



Cyngor Celfyddydau Cymru
Arts Council of Wales

GENERAL ACTIVITIES ACCOUNT

Report and Financial Statements
for the year ended 31 March 2010



Sponsored by
Welsh Assembly
Government

Charity number 1034245

THE ARTS COUNCIL OF WALES GENERAL ACTIVITIES ACCOUNT

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TRUSTEES' ANNUAL REPORT

for the year ended 31 March 2010

Reference and administrative details

Trustees

Council Members who served since 1 April 2009 were:

Professor Dai Smith, Chairman	(b)
Dr Ian J Rees, Vice-chairman with effect from 1 April 2010	(a) (e)
Rhiannon Wyn Hughes MBE, Vice-chairman (to 31 March 2010)	(a) (b) (e) (ii) (iii)
Norah Campbell	(a) (g)
Simon Dancey (to 31 March 2010)	(a) (f)
Emma Evans	(a)
John Geraint (from 1 April 2010)	
Maggie Hampton	(c)
Margaret Jervis MBE DL	
John Metcalf (to 23 April 2009)	(d)
Robin Morrison	(c) (i)
Osi Rhys Osmond (from 1 April 2010)	
Ruth Till MBE (to 31 March 2010)	(f)
Richard Turner (from 1 April 2010)	
David Vokes (to 31 March 2010)	(a) (b)
Alan Watkin (from 1 April 2010)	(vi)
Debbie Wilcox	(f) (iv)
Professor Gerwyn Williams (from 1 April 2010)	
John C Williams (from 1 April 2010)	
Kate Woodward	(d)

- (a) Member of Audit Committee
- (b) Member of Remuneration Committee
- (c) Member of Capital Committee
- (d) Member of Mid and West Wales Regional Committee
- (e) Member of North Wales Regional Committee
- (f) Member of South Wales Regional Committee
- (g) Member of Wales at the Venice Biennale of Art Committee

For at least part of the period covered by this report Council members (identified by the number in brackets after their name in the above list) also served as Members or senior employees of the following public bodies:

- (i) Blaenau Gwent County Borough Council
- (ii) Denbighshire County Council
- (iii) National Museum of Wales
- (iv) Newport City Council
- (v) University of Wales Institute, Cardiff
- (vi) Wrexham County Borough Council

Chief Executive

Nicholas Capaldi

Offices

<i>Mid and West Wales region:</i>	<i>North Wales region:</i>	<i>South Wales region and national office:</i>
4-6 Gardd Llydaw Jackson's Lane Carmarthen SA31 1QD	36 Prince's Drive Colwyn Bay LL29 8LA	Bute Place Cardiff CF10 5AL

Auditor

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Internal auditors

RSM Tenon
33-35 Cathedral Road
Cardiff
CF11 9HB

Solicitors

Geldards LLP
Dumfries House
Dumfries Place
Cardiff
CF10 3ZF

*Bankers**to 31 March 2010*

Bank of Ireland
Bow Bells House
1 Bread Street
London
EC4M 9BE

from 1 April 2010

The Co-operative Bank
16-17 High Street
Cardiff
CF10 1AX

Structure, governance and management

The Arts Council of Wales was established by Royal Charter on 30 March 1994. It is also known by its Welsh name, Cyngor Celfyddydau Cymru.

The Council is a registered charity, number 1034245, whose trustees are the appointed Members.

The Council is an Assembly Government sponsored body. The Welsh Ministers appoint the Members of the Arts Council who normally serve for a period of three years and may be re-appointed for a further three year period. During the period under review the Council met seven times.

Members' induction and training

New Members undergo an induction programme to brief them on their legal obligations under the Royal Charter and charity law, the Code of Best Practice, the Committee and decision making processes, strategic plans and funding issues. During the induction day they receive presentations from the Chairman, Chief Executive and Senior Management Team, and senior representatives from the Welsh Assembly Government's sponsoring division and from the Wales Audit Office. Members also have the opportunity to meet key employees. As well as the Royal Charter and Code of Best Practice, Members are provided with copies of the most recent Annual Report and Accounts, the current Working Budget,

and the Charity Commission's publications 'The Essential Trustee' and 'The Independence of Charities from the State'. Seminars and additional training are arranged as necessary to inform the formulation of strategies and policies.

Council has appointed a number of committees to provide specialist advice and to make decisions within a framework of delegated powers; they are: Audit Committee, Remuneration Committee, Capital Committee, Mid and West Wales Regional Committee, North Wales Regional Committee, and South Wales Regional Committee. Ad hoc committees are set up for specific purposes, such as the Venice Biennale of Art. All committees are made up of Council Members and other individuals and operate under specific terms of reference. In addition, a National List of Advisers has been established, members of which are appointed by Council to provide specialist advice.

Council Members reserve to themselves matters such as decisions of policy, the Corporate and Operational Plans, the setting of the annual budget, the annual allocation of grants to revenue-funded organisations, and major alterations to the terms and conditions of service for staff. Members have delegated to staff decisions on grants up to £50,000, and to Capital Committee decisions on lottery capital grants from £50,001 to £250,000.

The register of interests of Members of the Council and of its Committees and National Advisers and the register of interests of Council employees are available for public inspection, by appointment, at each of the Council's offices during normal working hours.

Accountability

In addition to the requirements of the Royal Charter the Council operates under an accountability regime which includes:

- the Charities Acts 1960, 1993 and 2006 and guidance issued by the Charity Commission
- the Freedom of Information Act 2000 and Data Protection Act 1998 and guidance issued by the Information Commissioner
- a Management Statement, Financial Memorandum and Accounts Direction issued by Welsh Ministers
- Lottery Policy Directions issued by the Welsh Ministers and Finance Directions and an Accounts Direction issued by the Secretary of State for Culture, Media and Sport in accordance with the terms of sections 26 and 35 of the National Lottery etc. Act 1993 (as amended)
- the power of the Parliamentary Commissioner for Administration to investigate the Council's affairs
- the power of the Public Services Ombudsman for Wales to investigate the Council's affairs
- a Code of Best Practice, applying to Members and staff, which sets out standards of behaviour required of those involved in financial decisions and in dealing with the public

- the Consumer Credit Act 1974 and guidance issued by the Office of Fair Trading

Copies of the Accounts Directions and of the Code of Best Practice can be obtained free of charge by writing to the Council's Director of Finance and Central Services.

The Council is required to account separately for its general and lottery distribution activities. Under separate Accounts Directions the accounting treatment of general and lottery grants differs significantly so, with due regard to paragraph 359 of the Charity Commission's Statement of Recommended Practice (revised 2005), in the judgment of the Trustees the production of a consolidated account is inappropriate as it would not provide a fair view of the application of the Council's resources.

Risk management

Council Members and members of the Audit Committee have reviewed during the year an assessment of the major strategic, business and operational risks to which the Council is exposed and agreed procedures and reporting regimes to manage and reduce the identified risks. An organisation-wide risk register is maintained and regularly considered and reviewed by the Management Board and the Senior Management Team. Clear lines of delegation and authority to staff for the recognition and management of departmental risks minimise any potential impact on the Council should any of those risks materialise.

Objectives, activities, achievements and performance for the public benefit

The Council's chartered objects are:

- (a) to develop and improve the knowledge, understanding and practice of the arts;
- (b) to increase the accessibility of the arts to the public;
- (c) to advise and co-operate with Our National Assembly for Wales, Departments of Our Government, local authorities, The Arts Councils for England, Scotland and Northern Ireland, and other bodies on any matters concerned, whether directly or indirectly, with the foregoing objects; and
- (d) to carry out the objects through the medium of both the Welsh and English languages.

The Council's main purpose is to support and develop the arts in Wales for the benefit of people throughout Wales. The principal way in which Council seeks to fulfil this purpose is by the formulation of arts strategies, research, and providing recurrent and one-off grants to organisations and individuals within a strategic and developmental context. Such grant making is backed up by a process of monitoring and assessment to ensure that public money is used effectively for the intended purposes. The Council also manages a range of non-grant activities and services, often in partnership with local authorities and others.

Main objectives for the year

The Council's strategic priorities for 2009/10 are set out in the table below according to our corporate themes, alongside key achievements made in relation to each priority during the year:

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
Supporting the creation of high quality art		
<p>Artform development & support for artists – we will implement all actions under Resource Category One in the Artform Strategies</p>	<ul style="list-style-type: none"> • Support the gallery network to further promote excellent curatorial practice • Develop new support for artist-filmmakers through two new film/sound commissions • Set up the framework for dance and disability for Wales • Develop a funding proposition to support new composition in music • Support the development of the National Theatre Wales • Establish a new partnership agreement with Academi, the Welsh National Literature Promotion Agency 	<ul style="list-style-type: none"> • A number of projects were supported through our Lottery schemes funding to develop curatorial practice, including projects at Oriel Myrddin and Llantarnam Grange Arts Centre. • Three artists' film commissions were awarded development funding during the course of the year. • A research commission looking at dance and disability in Wales was completed but not finalised. • Beyond Borders, the new composition in music programme was launched and 3 organisations in Wales received funding. • National Theatre Wales was launched in November 2009 and gave its first public performance in March 2010. • The work involved in the Investment Review has delayed progress in this area, but it is still anticipated that the outline will be in place by the year end. Work with Academi and other partners has progressed to make Wales's Literary and overall cultural presence at the Hay Festival more dynamic in 2010.
<p>International work – we will deliver the first year's work outlined in <i>Creating 2013</i> to maximise international opportunities for the arts in Wales, increase investment into Wales Arts International's (WAI's) programme of activities and ensure international impact and recognition for arts from Wales.</p>	<ul style="list-style-type: none"> • Develop and deliver the Writers' Chain project partnership with British Council • Develop and deliver the Cultural Relations Programme with China in partnership with the Welsh Assembly Government (WAG) and British Council • Review and develop WAI's long-term programme with North America 	<ul style="list-style-type: none"> • The Writers' Chain has been planned by Wales Literature Exchange and included the first international workshops of the Translators House held in early December 2009. Activity also includes visits by writers from Wales to India during Spring 2010. • Work progressed well with National Dance Company Wales undertaking five performances in three cities as part of the programme. A forward plan is currently being developed. • Work has progressed well on the North America programme. Projects have included work with the Smithsonian Folk Life Festival, a research visit to the North American Folk Alliance and working with NoFit State Circus to develop market opportunities.

