



CEFNOGI CREADIGRWYDD  
CYNGOR CELFYDDYDAU CYMRU  
THE ARTS COUNCIL OF WALES  
SUPPORTING CREATIVITY

## GENERAL ACTIVITIES ACCOUNT

Report and Financial Statements  
for the year ended 31 March 2008



Sponsored by  
Welsh Assembly  
Government

Charity number 1034245

**THE ARTS COUNCIL OF WALES  
GENERAL ACTIVITIES ACCOUNT**

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## THE ARTS COUNCIL OF WALES

### REPORT AND FINANCIAL STATEMENTS - GENERAL ACTIVITIES ACCOUNT

for the year ended 31 March 2008

#### REFERENCE AND ADMINISTRATIVE DETAILS

##### Trustees

Council Members who served since 1 April 2007 were:

Professor Dai Smith, Chairman	(b)
Rhiannon Wyn Hughes MBE, Vice-chairman	(a) (b) (e) (ii) (iii)
Norah Campbell (from 1 April 2008)	
Simon Dancey	(a) (f)
Emma Evans (from 1 April 2008)	
Maggie Hampton	(c)
Margaret Jervis MBE DL (from 1 April 2008)	
John Metcalf	(d)
Robin Morrison	(c) (i)
Christopher O'Neil	(g) (v)
Dr Ian J Rees	(e)
Clive Sefia	(a)
Ruth Till MBE	(f)
David Vokes	(a) (b)
Debbie Wilcox	(f) (iv)
Kate Woodward (from 1 April 2008)	

- (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

##### Chief Executive

James Turner (from 21 April 2008)

Peter Tyndall (to 18 April 2008)

##### Offices

###### *Mid and West Wales region:*

4-6 Gardd Llydaw  
Jackson's Lane  
Carmarthen  
SA31 1QD

###### *North Wales region:*

36 Prince's Drive  
Colwyn Bay  
LL29 8LA

###### *South Wales region*

*and national office:*  
9 Museum Place  
Cardiff  
CF10 3NX

**Auditor**

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

**Internal auditors**

Bentley Jennison  
33-35 Cathedral Road  
Cardiff  
CF11 9HB

**Bankers**

Bank of Ireland  
South Wales Business Centre  
17 Cathedral Road  
Cardiff  
CF11 9HA

**Solicitors**

Geldards LLP  
Dumfries House  
Dumfries Place  
Cardiff  
CF10 3ZF

## THE ARTS COUNCIL OF WALES

### TRUSTEES' ANNUAL REPORT

#### 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. Under the terms of the Government of Wales Act 1998 responsibility for funding the Council transferred from the Secretary of State for Wales to the National Assembly for Wales on 1 July 1999. The Council amended its Royal Charter to reflect this change and to provide for its general activities account to be audited by the Auditor General for Wales.

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 eight 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
- Policy Directions, Finance Directions and an Accounts Direction issued by Welsh Ministers under the terms of s26 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 Finance and Central Services Director.

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 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**

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 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*

Implementing the outcomes of the Wales Arts Review was a major priority for the Council in 2007/08 and underpinned its work which focused on the following areas:<sup>1</sup>

- its arts development role;
- establishing the Arts Strategy Board;
- developing proposals for the Beacon Company concept and developing plans to apply this concept to arts organisations;
- supporting the Arts Strategy Board in defining and applying 'national company' status;
- developing regional partnerships pilots in consultation with the Welsh Local Government Association;
- contributing to examination of the notion of a statutory duty for local authorities in relation to arts and culture, and cultural entitlements;
- exploring the implications of the Australian Performing Arts Board model in a Welsh context; and

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<sup>1</sup> Developing the Arts, ACW Operational Plan 2007/08; Section 5

- developing proposals for additional research and development in line with the Wales Arts Review findings.

The Council's strategic priorities for 2007/08 are set out in the table below according to our six corporate themes, alongside key achievements made in relation to each priority during the year:

<i>Corporate theme</i>	<i>Priorities</i>	<i>Achievements and performance</i>
Develop more good quality and innovative art forms by further investing in individual artists	<ul style="list-style-type: none"> <li>• Through the Academi, focus resources on literature development work, support for new writers, the National Poet of Wales, and the 2007 Book of the Year, including a heightened profile for literature from Wales at the 2007 Hay Literature Festival.</li> </ul>	<ul style="list-style-type: none"> <li>• Particular achievements in the year included the setting up of a cross authority literature worker in the Heads of the Valleys and an initial programme of work, the underpinning of the National Poet process and a successful Book of the Year, the long- and shortlists for which serve to promote book sales of some of our leading authors. The collaboration which the Arts Council of Wales ("ACW") led with the Books Council, Academi and the National Library in setting up the first Literature in Wales pavilion at the Hay Festival gave increased prominence to Wales in this international event. Further development of individuals was fostered by the authors who received Creative Wales awards.</li> </ul>
Continue to invest in a regional network of financially secure, well-equipped and well-managed galleries and performing arts centres, helping them to exploit their artistic potential and build bigger and better audiences	<ul style="list-style-type: none"> <li>• Further develop the work of the existing network of regional performing arts centres ("RPACs") via the Arts outside Cardiff initiative.</li> <li>• Work with the National Museum of Wales, the National Library of Wales and our Sponsor Division in overseeing the delivery of a feasibility study into a National Gallery of Arts and a Contemporary Art Space.</li> </ul>	<ul style="list-style-type: none"> <li>• The 13 RPACs have been empowered to develop their artistic programmes, make long-term strategies and form even more effective collaborative and creative relationships. Several of the theatres and arts centres (previously exclusively presenters) have become involved in production and are now commissioning, producing and co-producing high quality work for touring - some of them have been actively supporting smaller, non-RPAC venues by creating suitable new productions. The key development for 2007/08 was the consolidation of a number of Arts outside Cardiff awards, providing greater stability for the sector.</li> <li>• After a tendering process, consultants were appointed and submitted a draft of the part of the feasibility study which deals with the concept and realisation of a National Centre for Contemporary Art ("NCCA"). Feedback and critical commentary has been submitted to the consultants through the Steering Group for the project. The full report, embracing both the NCCA and the study of the separate development of the National Museum of Wales is scheduled for submission in June 2008.</li> </ul>

