



Cyngor Celfyddydau Cymru  
Arts Council of Wales

## GENERAL ACTIVITIES ACCOUNT

Report and Financial Statements  
for the year ended 31 March 2012



Noddir gan  
**Lywodraeth Cymru**  
Sponsored by  
**Welsh Government**

# THE ARTS COUNCIL OF WALES GENERAL ACTIVITIES ACCOUNT

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# ANNUAL REPORT for the year ended 31 March 2012

## TRUSTEES' ANNUAL REPORT

### Reference and administrative details

#### Trustees

Council Members who served since 1 April 2011 were:

		Attendance at meetings during 2011/12			
		Council	Audit Committee	Capital Committee	Remuneration Committee
		Number of meetings held:			
		7	6	3	1
Professor Dai Smith, Chairman	(b)	6			Committee Chair 1
Dr Ian J Rees, Vice-chairman (to 31 March 2012)	(a) (b)	4	Committee Chair 6		1
Dr Kate Woodward, Vice-chairman from 1 April 2012*	(d)	5			
Emma Evans	(a)	7	5		
Dr John Geraint		6			
Michael Griffiths OBE (from 1 April 2012)		<i>Appointed 2012/13</i>			
Melanie Hawthorne (from 1 April 2012)		<i>Appointed 2012/13</i>			
Dr Lesley Hodgson (from 1 April 2012)		<i>Appointed 2012/13</i>			
Margaret Jervis MBE DL	(b) (f) (iv)	5			1
Marian Wyn Jones (from 1 April 2012)		<i>Appointed 2012/13</i>			
Andrew Miller (from 1 April 2012)		<i>Appointed 2012/13</i>			
Robin Morrison (to 31 March 2012)	(c) (i)	3		Committee Chair 2	
Osi Rhys Osmond	(d) (g)	5			
Richard Turner	(f) (iii)	6			
Alan Watkin	(e)	4	Joined 28/09/11 2/3		
Debbie Wilcox (rejoined 1 September 2011 to 31 March 2012)	(ii)	1/4			
Professor Gerwyn Williams	(c) (e)	5		3	
John C Williams	(a) (c)	7	5	Joined 11/11/11 2/2	
<i>Attendance of independent Committee members:</i>					
Gareth Jones	(a)		6		

		Attendance at meetings during 2011/12			
		Council	Audit Committee	Capital Committee	Remuneration Committee
		Number of meetings held:			
		7	6	3	1
Phillip Westwood	(a)		4		
Jonathan Adams	(c)			3	
Isabel Hitchman (to 31 March 2012)	(c)			2	
Janet Roberts	(c)			2	
Bethan Guilfoyle CBE	(b)				1

\* Dr Woodward has been a member of Council since April 2008 but succeeded Dr Rees in the role of Vice-chairman from April 2012

- (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) Newport City Council
- (iii) University of Wales
- (iv) Wales Council for Voluntary Action

### *Chief Executive*

Nicholas Capaldi

### *Offices*

*Mid and West Wales region:*      *North Wales region:*

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

36 Prince's Drive  
Colwyn Bay  
LL29 8LA

*South Wales region  
and national office:*

Bute Place  
Cardiff  
CF10 5AL

*Auditor*

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

*Internal auditors*

Deloitte LLP  
5 Callaghan Square  
Cardiff  
CF10 5BT

*Solicitors*

Geldards LLP  
Dumfries House  
Dumfries Place  
Cardiff  
CF10 3ZF

*Bankers*

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 a Welsh 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 Director of Finance and Resources. 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, 2006 and 2011 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 Framework Document 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, Olympics, 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 Resources.

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 true and 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.

Council has identified key areas of risk which we have been evaluating and managing during the year. Further detail is contained in the Risk Management section of the Governance Statement.

### **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 2011/12 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>
<p><b>Supporting the creation of high quality art</b>            We will support artists and arts organisations who demonstrate the highest standards of imagination, capability and enterprise.            In return, we will expect them to strive for work of the highest quality that reaches out to, engages and grows audiences.            By doing so, we will be able to highlight a range of high quality arts activity that inspires others to aspire to.</p>		
<p>By 2012 we will be investing in a portfolio of funded organisations better able to succeed artistically and financially</p>	<ul style="list-style-type: none"> <li>We will have published the Annual Review Meeting reports of all our Revenue Funded Organisations (RFOs), reporting on the RFOs' progress and achievement of specific targets and the beneficial outcomes of these achievements.</li> </ul>	<ul style="list-style-type: none"> <li>During 2011/12 we have worked towards developing a more dynamic relationship with our RFOs. This has included the introduction of new monitoring arrangements and the completion of Annual Review Meetings for our RFO portfolio. Following completion of these meetings the reports are now undergoing final checks and the drafts agreed with the respective RFO. Final reports will be published by July and will be used to inform targets for the respective RFO for 2012/13.</li> </ul>
	<ul style="list-style-type: none"> <li>Working in partnership with our National Advisers, we will have achieved Quality appraisals for all RFOs to feed into 2012 Annual Review meetings.</li> <li>RFOs will have achieved their agreed income generation targets as detailed in their own budgets and consequently be working towards a reduced reliance on Arts Council funding</li> </ul>	<ul style="list-style-type: none"> <li>This objective has been completed. Our new Quality Monitoring process is bedding in well, and we have obtained Quality Appraisal reports for the majority of RFOs. A further round of recruitment for new National Advisers is underway.</li> <li>We made good progress earlier in the year in setting a consistent methodology for defining targets in RFO funding agreements. However, issues were identified regarding some variability in the preciseness of targets and this has affected the clarity of reporting. Therefore for 2012/13 all Revenue Funding Agreements contain specific reference for the need for the RFO to consider increased income generation and lessen dependency on Arts Council funding.</li> </ul> <p>We need also to acknowledge that 2011/12 has been an economically challenging year and this could have had a negative impact on earned income targets.</p> <p>Later in the year – when we have had a chance to analyse RFO Annual Survey data – we will have a clearer picture of what is happening. At present, anecdotal feedback we are receiving is mixed, with some RFOs reporting pressures and others enjoying buoyant earned income.</p>



<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
	<ul style="list-style-type: none"> <li>We will have completed our review of Grant in Aid and Lottery funding programmes, and we will have implemented our new schemes programme. We will have produced a report showing the distribution of this funding and expected impact.</li> </ul>	<ul style="list-style-type: none"> <li>Our full complement of funding programmes is operational for 2012/13.</li> </ul>
	<ul style="list-style-type: none"> <li>We will have agreed a new three year partnership with British Council and created a joint annual action plan. We will have created and be operating an evaluation tool for our international projects.</li> </ul>	<ul style="list-style-type: none"> <li>A new Partnership Agreement with the British Council was endorsed by Council at its meeting in June 2011. An evaluation toolkit was also developed and implemented and used for all Wales Arts International activity, with an online facility also developed. Meanwhile we continue to work with the British Council to the new partnership agreement and to monitor progress as agreed in the document.</li> </ul>
<p><b>Encouraging more people to enjoy and take part in the arts</b>  We will support activity that increases and broadens public engagement in the arts.  We want people to enjoy and experience work of quality that inspires, entertains and challenges.  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>By 2012 we will have increased levels in attendance and participation in the arts in Wales by 3%</p>	<ul style="list-style-type: none"> <li>Our RFOs will have achieved agreed targets in attendance and participation, as per their Revenue Funding Agreements, and, by March 2012, clearly demonstrated their approach to increasing the number of people attending and taking part in the arts activities that the Arts Council has funded.</li> <li>We will have raised the quality of participatory arts by encouraging more organisations to use our evaluation toolkit.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue Funding Agreements were implemented for all our RFOs. We also commissioned external support to help us develop a more efficient and effective on line Survey. Participation and audience development remains a key focus for our RFOs and, in consideration of their diverse nature and circumstances, we have asked each one to provide their own increased target in this area as part of their 2012/13 funding agreement. Progress against these targets will then be assessed as part of our business monitoring of RFOs.</li> <li>The development of an Evaluation Toolkit has been completed, and is being piloted by some of our RFOs.</li> </ul>

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
	<ul style="list-style-type: none"> <li>• We will have supported our Night Out scheme to have promoted a minimum of 550 events, 150 of which will have been held in Communities First areas and a further 10 Young Promoters projects.</li> <li>• We will have secured ongoing support for our Splash Arts programme and delivered a further 18 projects involving 800 young people at risk.</li> </ul>	<ul style="list-style-type: none"> <li>• During 2011/12 we promoted 580 Night Out events, 153 of which were in Communities First areas. There have been 14 Young Promoter projects.</li> <li>• We funded 15 projects 2 of which were led by RFOs and will produce a full report in 2012/13. Early indications from the evaluation reports received to date are that our target number of participants will have been achieved.</li> </ul>
	<ul style="list-style-type: none"> <li>• We will have secured funding for and be delivering the second phase of our Reach the Heights programme, involving 3,750 young people in our activities.</li> <li>• We will develop an action plan to deliver Changing Lives, our strategy for children, young people and the arts which includes reducing inequalities in cultural activities between children and parents of children, as required in the Welsh Assembly Government Child Poverty strategy for Wales.</li> </ul>	<ul style="list-style-type: none"> <li>• This target has been achieved following receipt of confirmation of continued funding from WEFO in June 2011. We completed our third round of procurement and in phase 2 and 3 are supporting a total of 37 projects.</li> <li>• Following its public consultation, the Strategy – now called <i>Young Creators</i> – was published. The Action Plan has been completed and is waiting to be published.</li> </ul> <p>Young people gave our Child Poverty strategy 4 awards at the Child Poverty conference held in March 2012.</p>