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
Encouraging more people to enjoy and take part in the arts		
<p>Participation – we will deliver year one of the Legacy Trust UK business plan, develop an evaluation toolkit for measuring the impact of participatory arts activity in a community arts context, and deliver the agreed actions in the joint Arts & Health Action Plan.</p>	<ul style="list-style-type: none"> • Engage up to 8,000 participants in Legacy Trust UK-funded projects • Roll out the community arts evaluation toolkit • Hold at least one practical workshop with senior health managers from across Wales following the launch of the Arts & Health Action Plan and the associated guidance document 	<ul style="list-style-type: none"> • We engaged 13,000 participants in our Legacy Trust UK-funded projects throughout the year. • The evaluation of the community arts toolkit was completed and work commenced on revising the toolkit for roll out in 2010-11. • We delivered a series of focus groups across Wales and a successful all-Wales conference at which our <i>Art of Good Health</i> guidance document was launched.
<p>Audience development – we will have a new plan for the future support of venues in Wales and have progressed work on the development of the Cultural Enterprise Centre in Merthyr Tydfil</p>	<ul style="list-style-type: none"> • Evaluate the impact of Arts outside Cardiff funding and present clear proposals for the future development of regional performing arts centres • Work in partnership with WAG to continue the development of the Cultural Enterprise Centre in Merthyr Tydfil 	<ul style="list-style-type: none"> • The review of Arts outside Cardiff funding was completed and published as part of our Investment Review process. This will lead to the development of proposals for taking this sector forward. • We are working with WAG and Chapter Arts Centre to explore the feasibility of Chapter managing a newly refurbished centre in the Old Town Hall at Merthyr Tydfil.
<p>Young people – we will progress our Arts & Young People Strategy, our <i>Reach the Heights</i> project, and develop the Expressive Schools Wales initiative.</p>	<ul style="list-style-type: none"> • Publish the Arts & Young People Strategy and commence implementation • Meet our year one targets for the <i>Reach the Heights</i> project • Establish two Expressive Schools Wales pilot projects 	<ul style="list-style-type: none"> • The draft strategy was circulated for consultation and the final strategy will be published in the first quarter of 2010/11. • 39 of the 42 projects were up and running at the end of the financial year, as planned, and the other three were being finalised. • This work has not been completed but discussions with WAG and other partners have progressed well.
<p>Research – we will collate survey and research data that will inform progress towards the 2012 target of increasing engagement, setting clear, measurable outcomes and impact measures.</p>	<ul style="list-style-type: none"> • Agree the final version of the Research Strategy and implement agreed priorities for 2009/10 • Develop appropriate measures and evaluation tools for all of our projects and programmes 	<ul style="list-style-type: none"> • The strategy was delivered as planned. • More work on developing appropriate measures and evaluation tools needs to be undertaken and will be prioritised in 2010/11.

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
Growing the arts economy		
<p>Diversifying our funding base – we will meet our year one financial targets for the <i>Reach the Heights</i> project, complete year one of WAI's Convergence-funded projects, and secure funding for a further two international projects.</p>	<ul style="list-style-type: none"> • Ensure we award sufficient contracts and deliver the agreed outputs to draw down the allocated ESF funding • Fully establish our European Officer post and develop structures to support the successful implementation of large-scale projects 	<ul style="list-style-type: none"> • 42 projects were allocated funding through our competitive tendering exercise. Claim forms have been submitted on time and in accordance with the requirements of WAG's Department for Children, Education, Lifelong Learning & Skills (DCELLS). • The European Officer post is established and the post holder was in place from June 2009. Two European funded projects are up and running (in addition to <i>Reach the Heights</i>) and a further project is in development.
<p>Stimulating enterprise and business growth – we will have an agreed plan for developing business support services</p>	<ul style="list-style-type: none"> • Undertake a scoping exercise with potential partners and agree an action plan 	<ul style="list-style-type: none"> • This work has not been completed and will be carried forward into our Operational Plan for 2010/11.
<p>Cultural tourism – we will have advanced our role in the agreed Cultural Tourism Action Plan</p>	<ul style="list-style-type: none"> • Establish the <i>Impact</i> Project as a successful bid to the Atlantic Area EU funding scheme 	<ul style="list-style-type: none"> • The <i>Impact</i> project was still in development at the end of the year with discussions having taken place with prospective transnational partners.
Making the Arts Council an effective and efficient business		
<p>Investment Review – we will complete the review of our portfolio of revenue-funded organisations</p>	<ul style="list-style-type: none"> • Consult and agree the terms of reference, quality framework and planning guidance • Assess applications, making reasoned and supported recommendations to Council • Manage the communication of decisions to applicants 	<ul style="list-style-type: none"> • The Investment Review work has been running on time and according to the project plan throughout the year. In-principle decisions will be made by Council at its June 2010 meeting. • Applications have been assessed according to published procedures and these will inform recommendations. • A detailed communications plan for the work has been developed and is being followed.
<p>Excellence and innovation – we will review the effectiveness of our beacon and Arts outside Cardiff funding strategies</p>	<ul style="list-style-type: none"> • Develop the evidence base for supporting the arts and support WAG in the production of a new Cultural Strategy 	<ul style="list-style-type: none"> • Initial discussions on data collection have taken place with WAG officials, working towards building the evidence to support the arts. Our Chief Executive has been part of the group contributing to the development of the Cultural Strategy.

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
<p>Business simplification – we will simplify our administrative processes and systems</p>	<ul style="list-style-type: none"> • Complete our review of grants and client management to streamline our operations within available resources and ensure value for money and high level customer service • Publish our Customer Service Standards 	<ul style="list-style-type: none"> • Our completion report procedure was reviewed and is proving to be effective. Work on developing business support for revenue clients was put on hold pending the outcome of the Investment Review. • We will be reviewing our Customer Service Standards as part of a broader piece of work looking at the implementation of our 2009 staff survey and Investors in People accreditation report. An action plan will be published during 2010/11.
<p>Developing our workforce – our staff will be engaged and motivated and benefit from a programme of staff training and development</p>	<ul style="list-style-type: none"> • Establish new arrangements for staff development, training and appraisal • Ensure retention of our Investors in People standard 	<ul style="list-style-type: none"> • We have put in place new arrangements for staff development and appraisal. • We successfully retained our Investors in People standard.
<p>Communications and campaigning – we will deliver all actions in our 2009/10 Communications Strategy</p>	<ul style="list-style-type: none"> • Redevelop our online services • Devise and execute a major campaign to raise the profile of the arts in Wales 	<ul style="list-style-type: none"> • A new Livelink environment was installed and the MS Office 2007 upgrade was completed. • Work is still progressing on a major campaign to raise the profile of the arts in Wales.

Detailed monitoring of performance against performance indicators (PIs) is carried out and reported on quarterly to the Senior Management Team, Council and the Welsh Assembly Government.

Grant making policies

The Council invites applications for recurrent and one-off grants from organisations and individuals and monitors the proper and effective use of those grants. As well as meeting the Council's strategic aims, applications must demonstrate benefit to the people of Wales across all regional, cultural and economic sectors. Recurrent grants are funded from grant-in-aid only but one-off grants may be funded from grant-in-aid or lottery income.

Recurrent, or annual revenue, grants are made to a portfolio of about 100 organisations to deliver high quality artistic services. Consideration of revenue status for any organisation is dependent on the availability of funding, the sustainability of the organisation, and demonstration of strong fit with the Council's strategic priorities. Currently, each revenue-funded organisation enters into a funding agreement for a term of one to three years which sets out the anticipated level of funding, the programme of activity to be delivered, requirements for monitoring and annual review, standard conditions of grant, and any additional conditions. The Council has undertaken a detailed review of current funding and, in June 2010, agreed a portfolio of revenue-funded organisations who are artistically

vibrant, financially durable and who will, subject to our own funding, receive a level of investment that will enable them to thrive. They will be at the heart of the Council's future strategy to develop the arts in Wales.