<i>Corporate theme</i>	<i>Priorities</i>	<i>Achievements and performance</i>
<p>Focus resources on key clients who generate high quality artistic product and who deliver our strategic priorities</p>	<ul style="list-style-type: none"> <li>• Publish and consult on a raft of art form strategies covering Applied Arts and Crafts, Visual Arts, Music(s), Dance, Theatre and Drama, and Literature (in conjunction with Academi).</li> <li>• Take forward proposals for developing English language theatre in the light of the Assembly Government's allocation of additional resources for this work.</li> <li>• Carry out a strategic review of festivals, and address the issues relating to the 2006 Brecon International Jazz Festival to ensure the success of the 2007 event.</li> <li>• Support the work of Safle, the new public art company created by the merger of Cywaith Cymru. Artworks Wales and CBAT.</li> </ul>	<ul style="list-style-type: none"> <li>• The strategies were completed in October 2007 and presented and discussed at the first meeting of the Arts Strategy Board. Consultation workshops were held in the three regions in February 2008 during the period of public consultation, with over 300 individuals participating; 78 written responses were also received. The responses to the public submissions were completed in May 2008, with final publication planned for September 2008.</li> <li>• With the process of recruiting Chair and Board completed, the work on incorporating the company and developing strategic vision has continued. Research into drama audiences in Wales has been commissioned. The recruitment process for the key role of Artistic Director is underway.</li> <li>• The approach to this is at an initial stage due for completion in June 2008. This involves an overview of current research on the role of festivals, a commissioned mapping exercise on Festivals in Wales and the drawing up by an internal group of a policy paper providing the rationales for ACW support of festivals going forward. The initial scoping and criteria work was undertaken by the Arts Director and the Senior Arts Development Officer (Music). The terms of reference and membership of the Task Group were agreed by the Senior Management Team. The Task Group will complete its work on policy by June 2008.</li> <li>• Safle has formed as a company. ACW is advising and supporting the new company in its strategic re-thinking of the Artists in Residence programme and in developing its business plan for the next three years.</li> </ul>
<p>Encourage greater participation in the arts for participants, practitioners, artists and audiences, especially through transformational community arts programmes in identified areas of deprivation and by tackling the economic, social and physical barriers to accessing the arts</p>	<ul style="list-style-type: none"> <li>• Focus investment on community arts in areas of deprivation.</li> <li>• Work in partnership with the Welsh Assembly Government on plans for developing a Cultural Enterprise Centre in Merthyr Tydfil</li> </ul>	<ul style="list-style-type: none"> <li>• ACW continues to regularly monitor the number of grants awarded in the 100 most deprived electoral divisions as identified by the Welsh Index of Multiple Deprivation 2000 Edition and contained in the Communities First Programme. During 2007/08, a total of 118 grants were awarded to projects, individuals, and organisations delivering in Communities First areas; and 152 performances were supported in those areas through the 'Night Out' programme. In total, ACW invested £10,927,473 in Communities First areas across Wales.</li> <li>• During the year ACW worked closely with the University of Glamorgan to develop a feasibility brief. Consultants were appointed to work on the feasibility study in March 2008. Work on this priority will continue into 2008/09, with a draft report expected in July 2008.</li> </ul>



<i>Corporate theme</i>	<i>Priorities</i>	<i>Achievements and performance</i>
Promote opportunities for young people to experience the arts as participants, artists and audiences including developing an entitlement to the arts for young people	<ul style="list-style-type: none"> <li>• Work closely with Welsh National Opera (“WNO”) and the BBC National Orchestra of Wales to ensure future stability and the provision of opportunities to widen access to these international quality musical experiences especially for children and young people across Wales.</li> </ul>	<ul style="list-style-type: none"> <li>• This has been delivered via our support for WNO MAX, whose project of the Merman King was recently premiered in its filmed form, and through the BBC National Orchestra of Wales’ community based programmes.</li> </ul>
Ensure ACW provides effective support for its internal and external clients by further improving its systems and procedures	<ul style="list-style-type: none"> <li>• Develop and implement a new sustainable staffing structure.</li> <li>• Explore opportunities for alternative funding sources</li> </ul>	<ul style="list-style-type: none"> <li>• Following on from a review of ACW’s structure and practices during 2006/07, a new staffing structure was fully implemented in October 2007. ACW is now in the process of aligning the culture with the new structure of the organisation.</li> <li>• ACW appointed its first Business Development Manager (part-time) in August 2007 to coordinate the organisation’s work towards diversifying its funding sources for the benefit of the arts in Wales. The priority for 2007/08 has been to devise a clear strategy for the organisation to exploit the opportunity to generate funding from European Structural Funds for Wales. One bid has been made into a WAG coordinated ESF project, and ACW will be a partner in at least two other bids to support training, skills development and business support for those working in the creative and cultural industries in Wales.</li> </ul>

In addition to the above, detailed monitoring of performance against key performance indicators (KPIs) is carried out and reported on quarterly to the Senior Management Team and Council. There were 24 KPIs in 2007/08, 75% of which were achieved, 4% partially achieved and 21% not achieved.

Some key successes within the field of 24 KPIs included:

- working towards implementation of the recommendations of the Wales Arts Review, including the agreement and publication of criteria for the allocation of Beacon funding;
- appointing a Creative Programmer to develop Wales’s proposals for the Cultural Olympiad;
- delivering a quality presence at the Urdd Eisteddfod (91% of attendees questioned rated ACW’s presence as good or excellent);
- continuing to turn round all grant applications within the specified times;
- continuing to respond to 100% of Freedom of Information requests within the statutory 20 days of receipt.

More detail about the Council’s work and achievements in 2007/08 is given in the Council’s Operational Plan and Annual Report, published separately.

#### *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 which 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. Each organisation enters into a revenue 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 normally considers any registered interests in revenue funding in the Autumn of each year for grants to begin the following April. The Council is continuing its review of the portfolio of revenue-funded organisations.