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
	<ul style="list-style-type: none"> <li>• We will have seen the introduction of a pilot Arts Plus scheme and secured Ministerial approval for the scheme to be rolled out.</li> <li>• 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.</li> <li>• Through increased investment we will have increased engagement and participation in Communities First areas by 5% on current levels</li> <li>• Through Legacy Trust partners we will have engaged 45,000 people in arts programmes across Wales</li> </ul>	<ul style="list-style-type: none"> <li>• The pilot phase was concluded in July 2011. However, we were unable to make further progress on this target during the year.</li> <li>• We were advised by Welsh Government colleagues during the year that there would be no additional funding available towards this. Therefore we have been unable to progress this during the year.</li> <li>• For 2011/12 we improved our performance quarter on quarter when compared to the previous year and awarded Lottery Schemes funding to 131 applications with activity taking place wholly or partly within Community First Areas with a total value of £2,505,863. This equates to an increase of 18% in number of applications awarded (111 for 2010/11) and 54% increase on value (£1,621,156 for 2010/11).</li> <li>• This target has been achieved with over 22,500 having participated in or engaged with Legacy Trust funded projects throughout the year, and an estimated further 17,000 visitors to the Following the Flame projects.</li> </ul>
<p><b>Growing the arts economy</b></p> <p>We will increase the level of money and resources that is available for the arts in Wales. We want to foster a greater spirit of entrepreneurship in ourselves and the arts that we support. By doing so we want to encourage less of a dependency on government subsidy.</p>		
<p>By 2012 we will have increased our own turnover with at least 10% of our income coming from new sources.</p> <p>In addition, we will have increased the value and impact of our existing investment in the arts.</p>	<ul style="list-style-type: none"> <li>• We will have been successful in applying for a third EU transnational project.</li> <li>• We will have met our financial targets for the first phase of Reach the Heights and secured funding for a second phase of delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Wales Arts International developed a third bid as a lead partner for a Culture Programme, Practics 2. However, the bid was not successful. We are actively seeking alternative funding options.</li> <li>• During 2011/12 we had a successful second procurement phase and awarded contracts to a further 28 participation projects and 4 training projects, thus achieving this target.</li> </ul>

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
	<ul style="list-style-type: none"> <li>We will have a new capital funding strategy in place</li> </ul>	<ul style="list-style-type: none"> <li>Following its public consultation the final Capital strategy and the application process for the new Programme was agreed at the February 2012 Council and the General Capital Guidelines approved at March Council. The new programme will be opened in July 2012.</li> </ul>
	<ul style="list-style-type: none"> <li>We will have levered in private sector income to support the arts.</li> </ul>	<ul style="list-style-type: none"> <li>In September 2011, it was announced that Cardiff will host WOMEX 2013. The Arts Council, together with Wales Arts International, invested significantly in this successful bid in order to support the development of music and the music industry in Wales. However we had to agree to attach a lower priority to this target. As a consequence we did not achieve the target. On a more positive note, the Business plan commissioned for Cerdd Cymru:Music Wales provides a framework for the development of private sector partnerships, particularly in relation to WOMEX 2013, the benefits of which will be apparent during the next financial year. We have also arts projects to achieve private investment (for example Helfa Gelf and Blinc), but we have to acknowledge that this has been ad hoc rather than part of an overall strategic approach. This target will be moved to the new financial year.</li> </ul>
	<ul style="list-style-type: none"> <li>We will have worked with artists and arts organisations to improve the quality of their technical and professional skills</li> <li>We will have completed a programme of advocacy events and publications demonstrating the contribution that the arts make to the life of the nation</li> <li>We will have increased the value and number of Collectorplan loans</li> </ul>	<ul style="list-style-type: none"> <li>This objective has been achieved in part. Individual artists continue to benefit from production, training and CPD support. We have also supported a major 3 year initiative with Helfa Gelf. From a corporate perspective we have had to agree to attach a lower priority to this target. As a consequence we did not achieve the target. This target will be redefined and reinstated in our plans for the new financial year.</li> <li>During the year we prepared publications which demonstrated the contribution the arts make to the life of the nation and shared these with Welsh Government Members. In addition to the numerous case studies and press releases prepared for the media and briefings for the Welsh Government our programme of advocacy events has included a series of road shows, strong presences at National and Urdd Eisteddfods and our Marketing Symposium. Additionally we co-hosted an event with the Welsh Government and WOMEX in Brussels to mark St David's Day.</li> <li>The figures for the full year 2011/12 are (2010/11 figures in brackets) No of loans – 979 (895) Value of loans £715,758 (£645,012) Therefore this year we have achieved an increase of 9.4% in the number of loans made and an increase of 11% in the value of the loans when compared to 2010/11.</li> </ul>

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
<p><b>Making the Arts Council an effective and efficient business</b></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>		
<p>By 2012 we will be able to demonstrate that we are a more efficient and effective organisation.</p>	<ul style="list-style-type: none"> <li>• We will have achieved at least 12% reduction in our running costs as part of the Organisational Review.</li> <li>• We will have created a positive workplace that encourages staff to realise their full potential.</li> <li>• We will have reduced our paper and printing consumable usage by 15%</li> <li>• We will have created and maintained a data bank that will clearly evidence our achievements against our Corporate Plan targets</li> </ul>	<ul style="list-style-type: none"> <li>• During 2011/12 we undertook an extensive Organisational Review which will now deliver the required reduction by the Welsh Government's target date of 2013/14. Council has agreed staffing proposals to be implemented as part of the Organisational Review. These proposals became effective on 1 May 2012.</li> </ul> <p>We had a highly successful round of external recruitment with an unprecedented number of applications. There are currently only a small handful of outstanding vacancies.</p> <p>We have identified a preferred option for a relocated Colwyn Bay office. Negotiations are underway. We are also developing proposals for consolidating our office space in Cardiff.</p> <ul style="list-style-type: none"> <li>• An internal Staff Well-Being Group is developing an Action Plan towards gaining the Corporate Health Standard Bronze award. However, our original plans have inevitably been affected by the practical and human challenges of managing the Organisational Review process. As part of our transition to the 'new' organisation we will be re-evaluating our approach to this target. Therefore, this target was only partially complete by the year end.</li> <li>• We implemented a number of measures throughout the year, including an awareness programme, to reduce paper usage and quarterly updates on our usage were shared with our staff. The overall reduction target was achieved by the end of the reporting year.</li> <li>• Regular reviews and updates of our Corporate Plan throughout the year allowed us to monitor progress and to catalogue our achievements, including the collation of relevant information for publication in our Annual Review. Investment in new technology is helping us to improve the quality of data that we are collecting from RFOs. Enhancements to The Knowledge project also assisted with the achievement of this target.</li> </ul>

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
	<ul style="list-style-type: none"> <li>• We will have in place at least 1 joint working protocol agreement with another organisation.</li> <li>• We will have had a high profile presence at key national and international events including Hay Festival, Urdd Gobaith Cymru, National Eisteddfod and Venice Biennale. Through these events we will have raised the profile of the Arts Council of Wales and, thus, of arts in Wales.</li> </ul>	<ul style="list-style-type: none"> <li>• This target has been exceeded, with agreements in place with Cadw in the production of an arts policy as part of a wider strategy to achieve a closer working partnership; British Council memorandum with Wales Arts International; and Cerdd Cymru:Music Wales partnership to deliver WOMEX 13 Cardiff.</li> <li>• Our joint presence at the Hay Festival consisted of sponsoring a venue with Welsh Government named Llwyfan Cymru - Wales Stage. The open performance stage at the Urdd was deemed very successful, bringing together partners from public and voluntary sectors showcasing professional and local amateur talent. Y Lle Celf at the National Eisteddfod was well received and our presence highlighting the summer of '77 generated media coverage from several media outlets. Additionally we supported a high profile Cerdd Cymru:Music Wales event at SXSW in Austin Texas in conjunction with Swn Festival hosted by DJ Huw Stephens.</li> </ul> <p>Our presence at the Venice Biennale is recognised as one of our most successful showcases with record visitor numbers recorded in the opening month. In September 2011, it was announced that Cardiff will host WOMEX 2013.</p>

Detailed monitoring of performance against these performance indicators is carried out and reported on quarterly to the Senior Management Team, Council and the Welsh 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 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. We recently completed our Investment Review 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 2012 in respect of these grants:

<i>Grant type</i>	<i>up to 31 March 2012</i>	<i>from 1 April 2012</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) 4 application deadlines each year – April, June, September & January £1,000 - £30,000 (organisations providing training) 2 application deadlines each year – April & September	£250 - £5,000 (organisations providing or accessing training) £250 - £2,000 (individuals accessing industry-recognised training) Open to application at any time £5,001 - £30,000 (organisations providing training or accessing industry-recognised training) 4 application deadlines each year – May, July, October & February
<b>Small grants</b> support organisations or individuals for small scale or pilot projects or where there are significant levels of funding from other sources	£250 - £5,000 4 application deadlines each year (organisations & individuals) – April, June, September & January	£250 - £5,000 Open to application at any time
<b>Research and development grants</b> support periods of experimentation and testing of artistic ideas		£250 - £5,000 (organisations) £250 - £3,000 (individuals) Open to application at any time
<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 - September	Details to be confirmed later in 2012
<b>Large grants (known before April 2012 as Mainline Production and Development grants)</b> 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 – April & September	£5,001 - £30,000 (organisations) £5,001 - £25,000 (individuals) 4 application deadlines each year – May, July, October & February
Maximum level of funding for organisations and individuals	75% of eligible costs (organisations) 90% of eligible costs (individuals)	Generally 75% of eligible costs but 80% for Theatre Production & Development and Music Industry Development grants (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	<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>	

Except in specific circumstances, successful applicants are allowed no more than one 'live' project grant per year, whatever its value.

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.artscouncilofwales.org.uk](http://www.artscouncilofwales.org.uk).

## **Financial review**

The Council has two principal funding sources: grant-in-aid from the Welsh 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 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 2012 (2011: £Nil).

Our holding of cash reserves is restricted by the Welsh Government's month-end and year-end flexibility directions. Within those parameters, our policy is to manage cash flow by drawing down funds each month to meet planned expenditure with a modest allowance for unforeseen short-term cash requirements. We review this policy and our reserves position annually.

### *Investment*

Investment powers are governed by the Trustee Act 2000 and the Framework Document 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 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 £36,561,000 (2010/11: £36,439,000), net incoming resources of £395,000 (2010/11: £640,000), net current assets of £2,616,000 (2011: £2,217,000) and total fund balances at 31 March 2012 of £2,903,000 (2011: £2,508,000).

At 31 March 2012 the Council had formally offered forward grants for 2012/13 of £28,302,000 (2011/12: £28,359,000).

The Lottery distribution account shows the Council's 2011/12 share of the proceeds from the National Lottery of £15,083,000 (2010/11: £12,878,000). The combined total



incoming resources for both general and Lottery activities for 2011/12 was £51,793,000 (2010/11: £49,432,000).