One-off grants are available to help fund time-limited artistic projects of high quality which best meet the Council's funding priorities. There have been some policy changes from 1 April 2010 in respect of these grants:

<i>Grant type</i>	<i>up to 31 March 2010</i>	<i>from 1 April 2010</i>
Training grants support the undertaking or purchase of training and also the provision of arts training	£250 - £5,000 (organisations undertaking training) £250 - £2,000 (individuals) 4 application deadlines each year – April, June, September & January	£1,000 - £30,000 (organisations providing training) 2 application deadlines each year – May & September
Small grants support organisations or individuals for pilot projects or where there are significant levels of funding from other sources	£250 - £5,000 4 application deadlines each year (organisations) – April, June, September & January	3 application deadlines each year (individuals) – June, September & January
Creative Wales Awards enable artists to develop their creative practice	£5,001 - £12,000 & £20,000 - £25,000 1 application deadline each year - January	£5,001 - £12,000 & £20,000 - £25,000 1 application deadline each year - June
Production grants support larger programmes of work for established individual artists and organisations.	£5,001 - £30,000 (organisations) £5,001 - £20,000 (individuals) 2 application deadlines each year – May & September	
Maximum level of funding for organisations and individuals	75% of eligible costs (organisations) 90% of eligible costs (individuals)	
Maximum level of funding for local authorities and school clusters	50% of eligible costs	
Maximum level of funding where the main aim of an application is to promote non-arts issues	50% of eligible costs	
Over-arching funding priorities when assessing grant applications	1. Projects delivered in acknowledged deprived communities 2. Projects to promote the work of artists from under-represented groups (e.g. disabled people, people from black and minority ethnic backgrounds) 3. Projects delivered in Welsh or bilingually	

Successful applicants are allowed no more than one of each type of grant in any financial year.

These are the main funding schemes but the Council publishes general guides to funding for organisations and individuals which include full details of funding priorities and eligibility criteria. These are available from any of the Council's offices and from the website: www.artswales.org.uk.

Financial review

The Council has two principal funding sources: grant-in-aid from the Welsh Assembly Government; and, as one of the bodies responsible for the distribution of funds for good causes, a share of the proceeds raised by the National Lottery. The Council is required to account separately for its lottery distribution activities.

Reserves

The Council's policy on restricted funds is to separately record grants, donations and other sources of income which are received for a specific purpose or project, or where restrictions are imposed that are narrower than the Council's overall objectives. All of these incoming resources have been utilised in the year for their intended purpose.

Most of the Council's unrestricted funds are committed during the year, in accordance with the conditions of grant-in-aid issued by the Welsh Assembly Government. Any surplus funds are carried forward and used in furtherance of the Council's chartered objectives in the following year. There were no designated funds at 31 March 2010 (2009: £Nil).

Our policy on reserves is to ensure we hold sufficient funds to maintain liquidity, to cover unforeseen short-term cash requirements and to cover planned future expenditure. We review this policy and our reserves position annually. Our holding of cash reserves, however, is restricted by the Welsh Assembly Government's month-end and year-end flexibility directions.

Investment

Investment powers are governed by the Trustee Act 2000 and the Management Statement and Financial Memorandum issued by Welsh Ministers. The Council's policy is to achieve the maximum return within these terms. Interest at a negotiated rate linked to bank base rate is received on all credit balances in the Council's current accounts. From time to time, higher rates may be available for restricted funds on long term deposit. All interest earned on cash and bank balances which arise as a result of funding from the Welsh Assembly Government is surrendered to HM Treasury via the Welsh Consolidated Fund.

Financial results

The accounts, excluding Lottery distribution activities, show total incoming resources for the year of £33,156,000 (2008/09: £31,657,000), net incoming resources of £368,000 (2008/09: £443,000), net current assets of £1,581,000 (2009: £1,320,000) and total fund balances at 31 March 2010 of £1,868,000 (2009: £1,500,000).

At 31 March 2010 the Council had formally offered forward grants for 2010/11 of £23,977,000 (2009/10: £25,115,000).

The Lottery distribution account shows the Council's 2009/10 share of the proceeds from the National Lottery of £12,338,000 (2008/09: £10,410,000). The combined total incoming resources for both general and Lottery activities for 2009/10 was £46,495,000 (2008/09: £42,637,000).

General grants are charged to the Statement of Financial Activities as soon as they are offered, except for forward commitments as described in Accounting policy note 1e. Lottery grants are charged only when the formal offer has been accepted by the recipient. Although not all charged as expenditure in the Net Expenditure Account, during 2009/10 Council approved Lottery grants amounting to £8,977,000 (2008/09: £3,919,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2009/10 was £42,515,000 (2008/09: £35,849,000).

Plans for future periods

The Council has drafted a new Operational Plan for 2010/11. We are developing our business strategy in a difficult economic climate but will continue to campaign for the level of funding that we believe the arts in Wales need. However, we do so in the full knowledge of the wider economic recession. In the short to medium term we must withstand the challenge of reduced public funding for the arts, but with our clients and other partners we must also prepare our plans for the economic upturn which is predicted in the longer term.

Our corporate themes and planned activities are as follows:

<i>Corporate theme/Strategic area</i>	<i>Priorities 2010/11</i>
Supporting the creation of the best in great art	
<p>We will support artists and arts organisations who demonstrate the highest standards of imagination, capability and enterprise.</p> <p>In return, we will expect them to strive for work of the highest quality that reaches out to, engages and grows audiences.</p> <p>By doing so, we will be able to highlight a range of high quality arts activity that inspires others to aspire to.</p>	<ul style="list-style-type: none"> • We will have completed our Investment Review and identified our new nationwide network of revenue-funded organisations (RFOs). • We will have completed our review of grant-in-aid and Lottery funding programmes, and have published a new financial strategy. • We will have completed a further round of Creative Wales awards and made four Creative Wales Ambassadors Awards. We will have evaluated the Creative Wales programme to date and made recommendations for the future of the awards. • Working in partnership with our National Advisers we will have achieved quality appraisals for all revenue funded organisations to feed into 2011's annual review meetings. • We will have launched a new website providing practical information about the arts. • We will have completed our active programme of international arts activity by delivering year 3 of Wales Arts International's 5 year strategy, <i>Creating 2013</i>. • We will have had a high profile presence at key national and international events and completed preparation for 2012's events. These will include Hay Festival, the Urdd Eisteddfod, the National Eisteddfod and the Venice Biennale of Art. • We will have funded our Equalities Action Plan and be providing development funding to disability led and black and minority ethnic led arts organisations.
Encouraging more people to enjoy and take part in the arts	
<p>We will support activity that increases and broadens public engagement in the arts.</p> <p>We want people to enjoy and experience</p>	<ul style="list-style-type: none"> • We will have agreed with our portfolio of RFOs new targets for public engagement. • We will be supporting, as a result of our Investment Review, artistically exciting, financially durable

<i>Corporate theme/Strategic area</i>	<i>Priorities 2010/11</i>
<p>work of quality that inspires, entertains and challenges.</p> <p>By doing so, we want to persuade more people that attending and taking part in the arts should be an important part of their everyday lives.</p>	<p>community arts organisations.</p> <ul style="list-style-type: none"> • We will have raised the quality of participatory arts by encouraging more organisations to use our evaluation toolkit. • We will have completed and evaluated our Summer Splash programme. • We will have completed and evaluated the first phase of our <i>Reach the Heights</i> programme. • We will have secured the support of Creative and Cultural Skills to fund apprenticeships that equip artists to work in participatory and educational settings. • We will have consulted on and produced a Touring and Distribution strategy designed to bring a diverse range of high quality arts to a wider audience across Wales, drawing together our existing policy positions in this sector. • We will have supported our <i>Night Out</i> scheme to promote a minimum of 550 events, 150 of which will be in Communities First areas. • We will have increased our investment in Communities First areas. • We will have seen an increase in the amount of arts activity taking place in schools. • We will have seen the introduction of a pilot Arts Plus scheme. • We will have established a delivery model for a virtual arts and health network and secured additional resources for the delivery of the action plan. • We will have completed a programme of research that assesses the impact of our investment in the arts. • We will have established a baseline and methodology for evaluating the impact of our Lottery schemes funding.
<p>Growing the arts economy</p>	
<p>We will increase the level of money and resources that is available for the arts in Wales.</p> <p>We want to foster a greater spirit of entrepreneurship in ourselves and the arts that we support.</p> <p>By doing so we want to encourage less</p>	<ul style="list-style-type: none"> • We will have secured European funding for 3 transnational projects. • We will have met year 2 financial targets for <i>Reach the Heights</i> and secured funding for a second phase of delivery. • We will have levered in new private sector income through our investment in the Arts and Business Culture Step programme.

<i>Corporate theme/Strategic area</i>	<i>Priorities 2010/11</i>
<p>dependency on government subsidy.</p>	<ul style="list-style-type: none"> • We will have increased the value and number of Collectorplan loans and researched initiatives in other market development potential for the visual and applied arts. • We will have agreed new income generation targets with our RFOs. • We will have put on a Marketing Symposium designed to improve professional and technical skills. • We will have produced a workforce/business development strategy as part of a new approach to the creative industries. • We will have published a fundraising strategy. • We will have a new capital funding strategy in place. • In partnership with Visit Wales we will have contributed to the implementation of the Cultural Tourism Action Plan. • We will have completed a programme of advocacy events and publications demonstrating the contribution that the arts make to the life of the nation. • We will have promoted at least one joint conference/event with a peer AGSB in the cultural sector.
<p>Making the Arts Council an effective and efficient business</p>	
<p>We will scrutinise our use of resources to ensure that we are providing an effective, value for money public service.</p> <p>We want to create an organisation that is respected for the quality of its activities and recognised as an authoritative source of arts expertise.</p> <p>By doing so we will be able to demonstrate that we provide an essential public service to the people of Wales.</p>	<ul style="list-style-type: none"> • We will have achieved a 1.5% reduction in our running costs through the simplification of our business processes, procurement, structures and use of IT. • We will have produced an action plan and begun implementation of the recommendations in our staff survey and Investors in People reports. • We will have produced an action plan in response to the Governance Review. • We will have introduced an environmental policy. • We will maintain our active involvement in 2 Local Authority partnerships designed to deliver joint shared services.