One-off grants are available to help fund time-limited artistic projects of high quality which best meet the Council's funding priorities. Due to the decline in Lottery income there have been some policy changes from 1 April 2008 in respect of these grants:

<i>Grant type</i>	<i>up to 31 March 2008</i>	<i>from 1 April 2008</i>
<b>Training grants</b> support the undertaking or purchase of training and also the provision of arts training	£250 - £5,000 (organisations undertaking training) £250 - £2,000 (individuals) 10 application deadlines each year - one every month other than July and December £1,000 - £30,000 (organisations providing training) 3 application deadlines each year - April, September & January	£250 - £5,000 (organisations undertaking training) £250 - £2,000 (individuals) 5 application deadlines each year - April, June, September, January & March £1,000 - £30,000 (organisations providing training) 2 application deadlines each year - April & September
<b>Small grants</b> support organisations or individuals for pilot projects or where there are significant levels of funding from other sources	£250 - £5,000 10 application deadlines each year - one every month other than July and December	£250 - £5,000 5 application deadlines each year (organisations) - April, June, September, January & March 3 application deadlines each year (individuals) - June, September & January
<b>Creative Wales Awards</b> enable artists to develop their creative practice	£5,001 - £12,000 & £20,000 - £25,000 1 application deadline each year - November	
<b>Production grants</b> support larger programmes of work for established individual artists and organisations.	£5,001 - £50,000 (organisations) £5,001 - £20,000 (individuals) 3 application deadlines each year - April, September & January	£5,001 - £30,000 (organisations) £5,001 - £20,000 (individuals) 2 application deadlines each year - April & September
Maximum level of funding for organisations and individuals	90% of eligible costs	75% of eligible costs (organisations) 90% of eligible costs (individuals)
Maximum level of funding for local authorities and school clusters	75% of eligible costs	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	No funding
Over-arching funding priorities when assessing grant applications	<ol style="list-style-type: none"> <li>1. Projects delivered in, or involving people based in either Communities First areas or areas of acknowledged deprivation</li> <li>2. Projects delivered in Welsh or bilingually</li> </ol>	<ol style="list-style-type: none"> <li>1. Projects delivered in acknowledged deprived communities</li> <li>2. Projects to promote the work of artists from under-represented groups (e.g. disabled people, people from black and minority ethnic backgrounds)</li> <li>3. Projects delivered in Welsh or bilingually</li> </ol>

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](http://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 2008 (2007: £Nil).

### *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.

### *Financial results*

The accounts, excluding Lottery distribution activities, show total incoming resources for the year of £28,978,000 (2006/07: £27,498,000), net incoming resources of £426,000 (2006/07: £301,000), net current assets of £971,000 (2007: £762,000) and total fund balances at 31 March 2008 of £1,057,000 (2007: £631,000).

At 31 March 2008 the Council had formally offered forward grants for 2008/09 of £21,823,000 (2007/08: £22,340,000).

The Lottery distribution account shows the Council's 2007/08 share of the proceeds from the National Lottery of £10,019,000 (2006/07: £10,051,000). The combined total incoming resources for both general and Lottery activities for 2007/08 was £39,860,000 (2006/07: £38,794,000).

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 Income and Expenditure Account, during 2007/08 Council approved Lottery grants amounting to £8,749,000 (2006/07: £11,288,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2007/08 was £38,069,000 (2006/07: £38,585,000).

## **Plans for future periods**

The Council has drafted a new Strategic Plan for 2008-2011. We will continue to be the development and funding body for the arts in Wales, with an increased emphasis on our development role. During this planning period our over-arching priorities are:

- focusing on our vision and delivering our strategy
- developing resources and new funding delivery mechanisms
- developing the evidence base for identifying the impact of the arts

Our corporate themes and planned activities are as follows:

Corporate theme	Priorities 2008/09
<b>The creation of art</b>	
<p><b>Artform development</b> – we will continue to drive forward our vision for the development of six art forms and aim to increase the resources available in order to achieve our 5 year vision</p>	<ul style="list-style-type: none"> <li>• Take forward and implement a series of actions for applied arts &amp; crafts, visual arts, music, dance, theatre &amp; drama and literature, related to the 5-year vision for artform development.</li> </ul>
<p><b>International work</b> – through Wales Arts International (“WAI”) we will continue to work with key partners to place the arts and the contemporary culture of Wales on a world stage and to provide an international context to the arts in Wales</p>	<ul style="list-style-type: none"> <li>• Work through WAI to establish the European Cultural Desk to increase the flow of information about opportunities for cultural players in Wales to access European Union (“EU”) funds and prepare successful bids to the EU for the funding of WAI’s strategic priorities</li> </ul>
<p><b>Support for artists</b> – we will continue to support artists of high quality and vision at key points in their professional practice</p>	<ul style="list-style-type: none"> <li>• Continue to promote the Creative Wales Awards and examine the structure of support provided to individual artists</li> </ul>
<p><b>Excellence in the arts</b> – we will continue to encourage exemplar activity that is innovative and can be used as a model of good practice for others in the sector</p>	<ul style="list-style-type: none"> <li>• Continue to implement the funding scheme for beacon companies and individuals</li> </ul>
<b>Public engagement</b>	
<p><b>Participation</b> – we will work towards increasing opportunities for people to actively participate in the arts. We will focus on supporting projects that target areas of high deprivation and on community arts activities that result in transformation of individuals, groups and communities.</p>	<ul style="list-style-type: none"> <li>• Develop a targeted action plan for the implementation of the Arts &amp; Health Strategy over the next 3 years.</li> <li>• Develop and submit a fully-costed business plan for delivering the Legacy funded Cultural Olympiad programme in Wales</li> </ul>
<p><b>The development of audiences</b> – we will work towards increasing opportunities for people to engage in quality arts experiences as audiences, participants and artists.</p>	<ul style="list-style-type: none"> <li>• Continue to develop the network of regional performing arts centres through the Arts outside Cardiff funding</li> <li>• Continue to work, in partnership with the Welsh Assembly Government (“WAG”), on plans to develop a Cultural Enterprise Centre in Merthyr Tydfil.</li> </ul>
<p><b>Young people</b> – we will increase opportunities for young people to engage with the arts as participants, artists and audiences.</p>	<ul style="list-style-type: none"> <li>• Develop a fully-costed proposal for an Expressive Schools pilot programme, in partnership with schools, local authorities and Assembly departments.</li> <li>• Secure Convergence funding for 7-years’ implementation of the <i>Progression through the Arts</i> European Social Fund (“ESF”) development project, as a key partner in WAG’s <i>Reaching the Heights</i> umbrella project.</li> <li>• In partnership with WAG and the Sports Council for Wales, develop and implement phase 1 of the pilot programme of delivering arts activities related to Saturday and Summer School opportunities.</li> </ul>