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 1f. Lottery grants are charged only when the formal offer has been accepted by the recipient. Although not all charged as expenditure in the Statement of Comprehensive Net Income, during 2011/12 Council approved Lottery grants amounting to £9,334,000 (2010/11: £6,169,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2011/12 was £46,791,000 (2010/11: £42,744,000).

## Plans for future periods

The Council has prepared a new Operational Plan for 2012/13, which is the final, additional year of our extended Corporate Plan first published in 2008 and updated in 2009.

Our priorities for this year continue to focus on achieving the high level targets in our Corporate Plan. Key tasks during 2012/13 will be the implementation of our Investment and Organisational Reviews, both of which have significant implications for our work in 2012/13.

Our corporate themes and planned activities for 2012/13 are as follows:

<i>Corporate theme/Strategic area</i>	<i>Priorities 2012/13</i>
<p><b>Supporting the best in the creation of great art</b></p> <p><b>What will success look like?</b></p> <p>Through our Investment Review we have achieved our Corporate Plan objective of a portfolio of better funded organisations (our revenue funded organisations). The challenge now – a challenge made more demanding by the current economic recession – is whether these organisations can now succeed artistically and financially.</p> <p>Of course, we can't guarantee that every artist or arts organisation that we support will have the good grace to create a work of genius. However, we <u>can</u> help to create an environment in which ambitious, exciting and compelling work becomes a more likely outcome.</p>	
<p>We'll know that we're making progress if:</p> <ul style="list-style-type: none"> <li>– our arts policies and strategies encourage more evidence of ambitious, innovative arts practice</li> <li>– the quality of work produced by organisations that we fund encourages an increase in arts attendance</li> <li>– arts audiences express high levels of satisfaction with the quality of the activity that they're experiencing</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Produce new Arts Strategy document (a successor to our current Artform Strategies and Arts Council/WAI International Strategy).</li> <li>• Review the impact of the implementation of new funding programmes/strategies (Festivals, National Touring, Theatre Development, Public Art, Music Industry Development Fund)</li> <li>• Commission a Public Satisfaction Survey into the arts promoted by RFOs</li> </ul>

<i>Corporate theme/Strategic area</i>	<i>Priorities 2012/13</i>
<ul style="list-style-type: none"> <li>– in the judgement of our professional Officers and Advisers, the quality of work delivered by our revenue funded organisations is of a consistently high standard</li> <li>– proposals submitted to our Creative Wales awards are of a high quality</li> <li>– there is regular and positive media coverage of the arts in Wales</li> <li>– competition for Lottery grants focuses funding decisions on the strongest and most persuasive applications</li> <li>– our partnerships with other bodies are providing new opportunities to highlight interesting arts activities</li> </ul>	<p><b>Projects</b></p> <ul style="list-style-type: none"> <li>• Work with our portfolio of RFOs to support them in their efforts to increase audiences, to exchange knowledge and share best practice</li> <li>• Achieve increased international recognition for Welsh artists and arts organisations</li> <li>• Establish new project delivery partnership for Wales in Venice 2013</li> </ul> <p><b>Services</b></p> <ul style="list-style-type: none"> <li>• Ensure nationwide monitoring of the quality of our RFOs</li> <li>• Support a strong cohort of artists through the Creative Wales awards</li> <li>• Use our media contacts to promote the arts in Wales</li> </ul> <p><b>Partnerships</b></p> <ul style="list-style-type: none"> <li>• Maintain effective partnerships with British Council and Cadw</li> </ul> <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>• Establish new list of National Advisers</li> </ul>
<p><b>Encouraging more people to enjoy and take part in the arts</b></p> <p><b>What will success look like?</b></p> <p>Levels of arts attendance and participation are currently high in Wales. But as average household income reduces, attendance and participation figures will come under pressure. However, it's not just about defending and protecting what already exists. We want to see the arts activities that we support reaching out to a wider cross section of the population of Wales – to people who've previously experienced barriers to attending and taking part in the arts.</p>	
<p>We'll know that we're making progress if:</p> <ul style="list-style-type: none"> <li>– our Omnibus Survey reports demonstrate that levels of attendance and participation are not only remaining consistent, they are increasing</li> <li>– the quality of work produced by organisations that we fund encourages an increase in arts attendance and participation across a more diverse cross section of the population</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Implement our Young Creators/Child Poverty strategy</li> <li>• Promote greater awareness and implement our new Single Equality Plan</li> <li>• Review the impact of the implementation of new Creative Steps programme</li> </ul> <p><b>Projects</b></p> <ul style="list-style-type: none"> <li>• Work with our portfolio of RFOs to support them in their efforts to increase arts participation</li> <li>• Pilot new methods of engaging 'hard to reach' young people through the delivery of the Splash Arts and Reach the Heights programmes</li> </ul>

<i>Corporate theme/Strategic area</i>	<i>Priorities 2012/13</i>
<ul style="list-style-type: none"> <li>– implementation of our new Single Equality Plan is creating new opportunities for a more diverse range of artists and arts organisations to create, present and promote work</li> <li>– implementation of our new strategies for arts and young people encourages more opportunities for young people to engage directly in creative activity</li> <li>– if implementation of our new strategies to tackle Child Poverty result in a more equal access to the arts</li> <li>– we're seeing an increase in the number of arts projects developed in Communities First areas</li> <li>– our Night Out scheme delivers high quality performances to local communities across Wales</li> </ul>	<ul style="list-style-type: none"> <li>• Pilot new initiative to explore innovative ways of encouraging increased arts attendance by low income families</li> <li>• Deliver the Wales component of the 2012 Cultural Olympiad</li> </ul> <p><b>Services</b></p> <ul style="list-style-type: none"> <li>• Monitoring levels of overall attendance and participation in the arts in Wales</li> <li>• Promoting high quality touring activity in local communities across Wales through our Night Out service</li> </ul> <p><b>Partnerships</b></p> <ul style="list-style-type: none"> <li>• Support BME artists' development programme through service agreement with BVSNW</li> <li>• Support Voluntary Arts development of <i>Running Your Group</i> programme in Wales</li> </ul> <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>• Increase the diversity of the Arts Council of Wales Council members and its staff</li> </ul>
<p><b>Growing the arts economy</b></p> <p><b>What will success look like?</b></p> <p>We want to see a financially resilient arts sector that is not wholly dependent on public subsidy. With the value of public subsidy for the arts decreasing in real terms, such dependency could only have negative implications.</p> <p>The Arts Council will use all its powers of advocacy to encourage the widest possible range of public and private sector agencies to invest in the arts. However, we believe that success will largely depend on the extent to which artists and arts organisations are able to build their own business capability and exploit the full value of their artistic worth.</p>	
<p>We'll know that we're making progress if:</p> <ul style="list-style-type: none"> <li>– artists and arts organisations demonstrate an entrepreneurial approach to developing new local, national and international markets for their work</li> <li>– artists and arts organisations are investing in their professional and organisation development</li> <li>– our revenue funded arts organisations are able to reduce the level of subsidy as a proportion of their overall income</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Implement new Lottery Capital strategy and funding programme</li> <li>• Formulate strategies for: <ul style="list-style-type: none"> <li>○ the Creative Industries</li> <li>○ Digital Arts</li> <li>○ training and workforce development</li> <li>○ Arts and Regeneration</li> <li>○ European funding</li> </ul> </li> </ul> <p><b>Projects</b></p> <ul style="list-style-type: none"> <li>• Re-launch Collectorplan to increase the number and value of art purchase loans</li> </ul>

<i>Corporate theme/Strategic area</i>	<i>Priorities 2012/13</i>
<ul style="list-style-type: none"> <li>– we see more examples of organisations working together to develop creative projects or to share costs and services</li> <li>– the opportunities offered by new digital technologies are understood and widely used across the arts in Wales</li> <li>– the arts in Wales are operating on a more sustainable basis</li> <li>– local government across Wales values the arts and maintains levels of funding and service delivery</li> <li>– Wales’s principal public service broadcasters – BBC Cymru Wales, S4C and ITV Wales – develop new partnerships with the arts</li> </ul>	<ul style="list-style-type: none"> <li>• Using existing research/data, establish the level and extent of employment in the arts in Wales</li> <li>• Capitalise on the opportunity provided by WOMEX 2013 to develop new markets for the Welsh music industry</li> </ul> <p><b>Services</b></p> <ul style="list-style-type: none"> <li>• Deliver a successful annual Arts Council Marketing Symposium</li> <li>• Deliver an Organisational Development Programme for RFOs</li> <li>• Facilitate meetings of Wales European Arts Forum</li> </ul> <p><b>Partnerships</b></p> <ul style="list-style-type: none"> <li>• Develop a new partnership with Local Government that reflects the outcomes of the Welsh Government’s Simpson Review</li> <li>• Develop Public Value Partnerships with BBC Cymru Wales and S4C</li> <li>• Develop Memorandum of Understanding with Creative Industries Sector Team at Welsh Government</li> </ul>
<p><b>Developing the effectiveness and efficiency of our business</b></p> <p><b>What will success look like?</b></p> <p>As we implement the outcomes of our Organisational Review we’ll be striving to create to create a strong, confident organisation providing services that are relevant and useful. We’ll be providing professional services across a range of disciplines. And we’ll be doing so in ways which reduces cost and recognises our responsibility to become a more environmentally sustainable organisation.</p>	
<p>We’ll know that we’re making progress if:</p> <ul style="list-style-type: none"> <li>– the individuals, organisations and stakeholders that we work with express a high level of satisfaction with the quality of our services</li> <li>– we fully exploit the potential of new technology</li> <li>– we process applications, grant payments and financial transactions in a prompt and timely fashion</li> <li>– we’re seen to be improving our environmental sustainability</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Review HR policies</li> <li>• Implement our ICT Strategy</li> <li>• Implement our Accommodation Strategy</li> <li>• Implement an online applications process (IGAM)</li> <li>• Establish our new Information Service</li> <li>• Implement cost cutting measures to help us to achieve our Organisational Review targets</li> </ul> <p><b>Services</b></p> <ul style="list-style-type: none"> <li>• Publish an annual report on the financial and organisational performance of the RFO portfolio</li> </ul>

<i>Corporate theme/Strategic area</i>	<i>Priorities 2012/13</i>
<ul style="list-style-type: none"> <li>– we retain our Investors in People accreditation</li> <li>– we're reducing our running costs</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve published targets for processing of grants applications and financial payments</li> <li>• Achieve high level of public satisfaction with our Information Service</li> </ul> <p><b>Partnerships</b></p> <ul style="list-style-type: none"> <li>• Improve the quality of our engagement with partners and stakeholders across Wales</li> </ul> <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>• Provide clearer information on our Governance arrangements</li> </ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"> <li>• Deal effectively with Complaints and Freedom of Information requests</li> </ul>

## 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 2011/12 staff sickness absence totalled 963 days (2010/11 725 days). This represented 4.30% (2010/11 3.53%) of working days, including 1.77% (2010/11 0.64%) 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 2012, the Council paid 96% (2010/11: 96%) of all invoices within the terms of its payment policy. Since November 2008 the Council, in line with Welsh Government policy, aims to pay invoices within 10 days. For 2011/12 86% (2010/11 87%) of invoices have been paid within 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 2012/13, 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 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% (2010/11: 0.50%) in the year. The effective unrestricted year-end cash balance held by the Council in the bank was £1,739,000 (2011: £967,000), although the Welsh Government had remitted the first instalment of our 2012/13 grant-in-aid, amounting to £5,800,000, on 30 March 2012 so our actual unrestricted year-end cash balance was £7,539,000. 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.