Audit

In accordance with Article 11 of the Council's Royal Charter the Auditor General for Wales conducts the Council's external audit on terms approved by the Welsh Ministers.

Human resources

Equal opportunities

The Council is committed to a policy of equality of opportunity in its employment practices. In particular, the Council aims to ensure that no potential or actual employee receives more or less favourable treatment on the grounds of age, disability, ethnic or national origin, gender, marital or parental status, nationality, political belief, race, religion or sexual orientation.

The Council is on the National Register of Disability Symbol Users, reflecting its commitment to ensure that appropriate facilities are available for disabled employees.

Sickness absence

During 2009/10 staff sickness absence totalled 923 days (2008/09 910.5 days). This represented 3.72% (2008/09 3.82%) of working days, including 1.32% (2008/09 1.45%) as a result of long term absence (over 28 days).

Employee communication

The Council recognises the trade union Unite, with which it has established a procedural agreement; representatives of management and union meet regularly to discuss matters of current concern. Additionally, regular departmental meetings are held and Directors and Team Leaders are required to report to their staff on matters discussed at Council, Senior Management Team, and Management Board meetings.

Pension scheme

Most employees are members of the Arts Council Retirement Plan 1994. The fund is a defined benefit scheme. It is also a multi-employer scheme so the Council is unable to identify its share of the underlying assets and liabilities. In accordance with the Council's accounting policies, the scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with FRS17.

Payment of creditors

Under the Late Payment of Commercial Debts (Interest) Act 1998, and the UK Government's Better Payment Practice Code, the Council is required to pay suppliers' invoices not in dispute within 30 days of receipt of goods or services or valid invoice, whichever is the later.

The Council aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, in line with these terms. During the year ended 31 March 2010, the Council paid 97% (2008/09: 94%) of all invoices within the terms of its payment policy. Since

November 2008 the Council, in line with Welsh Assembly Government policy, aims to pay invoices with 10 days. For 2009/10 88% (from November 2008 to March 2009 86%) of invoices have been paid with 10 days. It is not anticipated that our policy will alter in future years.

Financial risk and capital management

The Council mainly holds financial instruments to finance its operations, for example trade debtors and trade creditors, and cash balances arising directly from its operations. The financial risk management of exposures arising from trading financial instruments, primarily trade debtors and trade creditors, is through a series of policies and procedures. These risks are managed as follows:

Liquidity risk - The Council is satisfied that it has sufficient liquid resources, in the form of cash at bank and agreed funding for 2010/11, to meet all current contracted commitments. The Council does not consider that its general activities are exposed to any significant liquidity risk.

Interest rate risk - Cash balances, which are drawn down from the Welsh Assembly Government to pay grant commitments and operating costs, are held in instant access variable rate bank accounts which on average carried an interest rate of 0.50% (2008/09: 3.42%) in the year. The unrestricted year-end cash balance held by the Council in the bank was £1,235,000 (2009: £300,000). The Council does not consider that its general activities are exposed to significant interest rate risks.

Foreign currency risk - The Council is not exposed to any significant foreign exchange risks.

Cash flow risk - The Council is not exposed to any significant cash flow risks.

Personal data related incidents

The Council has controls and policies in place to ensure data integrity. IT systems ensure that the physical security of data is tightly controlled. As far as we are aware, no loss of data occurred during the period under review.

Responsibility towards the environment

We believe that we have a responsibility to operate our business in a sustainable manner, and to apply good environmental practice. We are committed to reducing our environmental impact and to continually improving our environmental performance as an integral part of our business and operating methods.

In support of this we have reviewed and strengthened our environmental policy and are reviewing our operations to ensure they are as efficient as possible. Initiatives include:

- equipping all our offices with video conferencing equipment, the use of which is actively promoted;

- restricting travel to necessary journeys only and ensuring those journeys are made by the most efficient means possible taking account of both environmental and financial considerations;
- using licensed and appropriate organisations to dispose of our waste;
- reducing the number of paper copies of the publications we produce and using electronic means wherever possible;
- making use of energy saving devices and equipment to reduce electricity consumption; and
- actively promoting recycling and waste separation internally.

We have had preliminary discussions with Carbon Trust (Wales) and intend working with them in the year ahead. We will be reviewing our environmental reporting and plan to develop a toolkit that can be used to improve our environmental performance.

Social and community issues

We are committed to ensuring that the Council's funding is accessible and of benefit to all the citizens of Wales.

We have strategies targeted at young people, community arts and broadening public engagement in the arts. We have supported a very successful festival – *Gwanwyn* – celebrating older people, and are involved in a major project aimed at working with young people who are not in employment, education or training.

Our grant schemes have over-arching funding priorities directed at projects promoting the work of artists from under-represented groups such as disabled people and people from black and minority ethnic backgrounds. Recognising the bilingual culture of Wales, we also prioritise applications that will be delivered in Welsh or bilingually.

In order to change the way we approach issues of race, diversity and disability equality we provide our staff with appropriate training. We are also carrying out a programme of equality impact assessments on all of our internal policies in order to ensure they reflect these priorities.

So far as the Accounting Officer is aware, there is no relevant audit information of which the Council's auditor is unaware, and he has taken all the steps that he ought to have taken as Accounting Officer in order to make himself aware of any relevant audit information and to establish that the Council's auditor is aware of that information.

REMUNERATION REPORT

The Council remunerates its entire staff, with the exception of the Chairman and Chief Executive, in accordance with an agreed pay and grading system maintained by the Human Resources Department. A Job Evaluation Policy is in place, in accordance with which staff may appeal the grading of posts. The terms of appointment of the Chairman and Chief Executive are agreed with the Welsh Assembly Government.

Each year management considers staff remuneration against external comparators and movements in the economy. In consultation with the recognised trade union a pay remit is produced and submitted to the Welsh Assembly Government for approval. The resultant pay and conditions package is binding on the whole of the Council until the next round of negotiation. Increases under the pay remit are dependent upon performance established by the Council's system of personal development reviews.

With the approval of the Charity Commission the Chairman is remunerated at a rate determined by the Welsh Assembly Government which reflects a minimum time commitment to Council business. Annual increases of the Chairman's salary are also advised by the Welsh Assembly Government but he receives no bonus payments and is not a member of the pension scheme.

The Chief Executive's remuneration consists of a basic salary plus an annual bonus. Annual bonuses are recommended to Council by the Remuneration Committee in consideration of the performance of the Chief Executive against a set of predetermined objectives. A percentage of the bonus, as advised by the Welsh Assembly Government, is consolidated into the Chief Executive's salary and the remainder is paid as a non-consolidated award.

Further details of the remuneration and pension benefits of the Chairman, Chief Executive and other senior directors are provided in note 10b to the financial statements. This information is audited.

Council members are appointed by the Welsh Ministers for a period of three years and may be re-appointed for a further three year period. The current Chairman, Professor Dai Smith, was appointed as a Council member on 1 April 2004 but took over the chairmanship on 1 April 2006. The Minister for Culture, Sport and the Welsh Language subsequently appointed Professor Smith for a term of three years from 1 April 2007 until 31 March 2010 and the Heritage Minister has renewed his appointment for a further three years to 31 March 2013. The Chief Executive and senior directors are all employed on permanent contracts on the Council's standard terms and conditions.

Having successfully completed a probationary period of six months, the Chief Executive and senior directors are entitled to thirteen weeks notice of termination of employment.

The dates of commencement of employment are: Professor Dai Smith (Chairman) 1 April 2006; Nicholas Capaldi (Chief Executive) 15 September 2008; David Alston (Arts Director) 1 July 2005; and Hywel Tudor (Finance and Central Services Director) 21 January 2002.

STATEMENT OF COUNCIL'S AND THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Article 11 of the Royal Charter dated 30 March 1994 (as amended) the Council is required to prepare for each financial year a statement of accounts in the form and on the basis determined by Welsh Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Council and of its incoming resources and application of resources, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the accounting principles and disclosure requirements of the Charities Statement of Recommended Practice (revised 2005) ("the SORP") and, to the extent that it clarifies or builds on the requirements of the SORP, HM Treasury's Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Welsh Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the SORP and HM Treasury's Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Principal Accounting Officer for the Welsh Assembly Government has designated the Chief Executive as the Accounting Officer of the Council. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Council's assets, are set out in the Welsh Assembly Government's Accounting Officers' Memorandum issued by HM Treasury.

Nicholas Capaldi
Accounting Officer

9 July 2010

Dai Smith
Chairman

9 July 2010

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Council policies, aims and objectives whilst safeguarding the public funds and resources for which I am personally responsible, in accordance with the responsibilities assigned to me in the Financial Memorandum, Lottery Finance Directions and in *Managing Welsh Public Money*.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2010 and up to the date of approval of the trustees' annual report and financial statements, and accords with Treasury guidance.

3. Capacity to handle risk

The risk management process is led by the Senior Management Team and endorsed by Council and the Audit Committee. Staff are equipped to manage risk in a way appropriate to their authority and duties by the provision of risk awareness training and on-the-job guidance. Key performance and risk indicators have been established and are monitored on a regular basis.

4. The risk and control framework

The Council has a system of internal control based on a framework of regular management information, documented administrative procedures including the segregation of duties, and a system of delegation and accountability.

The Chief Executive has overall responsibility for the system of internal control and securing adherence to our policy on risk management and is supported by the Senior Management Team and Management Board.

There is an organisation-wide risk register containing details of all key risks and mitigating controls. Managers are responsible for drawing up and maintaining more detailed risk registers for any new activities. During the year ended 31 March 2010, for example, the Council's Investment Review was identified as a risk priority and managed accordingly.