<i>Corporate theme</i>	<i>Priorities 2008/09</i>
<b>Supporting the arts economy and growth</b>	
<p><b>Diversifying our funding base</b> – we will work with WAG and other Assembly Government Sponsored Bodies towards identifying ways in which we can diversify our funding base for the wider benefit of the arts economy in Wales.</p>	<ul style="list-style-type: none"> <li>• Work with Arts &amp; Business Cymru to develop effective mechanisms for supporting arts organisations who are forging links with businesses in Wales.</li> <li>• Work through Wales Arts International to support a targeted number of bids for transnational funding for arts organisations.</li> </ul>
<p><b>Stimulating enterprise and business growth</b> – we will work, with other partners, to identify the most efficient and appropriate method for delivering business start-up and business development services for micro-businesses and SMEs in the creative and cultural industries.</p>	<ul style="list-style-type: none"> <li>• Work with WAG (Department for the Economy and Transport) to secure appropriate and relevant business support advice, mentoring and training for creative and cultural organisations within the umbrella of generic business support development for Wales.</li> </ul>
<p><b>Skills for the workforce</b> – we will work with Creative &amp; Cultural Skills to develop the diversity of the creative and cultural industries workforce, and to create opportunities and access to appropriate training and other development opportunities.</p>	<ul style="list-style-type: none"> <li>• Work with Creative &amp; Cultural Skills and other partners to develop an ESF bid for the development of skills for the creative industries' workforce to be implemented over the next 4 years.</li> </ul>
<p><b>Regenerating communities</b> – we will continue to focus our work and prioritise our funding in areas of social deprivation in Wales.</p>	<ul style="list-style-type: none"> <li>• Contribute towards the regeneration and development of businesses, communities and individuals through the strategic prioritisation of our funding schemes.</li> </ul>
<b>Developing our business</b>	
<p><b>Implementing the recommendations from the Wales Arts Review</b> – we will continue to progress work, in partnership with WAG, to implement the recommendations from the Wales Arts Review.</p>	<ul style="list-style-type: none"> <li>• Work with WAG in the development of a new Culture Strategy for Wales; develop arts policies and strategies at the Arts Strategy Board.</li> <li>• Develop proposals for and begin implementation of regional partnerships, working with WAG and Welsh Local Government Association.</li> <li>• Examine future funding models for the arts in Wales and submit proposals which could be implemented within current spending limits.</li> <li>• Examine the nature and level of support provided to organisations to ensure a sustainable basis for the delivery of strategic objectives</li> </ul>
<p><b>Culture change programme</b> – we will drive forward our cultural change programme, implement changes and monitor their effectiveness in relation to our future business strategy.</p>	<ul style="list-style-type: none"> <li>• Continue to work with our culture change consultant, staff and Council members to deliver the next stage of our agreed culture change programme.</li> </ul>
<p><b>Managing our processes</b> – we will work towards improving our processes in relation to corporate planning, partnership working and grants and client management.</p>	<ul style="list-style-type: none"> <li>• Develop an appropriate monitoring and evaluation framework, to ensure the achievement of the strategic vision for the arts.</li> </ul>

<i>Corporate theme</i>	<i>Priorities 2008/09</i>
<b>Developing our workforce</b> – we will continue to develop the skills of our workforce in line with the needs of our future business strategy.	<ul style="list-style-type: none"> <li>Plan our training and workforce development, including a reassessment of our appraisal system, to align with our corporate objectives.</li> </ul>
<b>Operations</b> – we will manage our operations strategy to make the best use of available resources, and achieving maximum efficiency whilst being aware of the need for environmental sustainability.	<ul style="list-style-type: none"> <li>Implement our Customer Service Strategy action plan for 2008/09.</li> </ul>

### **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.

### **Disabled employees**

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.

### **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 are required to report to their staff on matters discussed at Council and at the Senior Management Team meetings.

### **Payment of creditors**

It is the Council's policy to pay suppliers within the terms of trade agreed and generally to observe the principles of the Late Payment of Commercial Debts (Interest) Act 1998. 94% of the invoices received from suppliers during 2007/08 (2006/07: 96%) were paid within the agreed contractual terms.

## THE ARTS COUNCIL OF WALES

### REMUNERATION REPORT

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

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 increases 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 increase, 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. 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; Peter Tyndall (Chief Executive) 1 October 2001 (left 18 April 2008); David Alston (Arts Director) 1 July 2005; Hywel Tudor (Finance and Central Services Director) 21 January 2002; Jane Clarke (Operations Director) 1 April 2004 (left 9 May 2008); Siân Phipps (Head of Communications) 26 January 2004.

Since 21 April 2008, following the departure of Peter Tyndall, the post of Chief Executive has been covered by James Turner under an agency arrangement. The post of Operations Director is vacant at present.

## THE ARTS COUNCIL OF WALES

### 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, the *Government 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 judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the SORP and *Government 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.

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.

James Turner  
Accounting Officer

Dai Smith  
Chairman

8 July 2008

8 July 2008



## THE ARTS COUNCIL OF WALES

### 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 set by the Welsh Assembly Government 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 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 2008 and up to the date of approval of the trustees' annual report and accounts, 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.

This includes 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 2008, for example, a review of the Council's portfolio of revenue-funded organisations 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 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 but, in view of recent security breaches in the public sector, work is underway to review and evaluate the Council's information security management to ensure best practice is in place.

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;
- regular reviews to identify and keep up to date the record of risks facing the Council;
- maintenance of an organisation-wide risk register;

- 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.

James Turner  
Accounting Officer

8 July 2008

Dai Smith  
Chairman

8 July 2008

## **THE ARTS COUNCIL OF WALES**

### **THE CERTIFICATE OF THE AUDITOR GENERAL FOR WALES TO THE ARTS COUNCIL OF WALES**

I certify that I have audited the financial statements of the Arts Council of Wales General Activities Account for the year ended 31 March 2008 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, the Accounting Officer and the auditor**

The Council and Chief Executive, as Accounting Officer, are responsible for preparing the Trustees' Annual Report, the Remuneration Report and the financial statements in accordance with 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 Council's and the 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 Article 11 of the Council's Royal Charter and Welsh Ministers' directions issued 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 Trustees' Annual 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 opinion**

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 Article 11 of the Council's Royal Charter and directions made thereunder by Welsh Ministers, of the state of the Arts Council of Wales' affairs as at 31 March 2008 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 Article 11 of the Council's Royal Charter and 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.

