

ARTS COUNCIL OF WALES

FINANCIAL STATEMENTS - LOTTERY DISTRIBUTION ACCOUNT

For the year ended 31 March 2003

TRUSTEES' ANNUAL REPORT

Constitution

The Arts Council of Wales was established by Royal Charter on 30 March 1994. The Council's chartered objectives are:

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

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

Council has appointed a number of Committees and a National List of Advisers to provide specialist advice and to make decisions within a framework of delegated powers.

Membership and register of interests

The National Assembly for Wales appoints the Members of the Arts Council; the Members who served since 1 April 2002 were:

| | | | |
|---|-----|----------------------|-------|
| Sybil Crouch, Chairman (to 31.03.2003) | (i) | Stephen Garrett | |
| Geraint Talfan Davies, Chairman (from 01.04.2003) | | Ellen ap Gwynn | (ii) |
| Dewi Walters, Vice-chairman | | Harry James | |
| Dai Davies | | Daniel Jones | |
| Roger Davies (to 31 March 2003) | | Janet Roberts | |
| Meg Elis | | Penny Ryan OBE | |
| Edmond Fivet | | Hazel Walford Davies | (iii) |

The register of interests of Members of the Council and of its Committees and Advisory Panels 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.

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 of the following public bodies of similar activity:

| | | | |
|---------------------------|-------|---|------|
| British Council in Wales | (i) | National Museums and Galleries of Wales | (i) |
| Ceredigion County Council | (ii) | University of Wales, Aberystwyth | (ii) |
| National Library of Wales | (iii) | | |

Accountability

The Council operates under an accountability regime which includes:

- the Charities Acts 1960 and 1993;
- Policy Directions, Finance Directions, and an Accounts Direction issued by the National Assembly for Wales under the terms of s26 of the National Lottery etc. Act 1993 (as amended);
- a Management Statement, Financial Memorandum and Accounts Direction issued by the National Assembly for Wales;
- the power of the Parliamentary Commissioner for Administration (the Ombudsman) 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.

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

Under the terms of the Government of Wales Act 1998 responsibility for funding the Council transferred from the Secretary of State for Wales to the National Assembly for Wales on 1 July 1999. The Council amended its Royal Charter to make it fully accountable and responsible to the Assembly, and to provide for its general activities accounts to be audited by the Auditor General for Wales. The Council's Lottery distribution activities are not a devolved function and these accounts are therefore laid before both Parliament and the Assembly, and are audited by the Comptroller and Auditor General under s35 of the National Lottery etc. Act 1993 (as amended).

Lottery distribution

The National Lottery etc. Act 1993 (as amended) set up the National Lottery ('Lottery') in order to raise funds to support good causes in the "arts, sport, national heritage projects, charitable projects, and projects to mark the millennium". The Council is one of the bodies responsible for the distribution of these funds.

Under the National Lottery etc. Act 1993 (as amended) the Arts Council of Wales is required to prepare a statement of account for its Lottery distribution activities in the form and on the basis determined by the National Assembly for Wales with the consent of the Treasury. The National Lottery Accounts Direction requires that all costs properly attributable to National Lottery activities should be funded from Lottery income. The Council is required to account separately for its other activities.

As well as committing the full current year budget, the Council's policy, which is actively encouraged by the Department of Culture, Media and Sport, is to commit as grants 50% of the second year's anticipated budget and 30% of the third year's anticipated budget.

Council has appointed a Capital committee and, until May 2002, a Film committee to make recommendations about lottery distribution policy and about individual grant applications. Independent external assessors were employed to advise on all Lottery applications for £100,000 or more. Council takes the final decisions concerning the award of Capital grants over £250,000, and all Film grants.

The Capital Committee members who served since 1 April 2002 were:

Roger Davies, Chair (to 31 March 2003)
John Bevan
Alun Bond

Harry James
Richard Morgan

The Film Committee members who served since 1 April 2002 were:

Daniel Jones, Chair
David Gillam
Marie Gillespie

Lyn Jones
Clive Myer
Huw Pennallt Jones

This committee held its last meeting on 14 May 2002 before being disbanded. Responsibility for assessment and recommendation on Film grants has been delegated to Sgrîn Cymru Wales which has set up a Production Advisory Group for this purpose. The Production Advisory Group held its first meeting on 4 July 2002.

Principal Lottery distribution activities

Under the terms of its Policy Directions, the Council makes grants in support of capital, film and other projects under revenue schemes, relating to the arts in Wales, and monitors the proper and effective use of those grants.