Risk management has been embedded in the key operations of the Council by the introduction of a prioritisation methodology based on risk ranking. From the receipt and assessment of applications for funding through to the monitoring of scheme and annually recurring revenue awards, a risk category is assigned on the basis of key criteria. The level of qualitative and other monitoring will be dependent upon the risk category assigned and mitigating controls identified, which are regularly reviewed.

Policies and procedures have been drafted to ensure that there is adequate detection and response to inefficiency, conflict of interest and, as far as reasonably possible, fraud and to minimise the loss of grant. These are reviewed regularly and updated as necessary. Policies are also in place covering the acceptable use of IT systems and data protection.

The Council has established the following processes:

- the Senior Management Team meets regularly to consider the plans and strategic direction of the Council;
- periodic reports from the chairman of the Audit Committee, to Council, concerning internal control;
- regular reports by the Council's appointed internal auditors, to standards defined in the Government Internal Audit Manual, to the Audit Committee which includes the auditors' independent opinion on the adequacy and effectiveness of the Council's system of internal control together with recommendations for improvement;
- the identification and discussion of emerging risks by the Management Board at its monthly meetings;
- maintenance of an organisation-wide risk register; and
- key performance indicators.

Any weaknesses in the control framework identified by internal auditors are reviewed by the Senior Management Team which ensures that corrective action is taken.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditors, the executive managers within the Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by Council, the Audit Committee and the internal auditors and a plan to address weaknesses and ensure continuous improvement of the system is in place.

IT systems ensure that the physical security of data is tightly controlled. As far as I am aware, no loss of data occurred during the year.

The internal auditors undertook nine reviews during the year. Of these reviews two provided substantial assurance, two provided adequate assurance and there were four follow up reviews showing good or reasonable progress with the implementation of recommendations. There was one area, grant making, where the internal auditors provided limited assurance. Management has agreed an action plan to address the recommendations made in this area which will be the subject of a further comprehensive review in 2010/11. The internal auditors provided the following opinion on the adequacy and effectiveness of the Council's arrangements in their Annual Report: 'In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2010, the Arts Council of Wales has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives. One report was identified as providing limited assurance, however we are satisfied that appropriate action is being taken by management to address the issues identified.'

Nicholas Capaldi
Accounting Officer
9 July 2010

Dai Smith
Chairman
9 July 2010

THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE ARTS COUNCIL OF WALES

I certify that I have audited the financial statements of Arts Council of Wales General Activities Account for the year ended 31 March 2010 under Article 11 of the Council's Royal Charter. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

The Council and Chief Executive, as Accounting Officer, is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Article 11 of the Council's Royal Charter and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Councils and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Article 11 of the Council's Royal Charter and Welsh Ministers' directions made thereunder. I report to you whether, in my opinion, the information given in the Trustees' Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I report to you if in my opinion the Arts Council of Wales has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Arts Council of Wales' compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Arts Council of Wales' corporate governance procedures or its risk and control procedures.

I read the other information contained in the unaudited part of the Remuneration Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in

the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Arts Council of Wales' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Article 11 of the Council's Royal Charter and directions made thereunder by the Welsh Ministers, of the state of the Arts Council of Wales' affairs as at 31 March 2010 and of its incoming resources and application of resources, and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Article 11 of the Council's Royal Charter and the Welsh Ministers' directions made thereunder; and
- information given within the Trustees' Annual Report is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Gillian Body
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

14 July 2010

THE ARTS COUNCIL OF WALES

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 March 2010

	Note	Unrestricted Funds £'000	Restricted Funds £'000	2010 Total £'000	2009 Total £'000
INCOMING RESOURCES					
Incoming resources from generated funds					
<i>Voluntary income:</i>					
Grant-in-aid from the Welsh Assembly Government	3	24,385	7,798	32,183	30,711
Other grants and donations	4	12	170	182	217
Sub-total Voluntary income		<u>24,397</u>	<u>7,968</u>	<u>32,365</u>	<u>30,928</u>
<i>Activities for generating funds:</i>					
Services and sponsorship	5	181	502	683	603
<i>Investment income:</i>					
Bank interest		5	-	5	78
Other incoming resources	6	103	-	103	48
Total incoming resources		<u>24,686</u>	<u>8,470</u>	<u>33,156</u>	<u>31,657</u>
RESOURCES EXPENDED					
Charitable activities:					
Grants awarded	7,9	20,425	7,513	27,938	26,937
Other services and strategies	8,9	3,236	1,541	4,777	4,202
Sub-total Direct charitable expenditure		<u>23,661</u>	<u>9,054</u>	<u>32,715</u>	<u>31,139</u>
Governance costs	11	68	-	68	75
Bank interest surrendered to Welsh Consolidated Fund		5	-	5	-
Resources expended before notional cost of capital		<u>23,734</u>	<u>9,054</u>	<u>32,788</u>	<u>31,214</u>
Notional cost of capital	1s	59	-	59	45
Total resources expended		<u>23,793</u>	<u>9,054</u>	<u>32,847</u>	<u>31,259</u>
Net incoming/(outgoing) resources after charging notional cost of capital and before transfers					
		893	(584)	309	398
Gross transfers between funds	17	(491)	491	-	-
Reversal of notional cost of capital	1s	59	-	59	45
Net movement in funds		<u>461</u>	<u>(93)</u>	<u>368</u>	<u>443</u>
Fund balances brought forward		<u>1,210</u>	<u>290</u>	<u>1,500</u>	<u>1,057</u>
Total funds carried forward		<u>1,671</u>	<u>197</u>	<u>1,868</u>	<u>1,500</u>

There are no discontinued activities and there have been no acquisitions during the year.

The notes on pages 26 to 41 form part of these financial statements

ARTS COUNCIL OF WALES

BALANCE SHEET

as at 31 March 2010

	Note	2010		2009	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	12a		35		10
Tangible fixed assets	12b		<u>418</u>		<u>395</u>
			453		405
Current assets					
Grants paid in advance	13	205		168	
Other debtors and prepayments	14	1,144		1,075	
Cash at bank and in hand		<u>1,432</u>		<u>590</u>	
		<u>2,781</u>		<u>1,833</u>	
Creditors: amounts falling due within one year					
Grants payable		(772)		(31)	
Other creditors falling due within one year		<u>(428)</u>		<u>(482)</u>	
	15	<u>(1,200)</u>		<u>(513)</u>	
Net current assets			<u>1,581</u>		<u>1,320</u>
Total assets less current liabilities			2,034		1,725
Creditors: amounts falling due after more than one year					
Deferred income	16		(166)		(225)
Net assets			<u><u>1,868</u></u>		<u><u>1,500</u></u>
Represented by:					
Funds					
Unrestricted funds	17		1,671		1,210
Restricted funds	17		<u>197</u>		<u>290</u>
			<u><u>1,868</u></u>		<u><u>1,500</u></u>

There are no gains or losses other than those shown above.

The notes on pages 26 to 41 form part of these financial statements

The financial statements were approved by the Arts Council of Wales and signed on its behalf by

Nicholas Capaldi
Accounting Officer

9 July 2010

Dai Smith
Chairman

9 July 2010

ARTS COUNCIL OF WALES

CASH FLOW STATEMENT

for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	19a	1,003	321
Bank interest		5	78
		<hr/>	<hr/>
		1,008	399
Capital expenditure	19b	(166)	(416)
		<hr/>	<hr/>
Increase/(Decrease) in cash in the year	19c	842	(17)
		<hr/>	<hr/>

The notes on pages 26 to 41 form part of these financial statements

1. Accounting policies

a. Basis of preparation

These financial statements are prepared under the historical cost convention modified to include certain fixed assets at their value to the Council on a current cost basis. They have been prepared in accordance with the Accounts Direction issued by Welsh Ministers and meet the requirements of the Charities Acts 1993 and 2006, of the Charity Commission's directions Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005), and of the Statements of Standard Accounting Practice and Financial Reporting Standards issued and adopted by the Accounting Standards Board so far as those requirements are appropriate. In addition to compliance with the Charities SORP regard is given to the requirements of the *Government Financial Reporting Manual* issued by HM Treasury to the extent that it clarifies or builds on the requirements of the SORP. A summary of the principle accounting policies which have been applied consistently are set out below.

Under separate Accounts Directions the accounting treatment of general and lottery grants differs significantly so, with due regard to paragraph 359 of the Charity Commission's Statement of Recommended Practice (revised 2005), in the judgment of the Trustees the production of a consolidated account is inappropriate as it would not provide a fair view of the application of the Council's resources. However, the combined total incoming resources and an indication of the combined direct charitable arts expenditure is provided in note 2.

b. Income

All income is accounted for on an accruals basis, with the exception of legacies, donations and gifts which are recognised only when they are received. Capital grants receivable are treated as incoming resources.

No income is recorded net of expenditure in the Statement of Financial Activities.

c. Lottery distribution

These financial statements do not cover the Council's lottery distribution function for which separate financial statements have been prepared in accordance with directions issued by the Secretary of State for Culture, Media and Sport.

The Council incurs costs which support both its general activities and the lottery distribution function. In accordance with the Financial Direction issued by the Welsh Assembly Government, the Council apports indirect costs properly between these two areas of activity with reference to the time spent on or the consumption of the relevant resources by the respective activities.

d. Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

e. Grants awarded

Subsidy expenditure is incurred in the form of grants which are formally offered to organisations funded by the Council. Grants are offered in support of a programme of activities planned for, or to commence in, a particular financial year and are charged to the Statement of Financial Activities in that year.