**Jeremy Colman**  
**Auditor General for Wales**  
24 Cathedral Road  
Cardiff  
CF11 9LJ

**Date: 16 July 2008**

**THE ARTS COUNCIL OF WALES**

**STATEMENT OF FINANCIAL ACTIVITIES**

for the year ended 31 March 2008

	Note	Unrestricted Funds £'000	Restricted Funds £'000	2008 Total £'000	2007 Total £'000
<b>INCOMING RESOURCES</b>					
Incoming resources from generated funds					
<i>Voluntary income:</i>					
Grant-in-aid from the Welsh Assembly Government	3	23,987	4,165	28,152	26,808
Other grants and donations	4	23	184	207	277
Sub-total Voluntary income		<u>24,010</u>	<u>4,349</u>	<u>28,359</u>	<u>27,085</u>
<i>Activities for generating funds:</i>					
Services and sponsorship	5	147	320	467	262
<i>Investment income:</i>					
Bank interest		125	-	125	86
Other incoming resources	6	27	-	27	65
<b>Total incoming resources</b>		<b><u>24,309</u></b>	<b><u>4,669</u></b>	<b><u>28,978</u></b>	<b><u>27,498</u></b>
<b>RESOURCES EXPENDED</b>					
Charitable activities:					
Grants awarded	7,9	20,724	4,051	24,775	24,446
Other services and strategies	8,9	2,788	923	3,711	2,693
Sub-total Direct charitable expenditure		<u>23,512</u>	<u>4,974</u>	<u>28,486</u>	<u>27,139</u>
Governance costs	11	66	-	66	58
<b>Resources expended</b> before notional cost of capital		<u>23,578</u>	<u>4,974</u>	<u>28,552</u>	<u>27,197</u>
Notional cost of capital		30	-	30	17
<b>Total resources expended</b>		<b><u>23,608</u></b>	<b><u>4,974</u></b>	<b><u>28,582</u></b>	<b><u>27,214</u></b>
<b>Net incoming/(outgoing) resources</b> after charging notional cost of capital and before transfers					
		701	(305)	396	284
Gross transfers between funds	17	(378)	378	-	-
Reversal of notional cost of capital		30	-	30	17
<b>Net movement in funds</b>		<b>353</b>	<b>73</b>	<b>426</b>	<b>301</b>
Fund balances brought forward		450	181	631	330
<b>Total funds carried forward</b>		<b><u>803</u></b>	<b><u>254</u></b>	<b><u>1,057</u></b>	<b><u>631</u></b>

All activities are continuing.

The notes on pages 22 to 35 form part of these financial statements

**THE ARTS COUNCIL OF WALES**

**BALANCE SHEET**

at 31 March 2008

	Note	2008		2007	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible fixed assets	12a		28		23
Tangible fixed assets	12b		<u>68</u>		<u>96</u>
			96		119
<b>Current assets</b>					
Grants paid in advance	13	40		-	
Other debtors and prepayments	14	828		761	
Cash at bank and in hand		<u>607</u>		<u>441</u>	
		<u>1,475</u>		<u>1,202</u>	
<b>Creditors: amounts falling due within one year</b>					
Grants payable		(92)		(78)	
Other creditors falling due within one year		<u>(412)</u>		<u>(362)</u>	
	15	<u>(504)</u>		<u>(440)</u>	
<b>Net current assets</b>			<u>971</u>		<u>762</u>
<b>Total assets less current liabilities</b>			1,067		881
<b>Creditors: amounts falling due after more than one year</b>					
Loan	16		(10)		(250)
<b>Net assets</b>			<u>1,057</u>		<u>631</u>
Represented by:					
<b>Funds</b>					
Unrestricted funds	17		803		450
Restricted funds	17		254		181
			<u>1,057</u>		<u>631</u>

The notes on pages 22 to 35 form part of these financial statements

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

James Turner  
Accounting Officer

8 July 2008

Dai Smith  
Chairman

8 July 2008

**THE ARTS COUNCIL OF WALES****CASH FLOW STATEMENT**

for the year ended 31 March 2008

	Note	<b>2008</b> £'000	2007 £'000
<b>Net cash inflow from operating activities</b>	19a	85	101
Bank interest		125	86
		<hr/>	<hr/>
		210	187
Capital expenditure	19b	(44)	(43)
		<hr/>	<hr/>
<b>Increase in cash in the year</b>	19c	<b>166</b>	144
		<hr/>	<hr/>

The notes on pages 22 to 35 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. Capital grants receivable are treated as incoming resources.

**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.

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 apportions 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 and accepted by 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. Any amounts unpaid from grants and guarantees 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 future years' activities are shown in the Balance Sheet as current assets.

All grants are listed in the Council's annual report, which is published separately. The annual report also provides information about the services and strategic initiatives of the Council.

**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.

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. Depreciation**

Individual assets costing £1,000 or above are capitalised and a full year's depreciation is provided in the year of acquisition. Depreciation is provided on intangible and tangible fixed assets 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.

**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. 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 2007/08 share of the proceeds from the National Lottery of £10,019,000 (2006/07: £10,051,000). The combined total incoming resources for both general and Lottery activities for 2007/08 was £39,860,000 (2006/07: £38,794,000).

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 Income and Expenditure Account, during 2007/08 Council approved Lottery grants amounting to £8,749,000 (2006/07: £11,288,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2007/08 was £38,069,000 (2006/07: £38,585,000).