The Council received 1,352 (2002: 627) lottery applications in the year of which 240 were for capital schemes, including 104 for film production, and 1,112 for revenue schemes. In total 668 (2002: 572) offers of grant were made amounting to £8,807,000 (2002: £13,356,000) of which £4,355,000 were capital grants, including £935,000 for film, and £4,452,000 were revenue scheme grants. Commitments (i.e. grants accepted but not yet paid over) at the end of the year amounted to £30,864,000, of which £24,268,000 were for capital, including £1,130,000 for film grants, and £6,596,000 were for revenue schemes grants.

Financial results

The Lottery Distribution account shows the Council's 2002/2003 share of the proceeds from the National Lottery of £11,473,000 (2002: £13,801,000), an increase in funds for the year of £3,449,000 (2002: a decrease of £1,742,000) which was transferred to reserves. Grant offers made in the year totalled £8,807,000 (2002: £13,356,000). £8,511,000 (2002: £15,649,000) is recorded as grant expenditure, which reflects offers made in this year and previous years which were formally accepted during this year. Soft commitments at 31 March 2003, not recorded as expenditure in the Income and Expenditure Account, totalled £1,538,000 (2002: £2,014,000).

The accounts show a surplus of funds of £1,251,000 (2002: a deficit of £2,198,000).

The increase in funds for the year is primarily due to the timing of grant offers for several large capital projects. The Council employs robust assessment procedures and, although staff have been working with the applicants during the registration phase, grants had not formally been offered up to 31 March 2003. It is expected that these commitments will be reflected in the financial statements for 2003/2004.

Also, a number of major capital projects which received grant commitments in previous years have now reached the construction phase, so it is anticipated that there will be a significant draw down of funds from the National Lottery Distribution Fund from 2003/2004 onwards, reducing the cash balances.

Future developments in National Lottery distribution activities

During the coming year the Council will continue to fund projects in accordance with its 5 Year Strategy. A new Capital Strategy will be implemented, which will include funding to arts venues to assist with works necessary to comply with the requirements of the Disability Discrimination Act. The newly introduced revenue schemes will continue to operate and Council will continue to oversee grants for film, although responsibility for assessment and recommendation on these grants has transferred to Sgrîn Cymru Wales. It is the aim of Council, informed by its strategic priorities, to ensure that there is an equitable distribution of grants across Wales and across art forms. Council will continue to prioritise grants designed to combat social exclusion and to fund initiatives which also access European Structural Funds.

Disabled employees

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

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

Employee communication

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

Restructuring

The Council introduced its new structure in February 2002, and its new grant schemes from April 2002.

The new structure is designed to create a strategic approach to arts development guiding the activity and grant making of the Council, greater devolution to local offices, streamlined grant schemes and evidence-based policy making.

External consultants have been appointed to carry out an evaluation of the new structure at the end of its first year and will make their report in July 2003.

Payment of creditors

It is the Council's policy to pay suppliers within the terms of trade agreed and generally to observe the principles of the Late Payment of Commercial Debts (Interest) Act 1998. 94% of the invoices received from suppliers during 2002/03 (2001/2002: 98%) were paid within the agreed contractual terms

Statement of Council's and the Accounting Officer's responsibilities

Under Section 35 of the National Lottery etc. Act 1993 (as amended) the Council is required to prepare a statement of accounts for the financial period for its Lottery distribution activities, in the form and on the basis determined by the National Assembly for Wales with the consent of the Treasury.

The accounts are prepared on an accruals basis and must show a true and fair view of the state of affairs of the Council's Lottery Division at the year end and of its Income and Expenditure and the cash flows for the financial year.

In preparing the accounts the Council is required to;

- observe the accounts direction issued by the National Assembly for Wales, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material differences in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Principal Accounting Officer for the National Assembly for Wales has designated the Chief Executive as the Accounting Officer for the Council. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the National Assembly for Wales' Accounting Officers' Memorandum issued by the Treasury.

Peter Tyndall
Accounting Officer
14 July 2003

Geraint Talfan Davies
Chairman
14 July 2003

STATEMENT ON INTERNAL CONTROL

As Accounting Officer, I have responsibility for ensuring that a sound system of internal control is maintained by the Arts Council of Wales, one that supports the achievement of Council policies, aims and objectives set by the National Assembly for Wales whilst safeguarding the public finances and resources for which I am personally responsible, in accordance with the responsibilities assigned to me in the Financial Memorandum and Government Accounting.