We have reviewed and strengthened our environmental policy and monitor our operations to ensure they are as efficient as possible.

We currently operate from three locations across Wales. We promote the minimisation of waste by encouraging re-use, reduction and recycling. Recycling and waste separation is actively promoted internally, and we use licensed and appropriate organisations to dispose of our waste.

We make use of energy saving devices and equipment to reduce electricity consumption, and encourage staff to reduce consumption whenever possible.

The number of paper copies of our publications is kept to a minimum, and we actively use electronic means wherever possible. We use recycled paper supplies for at least 90% of our copying and other internal needs.

We are actively extending the use of our information technology infrastructure to provide business and environmental benefits; an example being the recent introduction of an on-line grant application system that will reduce the volume of paper we receive, handle, store and re-cycle. Our programme to virtualise our servers has resulted in a reduction in energy for running and cooling.

We promote and encourage the use of environmentally friendly means of transport, 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. Car sharing is encouraged, and we actively promote the use of video conferencing as an alternative to travel.

Environmental Awareness is included in our induction programme and staff are given periodic training and updates.

We encourage high environmental standards in all building projects we fund, and will place emphasis on this when we re-open our Lottery funded capital programme later this year.

We funded the *Emergence – Eginriad* programme which brought together over 300 attendees from across the arts sector in three major conferences in Cardiff, Swansea and Caernarfon. The conferences shared experiences and offered practical tools for more sustainable work in the arts. *Emergence – Eginriad* focuses on two main things: developing

a low-carbon arts infrastructure; and developing the role of the arts as a crucible of ideas and visions for a low-carbon One Planet Wales.

We became a signatory to the Welsh Government's Sustainable Development Charter during the year, and we are committed to securing Green Dragon level 3 accreditation during 2012/13.

We now capture and measure details of our use of consumables, waste, energy, water and staff travel. This will allow us to report on our carbon dioxide emissions in more detail in future years. We calculated that our energy, water and waste usage resulted in 33,411 kilograms of CO<sub>2</sub> emissions during 2011/12, a reduction of 2% compared to the previous year. Emissions in respect of transport, however, increased, due in part to our support of artists involved in the *Writers Chain* in India. We plan to reduce our overall CO<sub>2</sub> emissions by at least 2% in 2012/13.

### **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. Ensuring greater access to the arts is a natural priority for a body, such as us, that is in receipt of public funds. We are fully committed to removing the barriers that prevent and impede people from enjoying and taking part in the arts.

We continue to 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.

### **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.

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 Government.

Each year, in consultation with the recognised trade union, a pay remit is produced and submitted to the Welsh 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 Government which reflects a minimum time commitment to Council business. Annual increases of the Chairman's salary are also advised by the Welsh 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 Government, is consolidated into the Chief Executive's salary and the remainder is paid as a non-consolidated award. Guidance received from the Welsh Government during the year meant that consolidated basic increases could not be paid, and that non-consolidated payments were strongly discouraged. As a consequence, Remuneration Committee reluctantly concluded that no increase in remuneration would be made to the Chief Executive during the year.

Further details of the remuneration and pension benefits of the Chairman, Chief Executive and other senior directors are provided in note 9b 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 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 (Director of Arts) 1 July 2005; Katherine Davies (Director of Investment and Funding Services from 1 February 2012) 24 August 1998; Diane Hebb (Director of Engagement and Participation from 1 February 2012) 13 January 1992; Siân Tomos (Director of Enterprise and

Regeneration from 1 February 2012) 3 May 1994; and Hywel Tudor (Director of Finance and Resources) 21 January 2002.

The Remuneration Committee members who served since 1 April 2011 were:

Professor Dai Smith (Council member); Dr Ian Rees (Council member, until 31 March 2012); Margaret Jervis MBE DL (Council member); and Bethan Guilfoyle CBE (independent member).

## 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 judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the SORP and the *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 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 Government's Accounting Officers' Memorandum issued by HM Treasury.

Nicholas Capaldi  
Accounting Officer

5 July 2012

Dai Smith  
Chairman

5 July 2012

## GOVERNANCE STATEMENT

The Arts Council of Wales - Cyngor Celfyddydau Cymru - was established by Royal Charter on 30 March 1994. It is a registered charity (number 1034245), a Welsh Government sponsored body, and a Lottery Distributor.

The organisation is governed by a Board of Trustees – Council – who bring specific expertise and knowledge. Members of the Board are appointed by the Welsh Government's Minister for Housing, Regeneration and Heritage. The Chair of Council is a remunerated position; individual members provide their time and expertise on a volunteer basis.

Further details regarding our structure, governance and management, as well as our charitable objectives, activities, achievements and performance for the public benefit can be found on pages 1 to 22.

### **Scope of responsibility:**

Council is responsible for ensuring the Arts Council of Wales conducts its business in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

Council is committed to operating thorough the medium of both the Welsh and English languages, and has put appropriate arrangements in place consistent with its published Welsh Language scheme, a statutory requirement.

This statement explains how the Arts Council of Wales has complied with the various elements of the Governance Framework.

### **The purpose of the governance framework:**

The governance framework comprises the systems and processes, and culture and values, by which the Arts Council of Wales is directed and controlled. It enables Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of its corporate priorities.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. Further details are shown on pages 32 to 34.

The Trustees and I consider that the arrangements we have in place reflect the spirit of the code of best practice, and have complied with the principles specified in the Corporate Governance Code, issued by HM Treasury, where relevant for the Arts Council of Wales throughout the year to 31 March 2012. A more formal assessment process will be introduced in the current year.

### **Governance structure:**

Council is the ultimate decision making body for the organisation. It is responsible for the strategic direction and management of the organisation, and for ensuring that, through the Chief Executive, the organisation operates within the policy framework set by the Welsh

Government. Council is responsible for formulating strategies; ensuring the organisation makes efficient and effective use of the resources at its disposal; and for ensuring high standards of propriety.

Council has reserved to itself the exclusive authority to take decisions on a number of key areas; these are detailed in the Code of Best Practice. In order to discharge its responsibilities effectively, Council has also appointed a number of committees to provide specialist advice and to make decisions within a framework of delegated powers. Certain decisions are also delegated to staff, details of which are contained in the Code of Best Practice.

Council-appointed committees are:

- Audit Committee
- Capital Committee
- Remuneration Committee

There are three regional committees, and ad hoc committees that act in an advisory capacity. Further information is provided on page 28.

Each committee is made up of Council members, one of whom acts as chair, and co-opted individuals. Committees operate under specific terms of reference. Minutes of each of the committee's meetings are provided to the next available meeting of Council.

Council has also established an executive, headed up by the Chief Executive who is the designated Accounting Officer for the Arts Council of Wales. The Chief Executive is supported by a Senior Management Team, each of whom has functional responsibility for particular aspects of the organisation.

An Organisational Review began in 2011, and has examined in detail the structure of the organisation. Radical changes were introduced, including a new structure, alterations to a large number of roles, changes in working practices and a review of the Committee structure. Information on areas of responsibility of the new Senior Management Team is shown below. The new staff structure took effect 1 May 2012, and other changes are being implemented.

We are also in the process of reviewing our committee structures and delegation arrangements. This review will be completed during the current year.

### **Council:**

Following recent appointments by the Minister for Housing, Regeneration and Heritage, Council now comprises of a Chairman and fourteen members; details are shown on pages 1 and 2.

During 2011/12, Council met seven times to discharge its responsibilities, receiving reports prepared by officers on matters of strategy and performance and setting plans and budgets. A list of members of Council appears on page 1 together with details of each member's attendance at Council and, where applicable, committee meetings. Details of attendance by independent members are also shown on pages 1 and 2.

## Committees:

The **Audit Committee** consists of four members of Council and two independent members. It is responsible for providing assurance to Council on the effectiveness of our governance, risk management and internal control arrangements. An annual report summarising the Committee's work, and drawing attention to material issues, is submitted to Council; no material issues were reported during the year.

The Committee met six times during the year, and amongst its work reviewed:

- each report produced by the internal auditors as part of the agreed programme, and the internal audit annual report
- the new Framework Document between the Welsh Government and the Arts Council
- monitoring arrangements for our revenue-funded organisations
- the content of this Report and Financial Statements prior to its submission to Council for approval
- observations made by the external auditors, particularly the annual Management Letter and the Additional Assurance Report, and
- provided a mechanism for assurance to the trustees.

The **Capital Committee** consists of three members of Council and three independent members. It is responsible for advising Council on development of policy on all aspects of capital development, including funding priorities and schemes; taking decisions for lower value capital grants under delegated authority; and recommending larger capital grants to Council.

The Committee met three times during the year.

The **Remuneration Committee** consists of three members of Council and one independent member. It met once during the year to review the performance of the Chief Executive against agreed objectives, and to set targets for the forthcoming year; and to agree the levels of remuneration for the Chair within the limits determined by the Welsh Ministers.

Currently, there are three **Regional Committees** – North Wales, Mid and West Wales, and South Wales – which act in an advisory capacity to Council. Ad hoc committees are set up for specific purposes, such as the committee which oversaw the organisation of our presence at the Venice Biennale of Art.