**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	2008 Total	2007 Total
	£'000	£'000	£'000	£'000
Cash grant-in-aid paid in full	23,987	3,750	27,737	23,532
Supplementary grant-in-aid to fund specific arts activity	-	415	415	3,276
Grant-in-aid credited to incoming resources in the Statement of Financial Activities	<b>23,987</b>	<b>4,165</b>	<b>28,152</b>	<b>26,808</b>

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

Prior years' grants no longer required	22	-	22	36
Legacy	-	105	105	-
Donations	1	-	1	-
Bank of Ireland: contribution towards "Celtic Neighbours" project	-	10	10	-
Contributions towards Wales' presence at the Venice Biennale	-	69	69	20
Grants from the European Social Fund (Objective 3)	-	-	-	221
	<b>23</b>	<b>184</b>	<b>207</b>	<b>277</b>

5. Activities for generating funds: Services and sponsorship

	Unrestricted funds £'000	Restricted funds £'000	2008 Total £'000	2007 Total £'000
Community Touring scheme: contributions from venues/promoters	108	-	108	120
Wales Arts International: contribution from the British Council	-	108	108	79
Wales Arts International: contribution from the Welsh Assembly Government	-	212	212	-
Collectorplan charges	34	-	34	37
Delegate fees - Annual Conference	3	-	3	4
Training fees - Marketing Symposium	2	-	2	2
ADUK steering group services	-	-	-	20
	<b>147</b>	<b>320</b>	<b>467</b>	<b>262</b>

6. Other incoming resources

Contribution from the Lottery Distribution account for use of fixed assets	<b>27</b>	-	<b>27</b>	<b>65</b>
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7. Charitable activities: Grants awarded

	Unrestricted funds			Restricted funds			2008	2007
	Grants £'000	Support costs £'000 (a)	Total unrestricted £'000	Grants £'000	Support costs £'000 (b)	Total restricted £'000	Total £'000	Total £'000
Grants to revenue-funded organisations	19,625	1,099	20,724	3,210	180	3,390	24,114	20,747
Welsh Assembly Government awards to fund specific arts activity (other than revenue-funded organisations)	-	-	-	612	34	646	646	3,223
Capacity building grants with the support of the European Social Fund (Objective 3)	-	-	-	9	6	15	15	476
	<b>19,625</b>	<b>1,099</b>	<b>20,724</b>	<b>3,831</b>	<b>220</b>	<b>4,051</b>	<b>24,775</b>	<b>24,446</b>

(a) The total of £1,099,000 for costs in support of unrestricted grants includes £705,000 in respect of staff costs.

(b) The total of £220,000 for costs in support of restricted grants includes £141,000 in respect of staff costs.

Grants awarded comprise:

	2008 £'000	2007 £'000
Grants to public bodies	4,576	4,323
Grants to private bodies	18,880	18,548
	<b>23,456</b>	<b>22,871</b>

All grants awarded were to organisations. A full list of grants is provided in the Council's annual report, which is published separately. A copy of the annual report may be obtained free of charge from the Communications Department in Cardiff and may also be downloaded from the Council's website at [www.artswales.org.uk](http://www.artswales.org.uk).

8. Charitable activities: Other services and strategies

	Unrestricted funds			Restricted funds			2008	2007
	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 £'000
Planning, Development & Research	912	467	1,379	-	-	-	1,379	948
Community Touring: "Night Out"	243	57	300	150	35	185	485	550
Principality Collectorplan	52	115	167	-	-	-	167	166
Arts outside Cardiff	-	-	-	203	3	206	206	-
English Language Theatre	-	-	-	49	37	86	86	-
Marketing & Communications	172	97	269	-	-	-	269	250
Wales at the Venice Biennale of Art	192	28	220	69	10	79	299	100
Wales Arts International	307	82	389	294	73	367	756	564
Visual arts and craft services	55	9	64	-	-	-	64	115
	<b>1,933</b>	<b>855</b>	<b>2,788</b>	<b>765</b>	<b>158</b>	<b>923</b>	<b>3,711</b>	<b>2,693</b>

- (a) The total of £1,933,000 for unrestricted services and strategies includes £695,000 in respect of staff costs.  
(b) The total of £855,000 for costs in support of unrestricted services and strategies includes £548,000 in respect of staff costs.  
(c) The total of £765,000 for restricted services and strategies includes £275,000 in respect of staff costs.  
(d) The total of £158,000 for costs in support of restricted services and strategies includes £101,000 in respect of staff costs.

## 9. Support costs

	Facilities & IT infrastructure £'000	Personnel & Communications £'000	Professional fees £'000	Irrecoverable VAT £'000	Depreciation £'000	2008 Total £'000	2007 Total £'000
<b>Charitable activities: Grants awarded</b>		(a)					
Grants to revenue-funded organisations	189	973	31	49	37	1,279	1,382
National Assembly of Wales awards to fund specific arts activity (other than revenue-funded organisations)	5	26	1	1	1	34	133
Capacity building grants with the support of the European Social Fund (Objective 3)	-	6	-	-	-	6	60
<i>Sub-total in support of grants awarded</i>	194	1,005	32	50	38	1,319	1,575
<b>Charitable activities: Other services and strategies</b>							
Planning, Development & Research	69	356	11	17	14	467	359
Community Touring: "Night Out"	13	70	2	4	3	92	98
Principality Collectorplan	17	87	3	5	3	115	121
Arts outside Cardiff	1	2	-	-	-	3	-
English Language Theatre	6	28	1	1	1	37	-
Marketing & Communications	14	74	2	4	3	97	115
Wales at the Venice Biennale of Art	6	29	1	1	1	38	39
Wales Arts International	23	118	4	6	4	155	142
Visual arts and craft services	1	8	-	-	-	9	10
<i>Sub-total in support of other services and strategies</i>	150	772	24	38	29	1,013	884
<b>Total in support of charitable activities</b>	<b>344</b>	<b>1,777</b>	<b>56</b>	<b>88</b>	<b>67</b>	<b>2,332</b>	<b>2,459</b>

(a) The total of £1,777,000 for Personnel & Communications includes £1,496,000 in respect of staff costs.

## 10. Staff costs

a. Total staff costs consist of:

	Unrestricted funds £'000	Restricted funds £'000	2008 Total £'000	2007 Total £'000
Wages and salaries charged to general activities	1,453	408	1,861	1,801
Social security costs	131	39	170	140
Other pension costs	266	70	336	339
Redundancy costs	54	-	54	-
Agency costs	45	-	45	33
	<b>1,949</b>	<b>517</b>	<b>2,466</b>	<b>2,313</b>

	<b>2008</b> <b>Total</b> £'000	2007 Total £'000
Staff costs are incorporated in the accounts as follows:		
Charitable activities: Services and strategies (direct costs) (note 8)	970	627
Charitable activities: Support costs - Personnel & Communications (note 9)	1,496	1,686
	<u>2,466</u>	<u>2,313</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)	21	20
Charitable activities: Support	73	76
Agency staff	2	2
	<u>96</u>	<u>98</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)	22	20
Charitable activities: Support	41	42
Agency staff	1	1
	<u>64</u>	<u>63</u>

The balance of 32 (2006/07: 35) staff were employed on lottery distribution activities.