Forward commitments made in the year relating to next year's activity, as disclosed in note 21, are not charged to the Statement of Financial Activities. As the grant-in-aid to meet these commitments cannot be recognised until it is received, the Trustees do not believe their inclusion would provide a fair view of the application of the Council's resources.

Grants unpaid at the year end are shown as creditors in the Balance Sheet. Any advance payments which have been made in respect of approved grants relating to next year's activities are shown in the Balance Sheet as current assets.

All grants are listed in the Council's Annual Report.

f. Services and strategies

Services and strategies comprise the direct costs, including staff and depreciation, attributable to charitable activities.

g. Allocation of overhead and support costs

Overhead and support costs have been allocated first between charitable activity and governance. Overhead and support costs relating to charitable activities have been apportioned to reflect the time spent by staff in administering the grants awarded and delivering the Council's services and strategies. The allocation of these costs is analysed in note 9.

h. Governance costs

Governance costs comprise all costs involving the public accountability of the Council as a charity and its compliance with regulation and good practice. These costs are analysed in note 11.

i. Foreign currency

Revenue received and expenditure incurred in foreign currencies is converted at the exchange rate prevailing at the time of the transaction. Balances held in foreign currencies are converted at the rate prevailing at the Balance Sheet date. Transactions and balances covered by forward contracts are converted at the contract rate.

j. Recognition of liabilities

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

k. Fund accounting

Restricted funds are those which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Council for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Unrestricted funds are those which are available for use at the discretion of Council in furtherance of its chartered objectives and which have not been designated for other purposes.

Where support costs are allocated to restricted charitable activities a transfer is made from unrestricted funds to cover these costs.

l. Fixed assets

The Council owns two freehold properties, the Sherman Theatre and the Rubicon Dance Studio, which are let on long leases at peppercorn rents to tenants which are not controlled by the Council and with no provision for repossession by the Council. Based on the advice of external and independent chartered surveyors, the residual value of these freehold interests is considered to be negligible so these assets are held in the accounts at a nil value.

Computer software licences are treated as intangible fixed assets if they cover more than one year.

Other than freehold properties all tangible and intangible fixed assets are included at historical cost less an allowance for depreciation. The Council considers that there is no significant difference between the book and market values.

m. Amortisation and depreciation

Individual assets costing £1,000 or above are capitalised and a full year's amortisation or depreciation is provided in the year of acquisition. Amortisation on intangible fixed assets and depreciation on tangible fixed assets is provided at rates calculated to write off the cost or valuation of each asset to its residual value on a straight line basis over its expected useful life as follows:

Computer software licences	over 3 years
Leasehold improvements	over the term of the lease
Furniture, fixtures and fittings	over 10 years
Equipment	over 4 years
Computer system	over 3 years

n. Leases

The costs of operating leases are charged to the Statement of Financial Activities on a straight line basis over the life of the lease.

o. Pensions

The Council is an admitted employer of the Arts Council Retirement Plan 1994 which provides defined benefits to Council employees. The costs of the Council's contributions are charged to the Statement of Financial Activities so as to spread the cost of pensions over employees' working lives.

The fund is a defined benefit, multi-employer scheme so the Council is unable to identify its share of the underlying assets and liabilities. The scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with FRS17.

p. Taxation

Non-recoverable Value Added Tax arising from expenditure on non-business activities is charged to the Statement of Financial Activities or capitalised as a fixed asset where applicable.

q. Deferred income

Deferred income in respect of an operating lease incentive is released to the Statement of Financial Activities over a period of 5 years up to the first rent review date, in accordance with Urgent Issues Task Force Abstract 28.

r. Financial instruments

Financial assets: Trade debtors do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Cash comprises cash in hand and cash at bank on instant access terms.

Financial liabilities: Trade creditors are not interest bearing and are stated at their nominal value.

s. **Notional cost of capital charge**

A notional capital charge reflecting the cost of capital employed is included in operating costs and calculated at 3.5% of average capital employed in accordance with HM Treasury requirements. In accordance with Treasury guidance this charge is reversed so that there is no impact on the Council's funds recorded in the balance sheet.

2. **General activities and Lottery distribution: combined incoming resources and direct charitable arts expenditure**

The separate Lottery distribution account shows the Council's 2009/10 share of the proceeds from the National Lottery of £12,338,000 (2008/09: £10,410,000). The combined total incoming resources for both general and Lottery activities for 2009/10 was £46,495,000 (2008/09: £42,637,000).

General grants are charged to the Statement of Financial Activities as soon as they are offered. Lottery grants are charged only when the formal offer has been accepted by the recipient. Although not all charged as expenditure in the Net Expenditure Account, during 2009/10 Council approved Lottery grants amounting to £8,977,000 (2008/09: £3,919,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2009/10 was £42,515,000 (2008/09: £35,849,000).

3. **Voluntary income: Grant-in-aid from the Welsh Assembly Government**

The grant-in-aid shown in the Statement of Financial Activities reconciles with the cash sum received from the Welsh Assembly Government as follows:

	Unrestricted funds	Restricted funds	2010 Total	2009 Total
	£'000	£'000	£'000	£'000
Cash grant-in-aid paid in full	24,385	6,668	31,053	29,729
Capital investment	-	1,130	1,130	700
Contributions towards Wales' presence at the Venice Biennale	-	-	-	65
Supplementary grant-in-aid to fund specific arts activity	-	-	-	217
Grant-in-aid credited to incoming resources in the Statement of Financial Activities	24,385	7,798	32,183	30,711

4. **Voluntary income: Other grants and donations**

Prior years' grants no longer required	12	-	12	14
Grants from European Funds	-	170	170	-
Donations	-	-	-	13
Bank of Ireland: contribution towards "Celtic Neighbours" project	-	-	-	5
Welsh Assembly Government capital funding towards office relocation	-	-	-	185
	12	170	182	217

5. Activities for generating funds: Services and sponsorship

	Unrestricted funds £'000	Restricted Funds £'000	2010 Total £'000	2009 Total £'000
Community Touring scheme: contributions from venues/promoters	127	-	127	127
Wales Arts International: - contribution from the British Council	-	65	65	53
- contribution from the Welsh Assembly Government	-	23	23	292
Collectorplan charges	31	-	31	33
Venice Biennale	-	13	13	-
Annual Conference - delegate fees	-	4	4	5
Arts & Health Symposium – delegate fees	-	1	1	-
Arts Marketing Symposium - trainee fees	-	5	5	4
Ashes Commission	23	-	23	-
Cultural Olympiad 2012: - contribution from the Welsh Assembly Government	-	29	29	42
Legacy Trust UK	-	362	362	46
Other Income	-	-	-	1
	181	502	683	603

6. Other incoming resources

Lease incentive - release of deferred income (note 16)	59	-	59	10
Contribution from the Lottery Distribution account for use of fixed assets	44	-	44	38
	103	-	103	48

7. Charitable activities: Grants awarded

	Unrestricted funds			Restricted funds			2010	2009
	Grants £'000	Support costs £'000 (a)	Total unrestricted £'000	Grants £'000	Support costs £'000 (b)	Total restricted £'000	Total £'000	Total £'000
Grants from Welsh Assembly Government grant-in-aid	19,649	776	20,425	7,397	116	7,513	27,938	26,937

(a) The total of £776,000 for costs in support of unrestricted grants includes £499,000 in respect of staff costs.

(b) The total of £116,000 for costs in support of restricted grants includes £75,000 in respect of staff costs.

Grants awarded comprise:

	2010 £'000	2009 £'000
Grants to public bodies	5,810	4,946
Grants to private bodies	21,236	20,846
	27,046	25,792

All grants are listed in the Council's Annual Report.

8. Charitable activities: Other services and strategies

	Unrestricted funds			Restricted funds			2010	2009
	Services and strategies £'000 (a)	Support costs £'000 (b)	Total unrestricted £'000	Services and strategies £'000 (c)	Support costs £'000 (d)	Total restricted £'000	Total £'000	Total (restated) £'000
Planning, development & strategies	842	229	1,071	405	110	515	1,586	2,045
European-funded projects	151	108	259	170	121	291	550	-
Wales Arts International	401	235	636	88	52	140	776	878
Services: <i>Night Out</i> & Collectorplan	377	188	565	150	75	225	790	708
Investment Review	82	61	143	-	-	-	143	-
Wales at the Venice Biennale of Art	195	34	229	13	2	15	244	254
Cultural Olympiad 2012 & Legacy Trust UK	30	1	31	336	9	345	376	54
Marketing & communications	126	176	302	4	6	10	312	263
	2,204	1,032	3,236	1,166	375	1,541	4,777	4,202

- (a) The total of £2,204,000 for unrestricted services and strategies includes £936,000 in respect of staff costs.
(b) The total of £1,032,000 for costs in support of unrestricted services and strategies includes £663,000 in respect of staff costs.
(c) The total of £1,166,000 for restricted services and strategies includes £210,000 in respect of staff costs.
(d) The total of £375,000 for costs in support of restricted services and strategies includes £241,000 in respect of staff costs.