Members of Council and all Committees are required to complete an annual declaration of interest statement, to confirm declarations of interest at each meeting, and to ensure changes in circumstances are promptly notified. Officers are also required to complete an annual declaration of interest statement, and to ensure changes are promptly notified.

The register of interests of Members of 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.

### **Chief Executive:**

The Chief Executive is the designated Accounting Officer and ensures compliance with established policies, procedures, laws and regulations. The Chief Executive also has 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 he is personally responsible, in accordance with the responsibilities assigned to him in *Managing Welsh Public Money* and in the Framework Document – both of which are issued by the Welsh Government – and Lottery finance directions issued by the Department for Culture, Media and Sport.

The Chief Executive is also responsible for developing and implementing strategy, and for the day to day operation of the organisation in conjunction with the senior management team, and with the support of the Management Board – comprising of the senior management team and Heads of Department.

### **Senior Management Team:**

The Senior Management Team previously consisted of the Chief Executive, the Director of Arts, and the Director of Finance and Central Services. Following the Organisational Review, the structure and composition of the Senior Management Team was changed. With effect from 1 February 2012 we now have an Arts Development Team based around three directorates – Arts; Engagement and Participation; Enterprise and Regeneration – and a Corporate Services Team incorporating two directorates – Finance and Resources; and Investment and Funding Services. Each is led by a director with responsibility for their particular area. Further details can be found on pages 23 to 24 and note 9b.

The Senior Management Team met regularly throughout the year and also met, usually monthly, with heads of departments as part of the Management Board.

### **Focusing on the purpose of the organisation and on outcomes:**

Council's three-year Corporate Plan, first published in 2008 and updated in 2009, set out our strategic objectives, namely:

- supporting the creation of high quality art in Wales
- encouraging more people to enjoy and take part in the arts
- growing the arts economy
- making the Arts Council an effective and efficient business

Details of our strategic priorities for 2011/12, together with key achievements made in relation to each priority during the year, can be found on pages 5 to 12.

As part of our performance management arrangements, we monitor and report against a series of key performance indicators. Detailed monitoring of progress against each of our key performance indicators is carried out and reported quarterly to the Senior Management Team, to Council and to the Welsh Government.

A new three-year Corporate Plan for 2013 to 2016 will be developed during the current year. It will be informed by the policy priorities of the Welsh Government, working with the Minister for Housing, Regeneration and Heritage.

### **Working together to achieve a common purpose:**

Arrangements are in place to ensure the roles and responsibilities of members and officers are clearly defined.

The **Code of Practice**, which can be found on the Council's website, sets out:

- how the Council operates and makes decisions
- the procedures to ensure that decision-making is transparent and accountable
- the key roles of Council members and senior officers, including the lead responsibilities for corporate governance of the Chair and the Chief Executive
- a scheme of delegated powers for decision-taking, and details of decisions taken by Council
- responsibilities for reviewing and agreeing the Council's corporate governance arrangements
- the standards of propriety expected of Council members
- related codes and protocols

Each committee is required to operate under clearly defined terms of reference.

During the year, a new Framework Document, incorporating our Management Statement and our Financial Memorandum, between the Welsh Government and the Arts Council was finalised. It sets out the broad framework within which we are required to operate in terms of the grant-in-aid we receive from the Welsh Government, and details the conditions under which Welsh Ministers provide that grant-in-aid.

Lottery policy and finance directions provide the framework within which we are required to operate as a Lottery Distributor.

### **Promoting values through upholding high standards of conduct and behaviour:**

New members of Council 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. Further details are contained on page 3.

New members of staff also undergo an induction process to brief them on the requirements and expectations of their role and of the organisation. The induction training provides information on a range of policies, procedures and regulations including those relating to financial control, human resources (HR), health and safety, equalities and IT security.

Council takes fraud, corruption and maladministration very seriously and has policies to prevent, and deal with, such occurrences, including:

- A "Whistle-blowing" policy
- Anti-fraud policy



Council also expects high standards of behaviour from members of staff and has HR policies in place regarding grievance, harassment and bullying, and disciplinary action.

The Council has a Complaints Policy in place for the benefit of grant applicants or any other stakeholders. This enables the Council to take remedial action and make improvements where necessary.

### **Taking informed and transparent decisions:**

Council has reserved to itself powers to take certain decisions, and delegates others to officers and to a Capital Committee, under a scheme of delegation. Further details are shown on pages 3 to 4.

Responsibility for the development of policy rests with Council. Officers develop written proposals that are then discussed and refined at Council. We seek to put key policy proposals out to public consultation, via the Council's website, and use the feedback to further inform discussions at Council before finalising a policy.

Council discussions are minuted, and those minutes are published on our website. Clear guidelines for each of our grant funding programmes are published annually, details of which can be found on the Council's website. Details of all the grants made during the year are published and can be found in our Annual Report 2011/12.

Systems and processes are in place for the collection, recording, analysis and reporting of data and are focused on securing data which is accurate, valid, reliable, timely, relevant and complete.

Information is provided to the Senior Management Team, to Council, and to the Audit, Capital and Remuneration Committees to enable them to discharge their respective responsibilities. Council and committees undertake periodic self-assessment exercises which examine a range of aspects of their work. The Council, on the whole, finds the quality of data provided to be acceptable, and regularly monitors it to ensure it meets their requirements. This will continue. In the spirit of continuous improvement, Council also intends during the year to review existing arrangements to assess its own performance and if appropriate to introduce changes to enhance them. The review will also take account of the requirements contained in the official guidance in respect of the Governance Statement which we received in February 2012.

### **Developing the capacity and capability of members and officers:**

The Council aims to ensure that members, managers and staff have the necessary skills, knowledge and capacity required to discharge their responsibilities, and recognises the value of well trained, competent people in the delivery of our activities.

All new members and staff attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures.

Audit Committee holds a training session at most meetings designed to develop members' knowledge of areas of our business, as well as covering technical aspects of the Committee's work.

Members of staff receive annual performance appraisals against set objectives, which are linked to our corporate and operational plans. Members of staff are also actively encouraged and supported with personal development and training, as well as receiving appropriate targeted training when necessary.

### **System of internal control:**

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 *Managing Welsh Public Money*, the Financial Memorandum, now incorporated into our Framework Document, and in the Lottery finance directions.

### **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 2012 and up to the date of approval of the trustees' annual report and financial statements, and accords with Treasury guidance.

### **Risk Management:**

#### **Capacity to handle risk:**

The risk management process is led by the Senior Management Team and endorsed by Council and the Audit Committee. Members of 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.

#### **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.

As Chief Executive I have overall responsibility for the system of internal control and securing adherence to our policy on risk management, which 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. 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 ICT systems and data protection.

Council has established the following processes:

- the Senior Management Team meets regularly to consider the plans and strategic direction of the Council;
- annual reports from the Audit Committee to Council providing assurance on the effectiveness of governance, risk management and internal control arrangements;
- 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, which are reviewed quarterly by Council.

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

A number of key areas of risk were identified, which have been evaluated and managed during the year. These include: the implementation and delivery of our Organisational Review; the management of major projects, including large Lottery-funded capital developments, three European-funded initiatives, and the formation of Cerdd Cymru: Music Wales Limited, a joint arrangement with the Welsh Music Foundation, which will be used to deliver WOMEX 2013 in Cardiff.

As part of our monitoring programme, we commissioned an independent review of one of the organisations in our Revenue Funded Organisation (RFO) portfolio. A number of control weaknesses and other matters of concern were identified. The organisation responded positively to our concerns, we worked closely with them to ensure prompt corrective action was taken, and we will continue to monitor progress as a condition of continued funding. We plan to conduct similar reviews of other RFOs in our portfolio in the year ahead.

#### **Review of effectiveness:**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review 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.

The Council, Audit Committee, and the internal auditors have advised me on the implications of the results of my review of the effectiveness of the internal control system, 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.

Our internal auditors work to standards defined in the Government Internal Audit Manual, led by a designated Head of Internal Audit. Eight reviews were carried out during the year, seven of which provided substantial assurance; the other was an advisory review. Our current internal auditors also revisited thirty three prior year recommendations raised by their predecessors. Twenty three of the recommendations had been fully implemented, seven partially implemented, and two will not be re-raised. The remaining recommendation could not be validated due to timing.

The internal auditors provided the following opinion on the adequacy and effectiveness of the Council's arrangements in their Annual Report:

*"We are required to provide assurance on risk management, control and governance. Based on the work we have undertaken during the year we are able to conclude that the Arts Council of Wales has a basically sound system of internal control, which should provide substantial assurance regarding the achievement of the Arts Council of Wales' objectives".*

Nicholas Capaldi  
Accounting Officer  
5 July 2012

## 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 the Arts Council of Wales General Activities Account for the year ended 31 March 2012 under Article 11 of the Council's Royal Charter. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and 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**

As explained more fully in the Statement of Council's and the Accounting Officer's Responsibilities, the Council and Chief Executive as Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with Article 11 of the Council's Royal Charter and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Arts Council of Wales' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Arts Council of Wales; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that 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.

### **Opinion on Financial Statements**

In my opinion the financial statements:

- give a true and fair view of the state of the Arts Council of Wales's affairs as at 31 March 2012 and of its surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with the Welsh Ministers' directions issued under Article 11 of the Council's Royal Charter.

## **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.

## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Welsh Ministers' directions made under Article 11 of the Council's Royal Charter; and
- the information included within the Trustees Annual Report is consistent with the financial statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

## **Report**

I have no observations to make on these financial statements.