The system of internal control is designed to manage rather than eliminate the 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 the principal risks to the achievement of Council policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. In doing so we take into account recommendations arising from internal and external reviews of our activities. This process has been in place for the year ended 31 March 2003 and up to the date of approval of the trustees' annual report and accounts and accords with Treasury guidance.

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The Council has established the following processes:

- the Senior Management Team meets fortnightly to consider the plans and strategic direction of the Council;
- periodic reports from the chairman of the Audit Committee, to Council, concerning internal control;
- regular reports by the Council's appointed internal auditors, to standards defined in the Government Internal Audit Manual, which includes the auditors' independent opinion on the adequacy and effectiveness of the Council's system of internal control together with recommendations for improvement;
- regular reviews to identify and keep up to date the record of risks facing the Council;
- maintenance of an organisation-wide risk register;
- introduced key performance indicators.

In addition to the processes mentioned above, in the coming year the Council plans to:

- roll out a programme of risk awareness training;
- implement robust prioritisation methodology based on risk ranking;
- further refine key performance and risk indicators.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditors, the executive managers within the Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

Peter Tyndall
Accounting Officer
14 July 2003

ARTS COUNCIL OF WALES

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE MEMBERS OF THE NATIONAL ASSEMBLY FOR WALES

I certify that I have audited the financial statements on pages 8 to 15 under the National Lottery etc. Act 1993 (as amended). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 10 and 11.

Respective responsibilities of the Council, the Accounting Officer and Auditor

As described on page 5 the Council and Accounting Officer are responsible for the preparation of the financial statements in accordance with the National Lottery etc. Act 1993 (as amended) and the National Assembly for Wales directions made thereunder and for ensuring the regularity of financial transactions. The Council and Accounting Officer are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and the National Assembly for Wales directions made thereunder and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 5 reflects the Council's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Lottery Distribution Account of the Arts Council of Wales at 31 March 2003 and of the increase in funds, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the National Assembly for Wales; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

16 July 2003

National Audit Office
3-4 Park Place
Cardiff
CF10 3DP

**ARTS COUNCIL OF WALES
LOTTERY DISTRIBUTION ACCOUNT**

**INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2003**

| | Notes | 2003 £'000 | 2002 £'000 |
|--|-------|----------------------|-----------------------|
| Income | | | |
| Share of proceeds from the National Lottery | 6 | 11,473 | 13,801 |
| Investment income on balances in the National Lottery Distribution Fund | 6 | 1,888 | 1,600 |
| Grants receivable | | 16 | 26 |
| Grant services charges | | 10 | - |
| Interest receivable | | 67 | 82 |
| Grants recoverable | | 426 | 26 |
| Share of profit from Lottery funded film | | 8 | 51 |
| Total income | | <u>13,888</u> | <u>15,586</u> |
| Expenditure | | | |
| Expenditure on the arts: | | | |
| Net grant commitments made (hard) | 9b | 8,511 | 15,649 |
| Direct costs of grant making | 5 | 175 | 75 |
| | | <u>8,686</u> | <u>15,724</u> |
| Management and administration: | | | |
| Staff costs | 2 | 752 | 777 |
| Operating costs | 4 | 734 | 626 |
| Provision for doubtful debt | | 311 | - |
| | | <u>1,797</u> | <u>1,403</u> |
| Total expenditure | | <u>10,483</u> | <u>17,127</u> |
| Excess of income over expenditure/(expenditure over income) for the year | | 3,405 | (1,541) |
| Unrealised surplus/(loss) on investment in the National Lottery Distribution Fund | 6 | 44 | (201) |
| Increase/(decrease) in Lottery funds for the year | 10 | <u>3,449</u> | <u>(1,742)</u> |

There are no discontinued activities.

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

The notes on pages 10 to 15 form part of these accounts.