- b. The Chief Executive, Arts Director, Finance and Central Services Director, Operations Director and Head of Communications are responsible for directing the Council's activities. Their actual emoluments were as follows, 60% of which is charged in these financial statements and the remainder to lottery distribution activities:

Name and position	2008	2007	2008	2008	2008	2008	2008
	Emoluments band	Emoluments band	Real increase in pension at age 65	Total accrued pension at age 65 as at 31/03/08	Cash Equivalent Transfer Value at 31/03/07	Cash Equivalent Transfer Value at 31/03/08	Real increase in Cash Equivalent Transfer Value
	£'000	£'000	£	£	£	£	£
Peter Tyndall <i>Chief Executive</i>	70-75	65-70	568	20,952	223,628	284,547	52,421
David Alston <i>Arts Director</i>	60-65	50-55	786	1,267	6,116	19,424	13,076
Hywel Tudor <i>Finance and Central Services Director</i>	60-65	60-65	1,634	5,604	39,826	70,660	29,321
Jane Clarke <i>Operations Director</i>	60-65	55-60	8,155	12,543	49,855	171,472	119,723
Siân Phipps <i>Head of Communications</i>	40-45	35-40	6,368	11,492	45,581	127,866	80,553

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 are not paid for their services. Council meeting costs for 2007/08 disclosed in note 11 include an aggregate amount of £11,477 (2006/07: £4,697) reimbursed to 12 (2006/07: 8) Council members.

Two members of the Senior Management Team have left the Council since the balance sheet date: Peter Tyndall, Chief Executive, left on 18 April 2008 and Jane Clarke, Operations Director, on 9 May 2008.

Since 21 April 2008, following the departure of Peter Tyndall, the post of Chief Executive has been covered by James Turner under an agency arrangement. The post of Operations Director is vacant at present.

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

	<b>2008</b>	2007
	£	£
<b>Chairman</b>		
Salary	<u>42,120</u>	<u>32,864</u>
<b>Chief Executive</b>		
Salary	65,621	64,021
Non-consolidated award	4,801	4,684
Pension contribution	<u>13,387</u>	<u>13,060</u>
	<u>83,809</u>	<u>81,765</u>

60% (2006/07: 60%) of the Chairman's and Chief Executive's 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. 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. 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 in post on or before 31/08/2006		For staff in post on or after 01/09/2006	
	<b>2008</b>	2007	<b>2008</b>	2007
	%	%	%	%
Council	20.6	20.4	18.6	18.4
Employees	0.0	0.0	2.0	2.0

In addition to the above, all employees contribute 1.5% to secure pension benefits for dependents.

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

11. Governance costs

	<b>2008</b>	2007
	<b>Total</b>	Total
	£'000	£'000
Auditor's remuneration - Audit	21	20
Additional assurance	3	3
Internal audit	11	7
Council meetings, including Members' travel and subsistence	12	14
Committee meetings, including travel and subsistence	7	3
Council policy seminars	12	10
Legal advice	-	1
	<u>66</u>	<u>58</u>

12. Fixed assets

a. Intangible fixed assets

	<b>Computer software licences</b>
	£'000
Cost at 1 April 2007	620
Additions	30
Disposals	(157)
Cost at 31 March 2008	<u>493</u>
Depreciation at 1 April 2007	597
Charge for the year	25
Disposals	(157)
Depreciation at 31 March 2008	<u>465</u>
<b>Net book value at 31 March 2008</b>	<u><b>28</b></u>
Net book value at 1 April 2007	<u>23</u>

b. Tangible fixed assets

	<b>Leasehold improvements</b>	<b>Computer system, furniture, etc</b>	<b>Total</b>
	£'000	£'000	£'000
Cost or valuation at 1 April 2007	220	463	683
Additions	-	14	14
Disposals	-	(48)	(48)
Cost or valuation at 31 March 2008	<u>220</u>	<u>429</u>	<u>649</u>
Depreciation at 1 April 2007	190	397	587
Charge for the year	9	33	42
Disposals	-	(48)	(48)
Depreciation at 31 March 2008	<u>199</u>	<u>382</u>	<u>581</u>
<b>Net book value at 31 March 2008</b>	<u><b>21</b></u>	<u><b>47</b></u>	<u><b>68</b></u>
Net book value at 1 April 2007	<u>30</u>	<u>66</u>	<u>96</u>

- c. Net book value at 31 March 2008 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.



	2008 £'000	2007 £'000
Depreciation charged has been allocated to charitable activities as follows (note 9):		
Grants awarded – support costs	38	103
Services and strategies – support costs	29	59
	<u>67</u>	<u>162</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.

	2008 £'000	2007 £'000
Payments in respect of the following year's grants	<u>40</u>	<u>-</u>

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

**a. Analysis by type**

Collectorplan loans	432	468
Trade debtors	110	72
Other debtors	9	13
Grants receivable	-	43
Prepayments	189	165
	<u>740</u>	<u>761</u>
Due from Lottery distribution fund	88	-
	<u>828</u>	<u>761</u>

**b. Intra-government balances**

Balances with other central government bodies	116	43
Balances with local authorities	4	7
<i>Sub-total: Intra-government balances</i>	<u>120</u>	<u>50</u>
Balances with bodies external to government	708	711
Total debtors and prepayments	<u>828</u>	<u>761</u>

**15. Creditors: amounts falling due within one year**

**a. Analysis by type**

Grants payable	92	78
Taxation and social security	74	74
Trade creditors	92	59
Other creditors	62	60
Accruals and deferred income	184	135
	<u>504</u>	<u>406</u>
Due to Lottery distribution fund	-	34
	<u>504</u>	<u>440</u>

	2008 £'000	2007 £'000
<b>b. Intra-government balances</b>		
Balances with other central government bodies	74	108
Balances with local authorities	17	4
<i>Sub-total: Intra-government balances</i>	<u>91</u>	<u>112</u>
Balances with bodies external to government	413	328
Total creditors	<u><u>504</u></u>	<u><u>440</u></u>

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

The Council's Collectorplan Scheme has been boosted by a low-cost loan from the Principality Building Society. The facility of up to £500,000, originally available for a period of three years from 1 August 2004 at an advantageous fixed interest rate, has been extended for a further two years to 31 July 2009 on the same terms. The Welsh Assembly Government has approved this loan and provided a guarantee for the repayment of the facility for the duration of the term.