Huw Vaughan Thomas  
Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

16 July 2012

# THE ARTS COUNCIL OF WALES

## STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 March 2012

		Unrestricted funds	Restricted funds	2012 Total	2011 Total
	Note	£'000	£'000	£'000	£'000
<b>INCOMING RESOURCES</b>					
Incoming resources from generated funds					
<i>Voluntary income:</i>					
Grant-in-aid from the Welsh Government	3	30,293	4,435	34,728	34,790
Other grants and donations	4	1	1,415	1,416	1,239
Sub-total Voluntary income		<u>30,294</u>	<u>5,850</u>	<u>36,144</u>	<u>36,029</u>
<i>Activities for generating funds:</i>					
Services and sponsorship	5	191	102	293	290
<i>Investment income:</i>					
Bank interest		15	-	15	15
Other incoming resources	6	109	-	109	105
<b>Total incoming resources</b>		<u><b>30,609</b></u>	<u><b>5,952</b></u>	<u><b>36,561</b></u>	<u><b>36,439</b></u>
<b>RESOURCES EXPENDED</b>					
Charitable activities	7,8,9	29,908	6,155	36,063	35,695
Governance costs	10	88	-	88	89
Bank interest surrendered to Welsh Consolidated Fund		15	-	15	15
<b>Total resources expended</b>		<u><b>30,011</b></u>	<u><b>6,155</b></u>	<u><b>36,166</b></u>	<u><b>35,799</b></u>
<b>Net incoming/(outgoing) resources</b>		<b>598</b>	<b>(203)</b>	<b>395</b>	<b>640</b>
Gross transfers between funds	16	<u>(145)</u>	<u>145</u>	<u>-</u>	<u>-</u>
<b>Net movement in funds</b>		<b>453</b>	<b>(58)</b>	<b>395</b>	<b>640</b>
Fund balances brought forward		<u>2,338</u>	<u>170</u>	<u>2,508</u>	<u>1,868</u>
<b>Total funds carried forward</b>		<u><b>2,791</b></u>	<u><b>112</b></u>	<u><b>2,903</b></u>	<u><b>2,508</b></u>

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

The notes on pages 40 to 55 form part of these financial statements

# THE ARTS COUNCIL OF WALES

## BALANCE SHEET

as at 31 March 2012

		2012		2011	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible fixed assets	11a		37		64
Tangible fixed assets	11b		299		334
			<u>336</u>		<u>398</u>
<b>Current assets</b>					
Grants paid in advance	12	469		150	
Other debtors and prepayments	13	1,530		1,498	
Cash at bank and in hand <sup>1</sup>		<u>7,651</u>		<u>1,258</u>	
		<u>9,650</u>		<u>2,906</u>	
<b>Creditors: amounts falling due within one year</b>					
Grants payable		(344)		(99)	
Other creditors falling due within one year <sup>1</sup>		<u>(6,690)</u>		<u>(590)</u>	
	14	<u>(7,034)</u>		<u>(689)</u>	
<b>Net current assets</b>			<u>2,616</u>		<u>2,217</u>
<b>Total assets less current liabilities</b>			2,952		2,615
<b>Creditors: amounts falling due after more than one year</b>					
Deferred income	15		(49)		(107)
<b>Net assets</b>			<u><u>2,903</u></u>		<u><u>2,508</u></u>
Represented by:					
<b>Funds</b>					
Unrestricted funds	16		2,791		2,338
Restricted funds	16		<u>112</u>		<u>170</u>
			<u><u>2,903</u></u>		<u><u>2,508</u></u>

<sup>1</sup> The Welsh Government remitted the first instalment of our 2012/13 grant-in-aid, amounting to £5,800,000, on 30 March 2012. Although included in the year end cash balance this has not been recognised in the 2011/12 Statement of Financial Activities but is included in Other creditors falling due within one year as income in advance.

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

The notes on pages 40 to 55 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  
5 July 2012

Dai Smith  
Chairman  
5 July 2012



## THE ARTS COUNCIL OF WALES

### CASH FLOW STATEMENT

for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
<b>Net cash inflow from operating activities</b>	18a	6,449	(121)
Bank interest		15	15
		<hr/>	<hr/>
		6,464	(106)
Capital expenditure	18b	(71)	(68)
		<hr/>	<hr/>
<b>Increase/(Decrease) in cash in the year<sup>1</sup></b>	18c	<b>6,393</b>	<b>(174)</b>
		<hr/> <hr/>	<hr/> <hr/>

<sup>1</sup> The Welsh Government remitted the first instalment of our 2012/13 grant-in-aid, amounting to £5,800,000, on 30 March 2012. Although included in the year end cash balance this has not been recognised in the 2011/12 Statement of Financial Activities but is included in Other creditors falling due within one year as income in advance.

The notes on pages 40 to 55 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 2006 and 2011, 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 true and 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. Cerdd Cymru:Music Wales Limited**

Cerdd Cymru:Music Wales Limited, a 50 per cent joint arrangement with the Welsh Music Foundation, is accounted for as a joint arrangement that is not an entity (JANE) in accordance with FRS 9. The Council accounts for its share of the assets, liabilities and cash flows of the company (note 21).

**c. 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.

**d. 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, Olympics, 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 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.

**e. 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.

**f. 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 20, 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 true and 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.

**g. Services and sponsorship**

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

**h. Allocation of operating costs**

Operating costs have been allocated first between charitable activities and governance. Operating costs relating to charitable activities have been apportioned to reflect the time spent by staff in delivering direct activities and in support of their delivery. The allocation and analysis of these costs is in notes 7, 8 and 9.

**i. 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 10.

**j. 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.

**k. Recognition of liabilities**

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

**l. 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.

**m. 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.

Website development costs, in accordance with Urgent Issues Task Force abstract 29, are treated as tangible fixed assets.

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 and amortisation. The Council considers that there is no significant difference between the book and market values.

**n. 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
Website development costs	over 3 years
Computer system	over 3 years

**o. 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.

**p. 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.

**q. 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.

**r. 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.

s. **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.

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

The separate Lottery distribution account shows the Council's 2011/12 share of the proceeds from the National Lottery of £15,083,000 (2010/11: £12,878,000). The combined total incoming resources for both general and Lottery activities for 2011/12 was £51,793,000 (2010/11: £49,432,000).

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 Statement of Comprehensive Net Expenditure, during 2011/12 Council approved Lottery grants amounting to £9,334,000 (2010/11: £6,169,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2011/12 was £46,791,000 (2010/11 £42,744,000).

3. **Incoming resources**

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

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

	Unrestricted funds £'000	Restricted funds £'000	2012 Total £'000	2011 Total £'000
Cash grant-in-aid paid in full	30,293	4,435	34,728	31,290
Capital investment for specific organisations	-	-	-	3,500
Grant-in-aid credited to incoming resources in the Statement of Financial Activities	<b>30,293</b>	<b>4,435</b>	<b>34,728</b>	<b>34,790</b>

4. **Incoming resources**

**Voluntary income: Other grants and donations**

	Unrestricted funds £'000	Restricted funds £'000	2012 Total £'000	2011 Total £'000
Grants from European funds	-	984	984	906
Legacy Trust UK	-	425	425	333
Millennium Stadium Trust (for Young Promoters Scheme)	-	6	6	-
Prior years' grants no longer required	1	-	1	-
	<b>1</b>	<b>1,415</b>	<b>1,416</b>	<b>1,239</b>

5. Incoming resources

Activities for generating funds: Services and sponsorship

	Unrestricted funds £'000	Restricted funds £'000	2012 Total £'000	2011 Total £'000
Community Touring scheme:				
- contributions from venues/promoters	132	-	132	129
Wales Arts International:				
- contribution from the British Council	-	43	43	50
- contributions from others	-	24	24	2
Collectorplan charges	28	-	28	26
Legacy Trust UK - management fees	21	-	21	36
Cultural Olympiad 2012:				
- contribution from the Welsh Government	-	29	29	27
Arts Marketing Symposium - trainee fees	-	2	2	4
Contribution towards the <i>Ashes</i> commission	10	-	10	-
Contributions towards the Venice Biennale of Art	-	4	4	-
Annual Conference - delegate fees	-	-	-	6
Arts & Health Symposium - delegate fees	-	-	-	1
Clore Fellowship - refund of fees	-	-	-	2
Fees for exhibition work at Gwydyr House, Whitehall	-	-	-	6
Royalties	-	-	-	1
	<b>191</b>	<b>102</b>	<b>293</b>	<b>290</b>

6. Incoming resources

Other incoming resources

	Unrestricted funds £'000	Restricted funds £'000	2012 Total £'000	2011 Total £'000
Lease incentive - release of deferred income (note 15)	58	-	58	59
Contribution from the Lottery Distribution account for use of fixed assets	51	-	51	46
	<b>109</b>	<b>-</b>	<b>109</b>	<b>105</b>

7. Resources expended

Charitable activities

	Direct activities £'000	Support costs £'000	2012 Total £'000	2011 Total £'000
Grant making and arts development <sup>1</sup>	30,815	456	31,271	31,207
Arts strategy and research	928	147	1,075	1,171
International	840	89	929	812
European funded projects	1,106	12	1,118	1,135
WOMEX 2013 <sup>2</sup>	69	10	79	-
Services: <i>Night Out</i> & <i>Collectorplan</i>	607	67	674	656
Cultural Olympiad 2012 & Legacy Trust UK	560	38	598	452
Advocacy	289	30	319	262
	<b>35,214</b>	<b>849</b>	<b>36,063</b>	<b>35,695</b>

<sup>1</sup> Including grants awarded:

- to public bodies	4,575	8,309
- to private bodies	24,654	21,220
	<b>29,229</b>	<b>29,529</b>

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

<sup>2</sup> WOMEX 2013 is being delivered by Cerdd Cymru:Music Wales Limited (note 21). The expenditure includes an amount of £50,000 which the Council agreed to meet as part of the joint arrangement.

8. Operating costs

	Gross costs £'000	Deduct Recharges to Lottery Distribution £'000	2012 Net charge to General Activities £'000	2011 Net charge to General Activities £'000
<b>Charged to Direct activities</b> (note 7)				
Grant making and arts development	705	337	368	251
Arts strategy and research	157	41	116	134
International	70	-	70	82
European funded projects	10	-	10	25
Services: <i>Night Out &amp; Collectorplan</i>	53	-	53	57
Cultural Olympiad 2012 & Legacy Trust UK	30	-	30	21
Advocacy	65	41	24	27
	<b>1,090</b>	<b>419</b>	<b>671</b>	<b>597</b>
<b>Charged to Support costs</b> (note 7) <sup>1</sup>				
Staff related costs	23	16	7	101
Organisational review	37	11	26	-
Infrastructure	187	90	97	41
Office running costs	19	7	12	25
Professional fees	39	29	10	13
Irrecoverable VAT	46	24	22	16
Amortisation and depreciation	48	17	31	50
	<b>399</b>	<b>194</b>	<b>205</b>	<b>246</b>
<b>Total</b>	<b>1,489</b>	<b>613</b>	<b>876</b>	<b>843</b>

<sup>1</sup> There has been a slight change in the analysis of support costs in 2011/12 compared with the previous year. Had the same basis been used in 2010/11 there would have been no change to the total charged.