**ARTS COUNCIL OF WALES
LOTTERY DISTRIBUTION ACCOUNT**

**BALANCE SHEET
at 31 March 2003**

| | Notes | 2003 £'000 | 2002 £'000 |
|---|-------|---------------------|----------------------|
| Current assets | | | |
| Investments - balance held in the National Lottery Distribution Fund | 6 | 30,403 | 32,547 |
| Debtors and prepayments | 7 | 111 | 3 |
| Cash | | <u>2,081</u> | <u>1,489</u> |
| | | 32,595 | 34,039 |
| Current liabilities | | | |
| Other creditors | 8 | (480) | (243) |
| Provision for grant commitments (hard) | 9b | <u>(22,403)</u> | <u>(10,238)</u> |
| | | (22,883) | (10,481) |
| Total assets less current liabilities | | <u>9,712</u> | <u>23,558</u> |
| Financed by: | | | |
| Provision for grant commitments falling due after one year (hard) | 9b | 8,461 | 25,756 |
| Income and Expenditure account | 10 | <u>1,251</u> | <u>(2,198)</u> |
| | | <u>9,712</u> | <u>23,558</u> |

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

Peter Tyndall
Accounting Officer
14 July 2003

Geraint Talfan Davies
Chairman
14 July 2003

The notes on pages 10 to 15 form part of these accounts.

**ARTS COUNCIL OF WALES
LOTTERY DISTRIBUTION ACCOUNT**

**CASH FLOW STATEMENT
for the year ended 31 March 2003**

| Reconciliation of increase/(decrease) in Lottery funds | 2003 £'000 | 2002 £'000 |
|---|----------------------|---------------|
| Increase/(decrease) in Lottery funds | 3,449 | (1,742) |
| (Increase)/decrease in debtors and prepayments | (108) | 14 |
| Increase/(decrease) in provision for grant commitments | (5,130) | 6,975 |
| Increase/(decrease) in other creditors | 237 | 52 |
| Increase/(decrease) in provision for liabilities and charges | - | (21) |
| Net cash inflow/(outflow) from operating activities | (1,552) | 5,278 |

| CASH FLOW STATEMENT | 2003 £'000 | 2002 £'000 |
|---|----------------------|---------------|
| Net cash inflow/(outflow) from operating activities | (1,552) | 5,278 |
| Payments to acquire tangible fixed assets | - | - |
| Increase/(decrease) in cash and the balance held in the National Lottery Distribution Fund | (1,552) | 5,278 |

| Reconciliation of net cash flow to movement in net funds | 2003 £'000 | 2002 £'000 | Change in year |
|---|----------------------|---------------|-----------------------|
| Increase/(decrease) in cash | 592 | 797 | (205) |
| Increase/(decrease) in the balance held in the National Lottery Distribution Fund | (2,144) | 4,481 | (6,625) |
| Net funds at 1 April | 34,036 | 28,758 | 5278 |
| Net funds at 31 March | 32,484 | 34,036 | (1552) |

Net funds at 31 March 2003 comprise cash held by the Council of £2,081,000 and the balance held in the National Lottery Distribution Fund of £30,403,000.

The notes on pages 10 to 15 form part of these accounts.

**ARTS COUNCIL OF WALES
LOTTERY DISTRIBUTION ACCOUNT**

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2003**

1 Accounting policies

a Accounting conventions

These financial statements have been prepared under the historical cost convention modified to include 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 the National Assembly for Wales and meet the requirements of the Companies Act 1985 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. The Council is not required to report the historic cost surplus or loss.

b Going concern

These financial statements have been prepared on the going concern basis on the assumption that funds will continue to be made available from the National Lottery Distribution Fund. This assumption is itself dependent on future levels of lottery ticket sales, which cannot be guaranteed. The Council is however allowed to commit funds on the basis of anticipated future income as explained on page 2 of these financial statements.

c General activities

These financial statements do not cover the Council's general activities, funded mainly by grant-in-aid, for which separate financial statements have been prepared in accordance with separate directions issued by the National Assembly for Wales.

d Grant commitments

A distinction is made in respect of grants made by the Lottery distributors between 'hard commitments' and 'soft commitments'. Hard commitments, which are charged as expenditure in the financial statements, arise when the Council has made a formal offer of grant which (together with appropriate conditions) has been accepted by the recipient. Soft commitments, which are recorded in a note to the financial statements, exist when the Council has agreed to offer a grant but, at the year end, the offer has not been accepted formally by the recipient.