9. Support costs

	Facilities & IT infrastructure £'000	Personnel & Communications £'000	Professional fees £'000	Irrecoverable VAT £'000	Amortisation and depreciation £'000	2010 Total £'000	2009 Total (restated) £'000
Charitable activities: Grants awarded		(a)					
Grants from Welsh Assembly Government grant-in-aid	172	618	26	31	45	892	1,145
<i>Sub-total in support of grants awarded</i>	172	618	26	31	45	892	1,145
Charitable activities: Other services and strategies							
Planning, development & strategies	65	235	10	12	17	339	517
European-funded projects	44	158	7	8	12	229	-
Wales Arts International	55	199	8	10	15	287	166
Services: <i>Night Out</i> & Collectorplan	50	182	8	9	14	263	205
Investment Review	12	42	2	2	3	61	-
Wales at the Venice Biennale of Art	7	25	1	1	2	36	57
Cultural Olympiad 2012 & Legacy Trust UK	2	7	-	-	1	10	-
Marketing & communications	35	127	5	6	9	182	90
<i>Sub-total in support of other services and strategies</i>	270	975	41	48	73	1,407	1,035
Total in support of charitable activities	442	1,593	67	79	118	2,299	2,180

- (a) The total of £1,593,000 for Personnel & Communications includes £1,478,000 in respect of staff costs.

10. Staff costs

a. Total staff costs consist of:

	Unrestricted funds £'000	Restricted funds £'000	2010 Total £'000	2009 Total £'000
Wages and salaries charged to general activities	1,638	405	2,043	2,034
Social security costs	126	43	169	151
Other pension costs	315	78	393	366
Redundancy costs	-	-	-	28
Compensation payment	6	-	6	-
Agency costs	13	-	13	79
	2,098	526	2,624	2,658

Staff costs are incorporated in the accounts as follows:

Charitable activities: Services and strategies (direct costs) (note 8)	1,146	1,299
Charitable activities: Support costs - Personnel & Communications (note 9)	1,478	1,359
	<u>2,624</u>	<u>2,658</u>

The average number of staff (full time equivalents) employed across the whole Council during the year was:

	No	No
Charitable activities: Services and strategies (directly charged)	25	26
Charitable activities: Support	70	70
Agency staff	-	1
	<u>95</u>	<u>97</u>

Based on time apportionments, the average number of staff (full time equivalents) employed on general activities during the year was:

Charitable activities: Services and strategies (directly charged)	25	26
Charitable activities: Support	44	42
Agency staff	-	1
	<u>69</u>	<u>69</u>

The balance of 26 (2008/09: 28) staff were employed on lottery distribution activities.

- b. The Chief Executive, Arts Director and Finance and Central Services Director are responsible for directing the Council's activities. Their actual emoluments were as follows, 62.5% of which is charged in these financial statements and the remainder to lottery distribution activities:

Name and position	2010	2009	2010		2010		2010	2010
	Emoluments band		Real increase in pension and related lump sum at age 65	Total accrued pension at age 65 as at 31/03/10 and related lump sum	Cash ¹ Equivalent Transfer Value at 31/03/09	Cash Equivalent Transfer Value at 31/03/10	Increase in Cash Equivalent Transfer Value	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Nicholas Capaldi <i>Chief Executive</i>	90-95	50-55 (Annual equivalent 90-95)	Pension Lump sum 0-2.5 2.5-5	Pension Lump sum 0-5 5-10	6	19	13	
David Alston <i>Arts Director</i>	65-70	60-65	Pension Lump sum 0-2.5 0-2.5	Pension Lump sum 0-5 5-10	30	47	15	
Hywel Tudor <i>Finance and Central Services Director</i>	65-70	60-65	Pension Lump sum 0-2.5 0-2.5	Pension Lump sum 5-10 20-25	79	101	18	

¹ Cash Equivalent Transfer Values - A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Arts Council Retirement Plan 1994. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

² Real increase in CETV - This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Following an amendment to the Council's Royal Charter, and with the approval of the Charity Commission, since 1 April 2004 the Chairman has been remunerated for his services but receives no bonus payments and is not a member of the pension scheme. Other Council Members, Committee Members and National Advisers receive no payment for their services. Council meeting costs for 2009/10 disclosed in note 11 include an aggregate amount of £12,023 (2008/09: £6,695) reimbursed to 15 (2008/09: 13) Council members.

The total actual emoluments of the Chairman and Chief Executives were made up of:

	2010 £	2009 £
Chairman		
Salary	43,809	43,160
Chief Executives		
<i>Current Chief Executive (from September 2008)</i>		
Salary	93,380	50,089
Pension contribution	18,302	9,317
Benefit in kind: contribution towards accommodation (including tax and national insurance)	3,389	4,745
	115,071	64,151

	2010 £	2009 £
<i>Former Interim Chief Executive (April to September 2008)</i>		
Management fees	-	69,600
<i>Previous Chief Executive (to April 2008)</i>		
Salary	-	3,751
Non-consolidated award	-	4,922
Pension contribution	-	773
	-	9,446
Totals	<u>115,071</u>	<u>143,197</u>

Travel and subsistence expenses incurred and defrayed whilst on Council business:

Chairman	2,951	4,823
Chief Executives	4,406	12,285

62.50% (2008/09: 60%) of the Chairman's and Chief Executives' emoluments are charged in these financial statements and the remainder to lottery distribution activities.

- c. Most employees are members of the Arts Council Retirement Plan 1994. The fund is a defined benefit scheme. It is also a multi-employer scheme so the Council is unable to identify its share of the underlying assets and liabilities. In accordance with the Council's accounting policies, the scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with FRS17.

An independent actuarial valuation of the Arts Council Retirement Plan 1994 normally takes place every three years. A valuation as at 31 March 2010 is ongoing. The last valuation was carried out as at 31 March 2007 using the 2007 Ongoing Basis. The overall market value of the Plan's assets as at 31 March 2007 was £58.5m. The actuary concluded that at the valuation date the Plan had a past service deficit of £18.8m and a funding ratio of 76%. In order to eliminate the deficit, the actuary recommended increased employer contributions over the next 9 years. The reduction to 9 years compared to the 12 years used previously took account of the guidance issued by the Pensions Regulator.

On the assumption that the recommended amounts would be paid to the Plan, the actuary's opinion was that the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. The main actuarial assumptions used were that price inflation would be 3.2% per annum, pay increases would be 4.7% per annum, pension increases would be 3.2% per annum on pensions in excess of Guaranteed Minimum Pensions (GMPs), pension increases of deferred pensions would be 3.2% per annum on pensions subject to statutory revaluations, the past service discount rate would be 5.9% per annum and the future service discount rate would be 7.1% per annum.

Contributions by the Council and its employees were:

For staff joining the Plan:	on or before 31/08/2006		on or after 01/09/2006	
	2010 %	2009 %	2010 %	2009 %
Council	20.6	20.6	18.6	18.6
Employees	1.5	1.5	3.5	3.5

The Council also pays 0.2% of pensionable salary in respect of each life assurance only member.

For any staff joining the Plan on or after 1 April 2010 the Council will contribute 16.1% and the employee will contribute 6.0%. At the date of signing these financial statements the 2010/11 contribution rates for all other staff are unchanged from 2009/10.

11. Governance costs

	2010	2009
	Total	Total
	£'000	£'000
Auditor's remuneration - Audit	23	25
Additional assurance	4	4
Internal audit	12	11
Council meetings, including Members' travel and subsistence	18	15
Committee meetings, including travel and subsistence	11	6
Council policy seminars	-	13
Legal advice	-	1
	<u>68</u>	<u>75</u>

12. Fixed assets

a. Intangible fixed assets

	Computer software licences
	£'000
Cost at 1 April 2009	471
Additions	52
Disposals	-
Cost at 31 March 2010	<u>523</u>
Amortisation at 1 April 2009	461
Charge for the year	27
Disposals	-
Amortisation at 31 March 2010	<u>488</u>
Net book value at 31 March 2010	<u>35</u>
Net book value at 1 April 2009	<u>10</u>

b. Tangible fixed assets

	Leasehold property	Computer system, furniture, etc	Total
	£'000	£'000	£'000
Cost or valuation at 1 April 2009	312	592	904
Additions	14	100	114
Disposals	(83)	(4)	(87)
Cost or valuation at 31 March 2010	<u>243</u>	<u>688</u>	<u>931</u>
Depreciation at 1 April 2009	211	298	509
Charge for the year	14	77	91
Disposals	(83)	(4)	(87)
Depreciation at 31 March 2010	<u>142</u>	<u>371</u>	<u>513</u>
Net book value at 31 March 2010	<u>101</u>	<u>317</u>	<u>418</u>
Net book value at 1 April 2009	<u>101</u>	<u>294</u>	<u>395</u>

c. Net book value at 31 March 2010 represents fixed assets used by the Council in support of its charitable activities.

The Council's freehold properties have long leases at peppercorn rents to tenants which are not controlled by the Council and with no provision for repossession by the Council. Based on the advice of external and independent chartered surveyors, the residual value of these freehold interests is considered to be negligible so these assets are held in the accounts at a nil value.

	2010 £'000	2009 £'000
Amortisation and depreciation charged has been allocated to charitable activities as follows (note 9):		
Grants awarded – support costs	45	56
Services and strategies – support costs	73	51
	<u>118</u>	<u>107</u>

13. Grants paid in advance

In exceptional cases, requiring the authorisation of the Chief Executive, the Council makes advance payments before the year to which the grant relates. The power is limited to situations where the recipient organisation would otherwise suffer financial hardship because it has made, or is due to make, payments relating to activities budgeted for the following financial year which would be taken into account by the Council in determining that year's grant.