9. Staff costs

a. Total staff costs consist of:

	Gross costs £'000	Deduct Recharges to Lottery Distribution £'000	2012 Net charge to General Activities £'000	2011 Net charge to General Activities £'000
Wages and salaries	2,685	799	1,886	2,016
Social security costs	240	66	174	150
Other pension costs	576	158	418	362
Redundancy costs	466	165	301	-
Agency costs	16	6	10	3
	<b>3,983</b>	<b>1,194</b>	<b>2,789</b>	<b>2,531</b>

Staff costs are incorporated in the financial statements as follows:

<b>Charged to Direct activities</b> (note 7)				
Grant making and arts development	1,831	671	1,160	820
Arts strategy and research	448	82	366	397
International	222	-	222	243
European funded projects	31	-	31	74
Services – <i>Night Out &amp; Collectorplan</i>	166	-	166	170
Cultural Olympiad 2012 & Legacy Trust UK	95	-	95	62
Advocacy	111	36	75	79
	<b>2,904</b>	<b>789</b>	<b>2,115</b>	<b>1,845</b>

	Gross costs £'000	Deduct Recharges to Lottery Distribution £'000	2012 Net charge to General Activities £'000	2011 Net charge to General Activities £'000
<b>Charged to Support costs</b> (note 7)				
Management and internal control	483	181	302	300
Finance	194	73	121	121
Information and computer technology	114	43	71	75
Facilities management	62	23	39	39
Human resources	72	27	45	48
Communications	106	40	66	73
	<b>1,031</b>	<b>387</b>	<b>644</b>	<b>656</b>
<b>Charged to Governance</b> (note 10)				
Chairman's remuneration	<b>48</b>	<b>18</b>	<b>30</b>	<b>30</b>
	<b>3,983</b>	<b>1,194</b>	<b>2,789</b>	<b>2,531</b>

The average number of staff (full time equivalents) employed during the year was:	Across the whole Council No	On Lottery Distribution activities No	2012 On General activities No	2011 On General activities No
On charitable activities: directly charged	22	-	22	24
On charitable activities: recharged	48	20	28	28
In support of our charitable activities	18	5	13	15
Agency staff	2	-	2	1
	<b>90</b>	<b>25</b>	<b>65</b>	<b>68</b>

The median annual remuneration (full time equivalents) at 31 March was (whole Council):	2012 £'000	2011 £'000
	<b>30</b>	<b>30</b>

The ratio between the median annual remuneration and the annual remuneration of the highest paid member of staff was (whole Council):	2012	2011
	<b>1:3.12</b>	<b>1:3.12</b>

**Compensation schemes - exit packages (whole Council):**

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
<£9,999	2	-	4	-	6	-
£10,000 to £24,999	2	-	3	-	5	-
£25,000 to £49,999	3	-	1	-	4	-
£50,000 to £99,999	1	-	2	-	3	-
<b>Total number of exit packages</b>	<b>8</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>18</b>	<b>-</b>
<b>Total cost (£'000)</b>	<b>236</b>	<b>-</b>	<b>230</b>	<b>-</b>	<b>466</b>	<b>-</b>

Redundancy costs have been paid in accordance with the provisions of the Council's redundancy policy. The Council usually pays exit costs when employment ends but provides for the exit costs in full at the point when there is sufficiently detailed information to do so.

All 'other departures agreed' related to requests for redundancy where, in accordance with the Council's redundancy policy, the employees' posts either disappeared in the new structure or were filled by other



employees who would otherwise have been compulsorily redundant. There is no difference in the payment entitlements of volunteers and those who are compulsorily redundant.

- b. The Chief Executive and Directors 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	2012	2011	2012		2012		2012	2012	2012
	Emoluments <sup>1</sup> band	Emoluments <sup>1</sup> band	Real increase in pension and related lump sum at age 65	Real increase in pension and related lump sum at age 65	Total accrued pension at age 65 as at 31/03/12 and related lump sum	Total accrued pension at age 65 as at 31/03/12 and related lump sum	Cash <sup>2</sup> Equivalent Transfer Value at 31/03/11	Cash Equivalent Transfer Value at 31/03/12	Real <sup>3</sup> Increase in Cash Equivalent Transfer Value
	£'000	£'000		£'000		£'000	£'000	£'000	£'000
Nicholas Capaldi <i>Chief Executive</i>	90-95	90-95	Pension Lump sum	0-2.5 2.5-5	Pension Lump sum	0-5 10-15	31	55	23
David Alston <i>Director of Arts</i>	65-70	65-70	Pension Lump sum	0-2.5 0-2.5	Pension Lump sum	0-5 10-15	58	83	23
Katherine Davies <i>Director of Investment and Funding Services (from 1 February 2012)</i>	5-10 (FTE: 50-55)	N/A	Pension Lump sum	0-2.5 0-2.5	Pension Lump sum	10-15 40-45	144	189	40
Diane Hebb <i>Director of Engagement and Participation (from 1 February 2012)</i>	5-10 (FTE: 50-55)	N/A	Pension Lump sum	0-2.5 0-2.5	Pension Lump sum	5-10 20-25	72	97	23
Sian Tomos <i>Director of Enterprise and Regeneration (from 1 February 2012)</i>	5-10 (FTE: 50-55)	N/A	Pension Lump sum	0-2.5 0-2.5	Pension Lump sum	10-15 30-35	122	158	32
Hywel Tudor <i>Director of Finance and Resources</i>	65-70	65-70	Pension Lump sum	0-2.5 0-2.5	Pension Lump sum	5-10 25-30	107	143	32

\* Full time equivalent

<sup>1</sup> **Emoluments** – The Chief Executive's emoluments includes a performance-related non-consolidated award as disclosed below. The other Directors have no entitlement to performance-related awards.

<sup>2</sup> **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.

<sup>3</sup> **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 2011/12 disclosed in note 12 include an aggregate amount of £13,251 (2010/11: £10,458) reimbursed to 13 (2010/11: 15) Council members.

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

	2012 £	2011 £
<b>Chairman</b>		
Salary	<u>43,810</u>	<u>43,810</u>
<b>Chief Executive</b>		
Salary	93,380	93,380
Performance-related non-consolidated award	Nil	934
Pension contribution	<u>17,719</u>	<u>17,368</u>
	<u>111,099</u>	<u>111,682</u>

No increases to salary were permitted during 2011/12 (see Remuneration Report, page 23). The Chief Executive waived his entitlement to the balance of his non- consolidated award for 2010/11, based on performance against his objectives for 2009/10.

	2012 £	2011 £
Travel and subsistence expenses incurred and defrayed whilst on Council business:		
Chairman	3,823	2,643
Chief Executive	6,148	5,751

62.50% (2010/11: 62.50%) 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 most recent valuation, as at 31 March 2010, came into effect on 1 April 2011. The valuation introduced new contribution rates for the Council in respect of accruing benefits, and also introduced a minimum level of payment to be made each year towards the past service deficit, at a rate advised by the scheme actuary. In order to eliminate the deficit, the actuary recommended increased employer contributions over the next 13 years, compared to the 9 years used previously.

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 3.3% per annum; pay increases would be 3.3% per annum for the first 5 years and 4.8% thereafter; pension increases would be 3.3% per annum on pensions in excess of Guaranteed Minimum Pensions (GMPs); pension increases of deferred pensions would be 3.3% per annum on pensions accrued before April 2009 and 2.5% on pensions accrued after that date, both subject to statutory revaluations; the past service discount rate would be 5.7% per annum and the future service discount rate would be 5.7% per annum.

Contributions by the Council and its employees were:

For staff joining the Plan:	Council		Employees	
	2012 <sup>1</sup>	2011	2012	2011
on or before 31 August 2006	20.8%	20.6%	1.5%	1.5%
from 1 September 2006 to 31 March 2010	18.8%	18.6%	3.5%	3.5%
on or after 1 April 2010	16.3%	16.1%	6.0%	6.0%

<sup>1</sup> Employer contributions include an allowance of 1.5% towards the deficit; however, this is subject to a minimum payment of £48,000 per annum.

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

10. Resources expended  
Governance costs

	<b>2012</b>	2011
	<b>Total</b>	Total
	£'000	£'000
Chairman's remuneration	30	30
Auditor's remuneration - Audit	22	22
Additional assurance	4	4
Adjustment for over-accrued fee in prior year	(4)	-
Internal audit	13	15
Council meetings, including Members' travel and subsistence	14	11
Committee meetings, including travel and subsistence	9	7
	<b>88</b>	<b>89</b>

11. Fixed assets

a. Intangible fixed assets

	<b>Computer software licences</b>
	£'000
Cost at 1 April 2011	557
Additions	17
Disposals	(3)
Cost at 31 March 2012	<b>571</b>
Amortisation at 1 April 2011	493
Charge for the year	44
Disposals	(3)
Amortisation at 31 March 2012	<b>534</b>
<b>Net book value at 31 March 2012</b>	<b>37</b>
Net book value at 1 April 2011	<b>64</b>

b. Tangible fixed assets

	<b>Alterations to leasehold properties</b>	<b>Computer system, furniture, etc</b>	<b>Website in the course of development</b>	<b>Total</b>
	£'000	£'000	£'000	£'000
Cost at 1 April 2011	243	632	-	875
Additions	-	14	40	54
Disposals	-	(31)	-	(31)
Cost at 31 March 2012	<b>243</b>	<b>615</b>	<b>40</b>	<b>898</b>
Depreciation at 1 April 2011	156	385	-	541
Charge for the year	14	75	-	89
Disposals	-	(31)	-	(31)
Depreciation at 31 March 2012	<b>170</b>	<b>429</b>	<b>-</b>	<b>599</b>
<b>Net book value at 31 March 2012</b>	<b>73</b>	<b>186</b>	<b>40</b>	<b>299</b>
Net book value at 1 April 2011	<b>87</b>	<b>247</b>	<b>-</b>	<b>334</b>

	2012 £'000	2011 £'000
Amortisation and depreciation charged has been allocated to charitable activities as follows (note 7):		
Direct activities	102	73
Support costs	31	50
	<u>133</u>	<u>123</u>

- c. Net book value at 31 March 2012 represents fixed assets used by the Council in support of its charitable activities.

The Council's freehold properties, the Sherman Theatre and the Rubicon Dance Studio, 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 nil value.

