the 12 months ended 30<sup>th</sup> September 2003 was more than 1.1 million.

As part of the lottery funded project the Royal Albert Hall added 180 new seats in the Stalls to the capacity of the auditorium. As a result the effect of the Lottery funded programme has been to increase the number of seats available to the public across the full range of the Hall’s programme.

The lottery funds that will have been received by the Hall are £40.38 million (not £70 million as stated in Q134). The balance of funding has been raised by the Royal Albert Hall from the private sector.

17 December 2003

## Annex 1

### THE MOSAIC CLASSIFICATION SYSTEM

*Note the titles and descriptions of the groups given below comes verbatim from the explanatory information on MOSAIC*

“The MOSAIC postcode classification system was built using data from a number of sources, including the 1991 Census, the Electoral Roll, the Postal Address File, the Postal Address File, County Court Judgments, the CCN Directors Database, retail accessibility measures and CCN’s STAGE lifestage profile. These sources provide information at varying levels of geography from Census enumeration district down to unit postcodes.” (*A new MOSAIC classification system based on the 2001 Census was launched in November 2003*)

#### DESCRIPTIONS OF EACH OF THE TWELVE MOSAIC GROUPS

##### A “High Income Families”

“*High Income Families* are found in the more affluent and leafy suburb, where only professionals and wealthy business-people can afford the premium prices of large, owner-occupied housing. These are typically family areas, where houses have four or more bedrooms and generous garden. Such areas are frequented neither by first-time buyers nor by fragile pensioners, but by two-income, two-car households where children as well as parents are performance and achievement oriented.”

##### B “Suburban Semis”

“*Suburban Semis* represent the bedrock of middle-brow suburban taste, attracting people whose ambitions are focused on limited and attainable objectives. Living in satellite villages as well as established suburbs, these people live well organised and agreeable lives and have sufficient time and income to pursue a variety of home-based leisure interests.”

C “*Blue Collar Owners*”

“*Blue Collar Owners* consist of the less expensive areas of owner-occupied housing where skilled manual and junior white-collar workers take pride in the exercise of practical skills in the home and garden. These are unpretentious areas where sensible and self-reliant people have worked hard to achieve a comfortable and independent lifestyle.”

D “*Low Rise Council*”

“*Low Rise Council* contains areas of local authority and housing association tenants who for various reasons, have not exercised the right to buy their homes. Reasons may be that they are poor, unemployed or retired or that they live, for example, in ex-mining areas or industrial Scotland, where renting from the council remains popular.”

E “*Council Flats*”

“*Council Flats* includes high-rise flats, large municipal overspill estates and smaller developments of local authority maisonettes and mid-rise dwellings. These are commonly areas of very low incomes and aspirations, where watching television is often the principal form of leisure activity and where consumers are often unable to afford more than basic brands and products. These are areas with a high demand for consumer credit and where the mail order catalogue is used for durable purchases.”

F “*Victorian Low Status*”

“*Victorian Low Status* contains areas of genuine community feeling, where young families and the childless elderly live in owner-occupied and privately rented terraces and tenements, often dating from the nineteenth century. These older established communities often lie close to the centres of large towns and offer less formal and pretentious environments than more recently built suburban areas. Whilst offering high levels of local social contact, such areas allow their residents to experiment with diverse lifestyles. Ownership of “lifestyle” products is less likely than elsewhere to impress the neighbours.”

G “*Town Houses and Flats*”

“*Town Houses and Flats* are typically areas of lower and middle income housing for junior administrative and service employees. Such areas are found typically in small market towns and service centres, in the older areas of towns where large houses have been divided into small flats and in early turn of the (nineteenth) century areas of high density terraced housing designed for clerks and the junior managers in the service industries of large cities. These areas today house people who typically use inter-personal rather than craft skills in their work, who are well informed and sociable in their lifestyles, and relatively unambitious in their material aspirations.”

H “*Stylish Singles*”

“*Stylish Singles* attracts people for whom self-expression is more important than conformity to any external set of social standards. Typically very well educated and very involved in their work, people are highly interested in the behaviour of different social groups and enjoy living in a diverse, cosmopolitan and sometimes multi-cultural environment. People are often too busy experimenting and experiencing life to want to get married early and postpone as long as possible the responsibility of looking after children. These people prefer the vitality of the larger city to the tranquillity of outer suburbs and spend money freely on fashion, foreign travel, the arts, entertainment and eating out.”

I “*Independent Elders*”

“*Independent Elders* represents a rapidly increasing target audience, as the nation’s population ages. Here are to be found retired and soon-to-be-retired people who are still fit enough to look after themselves, and who typically own their own houses, purpose-built flats or sheltered accommodation. Whilst household income is low, low expenditure on rent, mortgages and children leads to quite high levels of discretionary expenditure. With their accumulated capital these are excellent markets for many financial products.”

J “*Mortgaged Families*”

“*Mortgaged Families* consists mostly of areas of newly built private housing, typically lived in by younger households often burdened by high levels of mortgage repayment. Whilst most of these areas contain young families living on the outskirts of towns and cities, an increasing number of young single people, co-habitees and childless couples are to be found in this group, often living in in-fill housing in older areas. The

furnishing and decoration of homes and gardens is a key focus of their leisure activities, and shopping trips are undertaken by the entire family to retail multiples in newly developed retail parks in out-of-town locations.”

K “Country Dwellers”

“Country Dwellers consists of genuinely rural areas beyond the commuter belt of villages with newly built estates, where houses have names rather than numbers and where agriculture remains a significant source of local employment.