**17. Statement of funds**

	At 1 April 2007 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	At 31 March 2008 £'000
<b>Unrestricted funds</b>					
General fund	450	24,309	(23,578)	(378)	803
<b>Total unrestricted funds</b>	<u>450</u>	<u>24,309</u>	<u>(23,578)</u>	<u>(378)</u>	<u>803</u>
<b>Restricted funds</b>					
Income					
Welsh Assembly Government for specific arts activity	160	4,165	(4,513)	289	101
European Social Fund grants for capacity building	9	-	(15)	6	-
Bank of Ireland: contribution towards "Celtic Neighbours" project	-	10	-	-	10
Contributions towards Wales' presence at the Venice Biennale	-	69	(79)	10	-
Wales Arts International: contributions from the British Council and Welsh Assembly Government	-	320	(367)	73	26
	<u>169</u>	<u>4,564</u>	<u>(4,974)</u>	<u>378</u>	<u>137</u>
Capital					
Alun Llywelyn Williams Memorial Fund (income to provide bursary for young artist)	12	-	-	-	12
Brian Ross Memorial Fund (income to provide bursary for young visual artist)	-	105	-	-	105
	<u>12</u>	<u>105</u>	<u>-</u>	<u>-</u>	<u>117</u>
<b>Total restricted funds</b>	<u>181</u>	<u>4,669</u>	<u>(4,974)</u>	<u>378</u>	<u>254</u>
<b>Total funds</b>	<u><u>631</u></u>	<u><u>28,978</u></u>	<u><u>(28,552)</u></u>	<u><u>-</u></u>	<u><u>1,057</u></u>

The Alun Llywelyn Williams and Brian Ross Memorial Funds are represented by cash at bank and are within the total of £607,000 shown on the balance sheet.

18. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
<b>Fund balances at 31 March 2008 are represented by:</b>			
Fixed assets	96	-	<b>96</b>
Current assets	1,221	254	<b>1,475</b>
Creditors: amounts falling due within one year	(504)	-	<b>(504)</b>
Creditors: amounts falling due after more than one year	(10)	-	<b>(10)</b>
<b>Total net assets</b>	<b>803</b>	<b>254</b>	<b>1,057</b>

19. Cash flow information

	2008 £'000	2007 £'000
<b>a. Reconciliation of changes in resources to net inflow from operating activities</b>		
Net incoming resources	426	301
Bank interest	(125)	(86)
Depreciation (note 12c)	67	162
Decrease/(increase) in grants paid in advance	(40)	14
(Increase)/decrease in debtors and prepayments	(67)	321
Increase/(decrease) in grants payable	14	(406)
Increase/(decrease) in other creditors falling due within one year	50	(205)
Decrease in creditors falling due after more than one year	(240)	-
<b>Net cash inflow from operating activities</b>	<b>85</b>	<b>101</b>
<b>b. Analysis of cash flows</b>		
Capital expenditure		
Payments to acquire intangible fixed assets (note 12a)	(30)	(6)
Payments to acquire tangible fixed assets (note 12b)	(14)	(39)
Loss on disposal of tangible fixed assets	-	2
	<b>(44)</b>	<b>(43)</b>
<b>c. Reconciliation of net cash flow to movement in net funds</b>		
Increase in cash in the year	166	144
Net funds at 1 April	441	297
<b>Net funds at 31 March</b>	<b>607</b>	<b>441</b>

20. Commitments on operating leases

At 31 March 2008 the Council had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Equipment	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Operating leases which expire				
within one year	133	111	2	-
one to five years	-	22	6	8
over five years	25	25	-	-

**21. Forward commitments**

	<b>2008</b>	2007
	£'000	£'000
Grants		
forward funding - grants formally offered	<u><b>21,823</b></u>	<u>22,340</u>

**22. Contingent liabilities**

At 1 April 1994 two former employees of the Welsh Arts Council transferred their contracts of employment to the Welsh Amateur Music Federation. The Welsh Assembly Government has approved an arrangement whereby the Council has indemnified the Federation for redundancy entitlements accrued by the employees concerned during their service with the Council. One of the employees has retired and the contingent liability will further reduce as the remaining employee's service with the Federation grows.

	<b>2008</b>	2007
	£	£
Contingent liability	<u><b>2,010</b></u>	<u>4,090</u>

**23. Post balance sheet event**

The Accounting Officer authorised these financial statements for issue on 17 July 2008.

**24. 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 received grants in 2007/08 from the Council. 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.

<b>Member</b>	<b>Organisation</b>	<b>Transaction (number)</b>	<b>Total grant value £</b>	<b>Total balance outstanding at 31 March 2008 £</b>
<b>Simon Dancey</b>				
Director	Community Music Wales	Grant (2)	82,017	Nil
Trustee	Cultural Enterprise Service	Grant (1)	54,280	Nil
<b>Maggie Hampton</b>				
Director	Disability Arts Cymru	Grant (1)	80,334	Nil
Board Member (family member)	India Dance Wales	Grant (2)	60,000	Nil

<b>Member</b>	<b>Organisation</b>	<b>Transaction (number)</b>	<b>Total value £</b>	<b>Total balance outstanding at 31 March 2008 £</b>
<b>Rhiannon Wyn Hughes MBE</b> Councillor	Denbighshire County Council (including Pavilion Theatre, Rhyl and Ruthin Craft Centre)	Grant (4)	400,764	Nil
Vice President	Llangollen International Musical Eisteddfod	Grant (1)	57,028	Nil
<b>John Metcalf</b> Employee	Swansea Festival of Music and the Arts	Grant (1)	38,652	Nil
Employee	Vale of Glamorgan Festival	Grant (1)	36,694	Nil
<b>Robin Morrison</b> Employee	Blaenau Gwent County Borough Council (including Beaufort Theatre)	Grant (1)	40,051	Nil
<b>Ruth Till MBE</b> Committee member	Community Dance Wales	Grant (2)	69,386	Nil
Director	Rubicon Dance	Grant (1)	130,286	Nil
<b>Debbie Wilcox</b> Councillor	Newport City Council (including Newport Museum and Art Gallery and The Riverfront)	Grant (3)	103,090	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.