The freehold title of the Sherman Theatre does not include the electricity substation which is located within the car park area. This belongs to Cardiff University and supplies electricity to the Theatre and to some University buildings. The tenant organisation undertook a major redevelopment of the Theatre during the year which necessitated the relocation of the electricity substation, so the Council and the University agreed to exchange plots of land without monetary consideration – the University giving the Council the original plot, which has been leased to the tenant alongside their existing demise, and the Council giving the University the plot for the new location.

The transfer of land was subject to the disposal provisions of the Charities Act 1993, section 36. As Trustees, Council members considered the written report of an independent qualified surveyor and were satisfied that the terms on which the disposal of land was made were the best that could reasonably be obtained.

## 12. 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.

	2012 £'000	2011 £'000
Payments in respect of the following year's grants	<u>469</u>	<u>150</u>

Advances were provided to three RFOs during 2011/12 compared with one in the previous year.

We are currently discussing the timing of grant payments with two revenue-funded organisations; both are indicating that they may require further grant advances during 2012/13. We have yet to formally agree anything and, at the time these financial statements were authorised for issue, are not in a position to quantify amounts.

	2012 £'000	2011 £'000
<b>13. Other debtors and prepayments (falling due within one year)</b>		
<b>a. Analysis by type</b>		
<i>Collectorplan</i> loans	389	355
Trade debtors	58	54
Other debtors	401	485
Prepayments	284	397
	<u>1,132</u>	<u>1,291</u>
Due from Lottery distribution fund	398	207
	<u>1,530</u>	<u>1,498</u>

	2012 £'000	2011 £'000
<b>b. Intra-government balances</b>		
Balances with other central government bodies	481	207
Balances with local authorities	5	4
<i>Sub-total: Intra-government balances</i>	<u>486</u>	<u>211</u>
Balances with bodies external to government	1,044	1,287
Total debtors and prepayments	<u>1,530</u>	<u>1,498</u>

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

**a. Analysis by type**

Grants payable	344	99
Taxation and social security	75	87
Trade creditors	139	94
Other creditors	70	62
Accruals and deferred income	606	347
2012/13 grant-in-aid received in advance <sup>1</sup>	5,800	-
	<u>7,034</u>	<u>689</u>

<sup>1</sup> The Welsh Government remitted the first instalment of our 2012/13 grant-in-aid, amounting to £5,800,000, on 30 March 2012. This income has not been recognised in 2011/12 but has been treated as income in advance.

**b. Intra-government balances**

Balances with other central government bodies	5,875	87
Balances with local authorities	8	-
<i>Sub-total: Intra-government balances</i>	<u>5,883</u>	<u>87</u>
Balances with bodies external to government	1,151	602
Total creditors	<u>7,034</u>	<u>689</u>

**15. 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.

	2012 £'000	2011 £'000
<b>a. Analysis by type</b>		
Deferred income	49	107
	<u>49</u>	<u>107</u>
<b>b. Intra-government balances</b>		
Intra-government balances	-	-
Balances with bodies external to government	49	107
Total creditors	<u>49</u>	<u>107</u>

16. Statement of funds

	At 1 April 2011 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	At 31 March 2012 £'000
<b>Unrestricted funds</b>					
General fund	2,338	30,609	(30,011)	(145)	2,791
<b>Total unrestricted funds</b>	<b>2,338</b>	<b>30,609</b>	<b>(30,011)</b>	<b>(145)</b>	<b>2,791</b>
<b>Restricted funds</b>					
Income					
Welsh Government for specific arts activity	6	4,435	(4,548)	107	-
Planning, Development & Strategies	-	2	(2)	-	-
European Funded Projects	-	984	(1,008)	24	-
Wales Arts International: contributions from the British Council and Welsh Government	-	67	(69)	2	-
Cultural Olympiad 2012 & Legacy Trust UK	46	454	(512)	12	-
Venice Biennale of Art	-	4	(4)	-	-
Millennium Stadium Trust for the Young Promoters Scheme	-	6	(6)	-	-
	52	5,952	(6,149)	145	-
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)	105	-	(6)	-	99
	118	-	(6)	-	112
<b>Total restricted funds</b>	<b>170</b>	<b>5,952</b>	<b>(6,155)</b>	<b>145</b>	<b>112</b>
<b>Total funds</b>	<b>2,508</b>	<b>36,561</b>	<b>(36,166)</b>	<b>-</b>	<b>2,903</b>

The Alun Llywelyn Williams and Brian Ross Memorial Funds are represented by cash at bank and are within the total of £7,651,000 shown on the balance sheet.

17. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
<b>Fund balances at 31 March 2012 are represented by:</b>			
Fixed assets	336	-	336
Current assets	9,538	112	9,650
Creditors: amounts falling due within one year	(7,034)	-	(7,034)
Creditors: amounts falling due after more than one year	(49)	-	(49)
<b>Total net assets</b>	<b>2,791</b>	<b>112</b>	<b>2,903</b>

18. Cash flow information

	2012 £'000	2011 £'000
<b>a. Reconciliation of changes in resources to net inflow from operating activities</b>		
Net incoming resources	395	640
Bank interest	(15)	(15)
Amortisation and depreciation (note 11c)	133	123
(Increase)/Decrease in grants paid in advance	(319)	55
(Increase)/Decrease in debtors and prepayments	(32)	(354)
Increase/(Decrease) in grants payable	245	(673)
Increase/(Decrease) in other creditors falling due within one year	6,100	162
Increase/(Decrease) in creditors falling due after more than one year <sup>1</sup>	(58)	(59)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>6,449</b>	<b>(121)</b>

<b>b.</b>	<b>Analysis of cash flows</b>	<b>2012</b>	<b>2011</b>
		£'000	£'000
	Capital expenditure		
	Payments to acquire intangible fixed assets (note 11a)	(17)	(61)
	Payments to acquire tangible fixed assets (note 11b)	(54)	(7)
		<u>(71)</u>	<u>(68)</u>
<b>c.</b>	<b>Reconciliation of net cash flow to movement in net funds</b>		
	Increase/(Decrease) in cash in the year <sup>1</sup>	6,393	(174)
	Net funds at 1 April	1,258	1,432
	<b>Net funds at 31 March<sup>1</sup></b>	<u><b>7,651</b></u>	<u><b>1,258</b></u>

<sup>1</sup> The Welsh Government remitted the first instalment of our 2012/13 grant-in-aid, amounting to £5,800,000, on 30 March 2012. This income has not been recognised in 2011/12 but has been treated as income in advance.

## 19. Commitments on operating leases

At 31 March 2012 the Council had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings</b>		<b>Equipment</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	£'000	£'000	£'000	£'000
Operating leases which expire				
within one year	37	-	1	2
one to five years	25	62	4	5
over five years	189	189	-	-

## 20. Forward commitments

	<b>2012</b>	<b>2011</b>
	£'000	£'000
Grants		
Forward funding - grants formally offered	<b>28,302</b>	28,359

Forward funding at 31 March 2012 represents allocations to organisations and individuals in respect of projects due to commence in 2012/13 and where payments are expected to be made within 12 months.

## 21. Cerdd Cymru:Music Wales Limited

Cerdd Cymru:Music Wales is a private company, limited by guarantee and registered in Wales. It was incorporated on 1 September 2011 as a vehicle to collaborate with the Welsh Music Foundation on projects which will develop and improve, both nationally and internationally, the knowledge, understanding, practice and sustainability of the arts and creative industries, and particularly of music in Wales.

The Council and the Welsh Music Foundation jointly and equally own the company and this joint arrangement is accounted for as a joint arrangement that is not an entity (JANE) in accordance with FRS 9.

During the year, Cerdd Cymru:Music Wales successfully bid and contracted to host WOMEX, the World Music Expo, in Cardiff in October 2013.

The Council will account for its interest in the turnover, cost of sales and underlying assets and liabilities of Cerdd Cymru:Music Wales on a line by line basis.

For 2011/12 there were no entries that required consolidation into the Council's financial statements and Cerdd Cymru:Music Wales had no assets or liabilities at the balance sheet date.

## 22. 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 2011/12 £34,728,000 or 95% of the Council's income was derived from the Welsh Government (2010/11: £34,790,000 or 95%). Of the remaining income £1,833,000 or 5% was derived from bank interest and sundry income (2010/11: £1,649,000 or 5%). 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 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 (2010/11: 0.50%). The effective unrestricted cash balance at the year end was £1,739,000 (2011: £967,000), although the Welsh Government had remitted the first instalment of our 2012/13 grant-in-aid, amounting to £5,800,000, on 30 March 2012 so our actual unrestricted year-end cash balance was £7,539,000. 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.

## 23. Corporation Tax

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

## 24. 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.

## 25. Related party transactions

### Public bodies

The Council is a Welsh Government sponsored body.

The National Assembly for Wales/Welsh Government is regarded as a related party. During the year the Council had no material transactions with the National Assembly for Wales/Welsh 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 Account.



### 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 2011/12. 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 2012 £
<b>Emma Evans</b> Trustee/Director	Creu Cymru	Grant (1)	3,000	Nil
<b>Margaret Jervis</b> Director	Valleys Kids	Grant (4)	128,510	2,250
<b>Dr Ian J Rees</b> Employee (family member)	British Broadcasting Corporation (including BBC National Orchestra of Wales)	Grant (1)	844,525	Nil
<b>Richard Turner</b> Chairman	South Wales Intercultural Community Arts	Grant (1)	90,000	Nil
<b>Alan Watkin</b> Board member	Clwyd Theatr Cymru	Grant (3)	1,705,000	Nil
<b>John C Williams</b> Employee Employee Employee (family member)	Theatr Iolo Cardiff Metropolitan University Clwyd Theatr Cymru	Grant (1) Grant (1) Grant (3)	246,225 2,226 1,705,000	Nil Nil Nil
<b>Gerwyn Wiliams</b> Employee Member	Bangor University Literature Wales	Grant (1) Grant (2)	105,000 891,915	Nil Nil
<b>Debbie Wilcox</b> Councillor	Newport City Council (including The Riverfront)	Grant (1)	125,000	Nil
<b>Dr Kate Woodward</b> Management Committee member Board member (family member)	Aberystwyth University (including Aberystwyth Arts Centre) Audiences Wales	Grant (1) Invoice (4)	560,000 76,820	Nil 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.