Such areas vary considerably in their levels of affluence from the gentrified villages of the New Forest and Sussex Weald to the impoverished hamlets of the Celtic fringes. They all share problems of access to modern retail multiples and a resistance to the growing depersonalisation of modern consumer society.”

L “Institutional Areas”

“Institutional Areas consists of neighbourhoods which for various reasons do not conform to a typical household pattern. These include areas of military housing and areas where people live in institutions such as prisons, boarding schools and religious retreats. These areas are inappropriate for many forms of consumer advertising and are often best ignored when profiling product users.”

The distinctive features of each of the MOSAIC groups was not based on social grading criteria. However BMRB International’s Target Group Index data shows the percentage of adults who were in social grades ABC1 and the percentage who were in social grades C2DE. By using this at the GB level it was possible to arrange into combinations those groups which had a majority of ABC1 adults

(termed “Mainly ABC1” groups), those which had a majority of C2DE adults

(termed “Mainly C2DE” groups) and those where the percentages were very close. The results for each of these combinations are shown in the tables beneath the results for the individual MOSAIC groups.

The comparative percentages of ABC1 adults and C2DE adults in each of these combinations were:

	“Mainly ABC1” MOSAIC Groups: A, B, H, J & K %	“Balanced ABC1/C2DE” MOSAIC Groups: G & I %	“Mainly C2 DE” MOSAIC Groups: C, D, E, F & L %
ABC1	68.3	50.8	37.8
C2DE	31.7	49.2	62.2
	100.0	100.0	100.0

It has to be said that there are some variations in the composition of MOSAIC groups in particular regions; for example in East Anglia Group 11 Country Dwellers has a higher proportion of C2DE adults (47.3% than at the GB level (42.6%) and in Greater London and the South East Group 6 Victorian Low Status has a higher proportion of ABC1 adults (56.5%) than at the GB level (47.6%). In spite of these regional variations the proportions for each group at GB level were used for approximate indications of social grade.

\*See Annex 2 for general information on the Target Group Index survey.

**Annex 2**

**THE TARGET GROUP INDEX**

The Target Group Index (TGI), conducted by BMRB International, is recognised as a major source of information by advertisers, advertising agencies and media owners.

The survey collects information from around 25,000 adults each year in Great Britain. The information is obtained through a detailed questionnaire booklet distributed to respondents following a personal interview in one of BMRB International’s regular omnibus surveys of Great Britain adults (aged 15 or over) This is completed over 7–10 days by just over 2,000 adults each month. TGI’s large sample enables reliable data to be shown for particular sub samples of people—for example by gender, age social grade and region.

Questions on current attendance at particular types of arts performance etc have been included in the survey since 1986–87. Since then annual summaries of the results from these have been compiled first by the Arts Council of Great Britain and more recently by Arts Council England and made available to the funding bodies and funded organisations throughout Great Britain.

The most significant feature of the TGI survey is its single source nature. For example it is possible to relate information on arts attendance to information on the products people or services people buy or use or to the activities in which they engage, their readership of particular newspapers and magazines etc and their purchasing of tickets for the National Lottery.



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A national summary report is produced for the results at the Great Britain level and a “regional” report is also produced for the main results for England, the English Regions, Scotland and Wales. In order to have reasonably large regional samples this report is based on the combined results for two years; and the results from the most recent of these covering the 1 October 2001 to 30 September 2003 period have been used to inform this analysis.

### Annex 3

#### EXPLANATION ON INDICES

An index shows the degree of difference between two parallel sets of data, where a base of 100 in each case represents a precise match. For example in Table 1 for the Regent Theatre, Stoke-on-Trent MOSAIC Group C “Blue Collar Owners” represent 38.0% of Regent Theatre ticket buyers who live in the West Midlands region and 27.1% of the adult population of the West Midlands region. The index figure is produced by dividing 38.0 by 27.1 to show 1.41 and then multiplying this by 100 to produce a figure of 141. So West Midlands residents in this MOSAIC group were 1.41 times more likely than average to be a Regent ticket buyer.

On the other hand, in the same table it is apparent that West Midlands adults in Group F “Victorian Low Status” who bought tickets for the Regent represented 3.7% of all West Midlands ticket buyers for the Regent. As all West Midlands adults in this group represented 8.8% of all adults in the region the index is 42. So West Midlands residents in this MOSAIC group were only 42% as likely as average to be a Regent ticket buyer.

Where, as in Table 2 for Malvern Festival Theatre, the percentage of regional ticket buyers in Group J “Mortgaged Families” is identical to the percentage which that group represents of all adults in the region then the index would be 100. So West Midlands adults in this group were as likely as all adults in the region (collectively) to be a Malvern Festival Theatre ticket buyer.

The same method was used to calculate the indices which show for each MOSAIC group the relationship of National Lottery ticket buyers to venue ticket buyers. However it should be made clear that the information on National Lottery ticket buying has been derived from BMRB International’s Target Group Index rather than from the venue ticket buyer data. The Target Group Index data is based on a sample of 50,000 respondents over the period 1 October 2001 to 30 September 2003. An index figure well over 100 as for venue ticket buyers related to National Lottery ticket buyers, as for Group K “Country Dwellers” in the last column of Table 2, indicates that GB National Lottery ticket buyers in this group have an index of 475, and so are 4.75 times more likely than average to be a Malvern Festival Theatre ticket buyer.

On the other hand, the same table shows that Group C “Blue Collar Owners” accounted for 15.2% of GB National Lottery ticket buyers but only 8.9% of Malvern Festival Theatre ticket buyers, and so the index of 59 shows that National Lottery ticket buyers in this MOSAIC group are only 59% as likely as average to be a Malvern Festival Theatre ticket buyer.

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