	2010 £'000	2009 £'000
Payments in respect of the following year's grants	<u>205</u>	<u>168</u>

14. Other debtors and prepayments (falling due within one year)

a. Analysis by type

Collectorplan loans	389	396
Trade debtors	113	67
Other debtors	176	80
Prepayments	268	250
	<u>946</u>	<u>793</u>
Due from Lottery distribution fund	198	282
	<u>1,144</u>	<u>1,075</u>

b. Intra-government balances

Balances with other central government bodies	198	282
Balances with local authorities	52	71
<i>Sub-total: Intra-government balances</i>	<u>250</u>	<u>353</u>
Balances with bodies external to government	894	722
Total debtors and prepayments	<u>1,144</u>	<u>1,075</u>

15. Creditors: amounts falling due within one year

a. Analysis by type

Grants payable	772	31
Taxation and social security	76	70
Trade creditors	63	65
Other creditors	116	75
Accruals and deferred income	173	272
	<u>1,200</u>	<u>513</u>

b. Intra-government balances

Balances with other central government bodies	76	70
Balances with local authorities	714	10
<i>Sub-total: Intra-government balances</i>	<u>790</u>	<u>80</u>
Balances with bodies external to government	410	433
Total creditors	<u>1,200</u>	<u>513</u>

16. **Creditors:** amounts falling due after more than one year

Deferred income

The Council relocated its national office in May 2009 and received an advance incentive payment from the landlord, to assist with the fit-out, which equated to a notional reduction in the rent due up to the review date at the end of the fifth year of the lease. The incentive was received in February 2009 and is being treated as deferred income. It will be released to the Statement of Financial Activities on a pro rata basis over five years.

a. Analysis by type	2010 £'000	2009 £'000
Deferred income	<u>166</u>	<u>225</u>
	<u>166</u>	<u>225</u>
b. Intra-government balances		
Intra-government balances	-	-
Balances with bodies external to government	<u>166</u>	<u>225</u>
Total creditors	<u>166</u>	<u>225</u>

17. **Statement of funds**

	At 1 April 2009 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	At 31 March 2010 £'000
Unrestricted funds					
General fund	1,210	24,686	(23,734)	(491)	1,671
Total unrestricted funds	<u>1,210</u>	<u>24,686</u>	<u>(23,734)</u>	<u>(491)</u>	<u>1,671</u>
Restricted funds					
Income					
Welsh Assembly Government for specific arts activity	161	7,236	(7,513)	116	-
Planning, Development & Strategies	5	418	(515)	110	18
European Funded Projects	-	170	(291)	121	-
Wales Arts International: contributions from the British Council and Welsh Assembly Government	-	88	(140)	52	-
Services: Collectorplan & Night Out	-	150	(225)	75	-
Contributions towards Wales' presence at the Venice Biennale	-	13	(15)	2	-
Cultural Olympiad 2012 & Legacy	-	391	(345)	9	55
Trust UK	-	-	-	-	-
Marketing & Communications	-	4	(10)	6	-
	<u>166</u>	<u>8,470</u>	<u>(9,054)</u>	<u>491</u>	<u>73</u>
Capital					
Alun Llywelyn Williams Memorial Fund (income to provide bursary for young artist)	13	-	-	-	13
Brian Ross Memorial Fund (income to provide bursary for young visual artist)	111	-	-	-	111
	<u>124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124</u>
Total restricted funds	<u>290</u>	<u>8,470</u>	<u>(9,054)</u>	<u>491</u>	<u>197</u>
Total funds	<u>1,500</u>	<u>33,156</u>	<u>(32,788)</u>	<u>-</u>	<u>1,868</u>

The Alun Llywelyn Williams and Brian Ross Memorial Funds are represented by cash at bank and are within the total of £1,432,000 shown on the balance sheet.

18. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Fund balances at 31 March 2010 are represented by:			
Fixed assets	453	-	453
Current assets	2,584	197	2,781
Creditors: amounts falling due within one year	(1,200)	-	(1,200)
Creditors: amounts falling due after more than one year	(166)	-	(166)
Total net assets	1,671	197	1,868

19. Cash flow information

	2010 £'000	2009 £'000
a. Reconciliation of changes in resources to net inflow from operating activities		
Net incoming resources	368	443
Bank interest	(5)	(78)
Amortisation and depreciation (note 12c)	118	107
(Increase)/Decrease in grants paid in advance	(37)	(128)
(Increase)/Decrease in debtors and prepayments	(69)	(247)
Increase/(Decrease) in grants payable	741	(61)
Increase/(Decrease) in other creditors falling due within one year	(54)	70
(Increase)/Decrease in creditors falling due after more than one year	(59)	215
Net cash inflow from operating activities	1,003	321
b. Analysis of cash flows		
Capital expenditure		
Payments to acquire intangible fixed assets (note 12a)	(52)	-
Payments to acquire tangible fixed assets (note 12b)	(114)	(416)
	(166)	(416)
c. Reconciliation of net cash flow to movement in net funds		
Increase/(Decrease) in cash in the year	842	(17)
Net funds at 1 April	590	607
Net funds at 31 March	1,432	590

20. Commitments on operating leases

At 31 March 2010 the Council had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Equipment	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Operating leases which expire				
within one year	-	28	1	-
one to five years	62	37	2	5
over five years	189	214	-	-

21. Forward commitments

	2010	2009
	£'000	£'000
Grants		
Forward funding - grants formally offered	<u>23,977</u>	<u>25,115</u>

Forward funding at 31 March 2010 represents allocations to revenue-funded organisations where payments will be made within 12 months.

22. Contingent liabilities

The Council relocated its national office in May 2009 and is currently negotiating a schedule of dilapidations with the former landlord. It was not possible to quantify any liability for costs at the balance sheet date.

23. Financial instruments

Financial Reporting Standard 13: Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks the Council faces in undertaking its functions.

Liquidity risks – In 2009/10 £32,183,000 or 97% of the Council's income was derived from the Welsh Assembly Government (2008/09: £30,711,000 or 97%). Of the remaining income £973,000 or 3% was derived from bank interest and sundry income (2008/09: £946,000 or 3%). The Council does not consider that its general activities are exposed to any significant liquidity risk, and is satisfied that future income is sufficient to meet its commitments.

Interest rate risks – Cash balances which are drawn down from the Welsh Assembly Government to pay grant commitments and operating costs are held in an instant access, variable rate bank account which on average carried an interest rate of 0.50% in the year (2008/09: 3.42%). The unrestricted cash balance at the year end was £1,235,000 (2009: £300,000). The Council does not consider that its general activities are exposed to significant interest rate risks.

Foreign currency risk – The general activities of the Council are not exposed to any significant foreign exchange risks.

Cash flow risk – The Council is not exposed to any significant cash flow risks.

24. Corporation Tax

The Council is a charitable Assembly Government sponsored body and as such is exempt from Corporation Tax under Section 505 ICTA 1988.

25. Post balance sheet event

Authorisation of these financial statements for issue

The financial statements were authorised for issue by the Accounting Officer on the same date as the Auditor General for Wales certified them.

26. Related party transactions

Public bodies

The Council is an Assembly Government sponsored body.

The National Assembly for Wales/Welsh Assembly Government is regarded as a related party. During the year the Council had no material transactions with the National Assembly for Wales/Welsh Assembly Government apart from grant-in-aid disclosed in the Statement of Financial Activities.

Individuals

Members of Council, key managerial staff or other related parties (being close family members) undertook material financial transactions (listed below) with the Council during the year. Transactions with the Council as a Lottery distributor are recorded in the equivalent note to the separate Lottery Distribution Accounts.

Council Members

A number of Council Members and/or their close family were members of the Boards of Management (or equivalent) or senior employees of organisations who were offered grants or other payments from the Council in 2009/10. In all such cases, in accordance with the Council's Code of Best Practice, the Member concerned withdrew from any meeting during discussion of the application.

Member	Organisation	Transaction (number)	Total value £	Total balance outstanding at 31 March 2010 £
Norah Campbell Board Member	Oriel Mostyn	Grant (2)	283,689	Nil
Simon Dancey Former Director	Community Music Wales	Grant (1)	92,017	Nil
Emma Evans Trustee/Director Wales Fellow	Creu Cymru Clare Leadership Programme	Grant (1) Sponsorship (1)	148,110 35,000	Nil Nil
Maggie Hampton Director Board Member (family member) Employee (family member)	Disability Arts Cymru India Dance Wales Valleys Kids	Grant (1) Grant (2) Grant (3)	80,334 70,000 129,987	Nil Nil Nil
Margaret Jervis Director	Valleys Kids	Grant (3)	129,987	Nil
Rhiannon Wyn Hughes MBE Councillor	Denbighshire County Council (including Pavilion Theatre, Rhyl and Ruthin Craft Centre)	Grant (4)	1,340,764	713,150
Vice President	Llangollen International Musical Eisteddfod	Grant (1)	57,028	Nil
John Metcalf Employee Employee Recipient	Swansea Festival of Music and the Arts Vale of Glamorgan Festival Creative Wales Ambassadors Award	Grant (1) Grant (1) Grant (1)	38,652 36,694 25,000	Nil Nil 15,000
Robin Morrison Employee	Blaenau Gwent County Borough Council (including Beaufort Theatre)	Grant (1)	40,051	Nil

Member	Organisation	Transaction (number)	Total value £	Total balance outstanding at 31 March 2010 £
Ruth Till				
Committee member	Community Dance Wales	Grant (1)	69,386	Nil
Retired Director	Rubicon Dance	Grant (2)	185,286	Nil
Freelance consultant	NEW Dance	Grant (1)	75,287	Nil
Debbie Wilcox				
Councillor	Newport City Council (including Newport Museum and Art Gallery and The Riverfront)	Grant (3)	120,374	Nil

Key managerial staff

During the year no key managerial staff and/or their close family had connections with organisations with which the Council entered into material financial transactions.