Hard commitments payable within one year of the year end are recognised in the balance sheet as current liabilities. Those payable more than one year after the balance sheet date are shown as such.

e National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of such balances attributable to the Council is shown in the accounts and, at the balance sheet date, has been notified by the Secretary of State for Culture, Media and Sport as being available for distribution by the Council in respect of current and future commitments.

f Pensions

The Council is an admitted employer of the Arts Council Retirement Plan 1994. The pension scheme provides defined benefits to Council employees. The costs of the Council's contributions are charged to the Income and Expenditure Account so as to spread the cost of pensions over employees' working lives.

g Taxation

Non-recoverable Value Added Tax arising from expenditure is charged to the Income and Expenditure Account or capitalised as a fixed asset where applicable.

h Apportionment of management and administration costs from General Activities

The Council incurs costs which support both its general activities and the lottery distribution function. In accordance with the Financial Direction issued by the Secretary of State, 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.

| 2 Staff costs | 2003 £'000 | 2002 £'000 |
|---|----------------------|---------------|
| Salaries and wages charged to lottery distribution activity | 653 | 559 |
| Employers' National Insurance | 47 | 41 |
| Pension contributions | 73 | 61 |
| Redundancy Costs | 4 | 116 |
| | <u>777</u> | <u>777</u> |
| Staff costs are incorporated in the accounts as follows: | | |
| Management and administration: | | |
| - Staff costs | 752 | 777 |
| Direct costs of grant making | 25 | - |
| | <u>777</u> | <u>777</u> |
| The average number of staff employed across the whole Council during the year was: | | |
| Management and administration | No 76 | No 70 |
| Services, direct promotions and direct costs of grant making | <u>9</u> | <u>5</u> |
| | 85 | 75 |
| | === | === |
| Based on time apportionments, the average number of staff employed on Lottery distribution during the year was: | | |
| Management and administration | No 31 | No 16 |
| Direct costs of grant making | <u>1</u> | <u>-</u> |
| | 32 | 16 |
| | === | === |

The Senior Management Team, comprising the Chief Executive, Deputy Chief Executive and Directors, is responsible for directing the Council's activities. The actual emoluments of Senior Management were as follows, 40% of which is charged in these financial statements and the remainder to general activities:

| Name and position | Age at 31 March 2003 | 2003 Emoluments Band £'000 | 2003 Real increase in pension at age 65 £ | 2003 Total accrued pension at age 65 as at 31 March 2003 £ |
|--|---|---|--|---|
| Peter Tyndall Chief Executive | 47 | 55-60 | 702 | 1,068 |
| Frances Medley Deputy Chief Executive | 33 | 45-50 | 590 | 4,376 |
| Hywel Tudor Finance and Central Services Director | 45 | 50-55 | 622 | 726 |
| Clare Thomas Director – Mid & West Wales (from 29 April 2002) | 53 | 35-40 | 5,727 | 5,727 |
| Siân Tomos Director – North Wales | 42 | 35-40 | 1,056 | 3,642 |
| David Newland Director – South Wales | 38 | 35-40 | 2,143 | 2,185 |

The Chairman, Council and Committee members are not paid for their services.

The previous Chief Executive resigned on 22 September 2000, and the Planning Director was appointed in her place on an acting basis. A new Chief Executive was appointed on 1 October 2001 for a five year period and the acting Chief Executive was appointed Deputy Chief Executive with effect from the same date.

The total actual emoluments of the two Chief Executives, which are analysed in the Council's General Activities account, was £67,445 (2001/2002: £57,630) of which 40% was charged to Lottery activities.

No other employee received remuneration (excluding pension costs) in excess of £40,000.

3 Pension costs

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 was carried out as at 1 April 2002 using the Projected Unit Method. The market value of the Plan's assets as at 31 March 2002 was £28.146m. The actuary concluded that the Plan had a past service deficit at the valuation date of £4.2m, which corresponds to a funding ratio of 87%, and recommended increased employer contributions over the next 15 years to eliminate this.

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 2.8% per annum, pay increases would be 4.3% per annum, pension increases would be 2.8% per annum on pensions in excess of Guaranteed Minimum Pensions (GMPs), pension increases of deferred pensions would be 2.8% per annum on pensions in excess of GMPs, the post retirement discount rate would be 5.7% per annum and the pre-retirement discount rate would be 7.2% per annum.

Contributions by the Council and its employees during the year were 13% (2001/2002: 13%) and 0% (2001/2002: 0%) respectively of salaries payable. Employees contribute 1.5% to secure pension benefits for spouses. The Council's contribution from 23 May 2003 increased to 14.8%.

4 Operating costs

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Recruitment, training and other staff costs | 65 | 64 |
| Audit | 14 | 13 |
| Grant monitors, advisors and legal fees | 178 | 94 |
| Other professional fees | 37 | 80 |
| Lottery promotion and information | 5 | 10 |
| Accommodation | 94 | 74 |
| Travel and subsistence | | |
| - Members | 20 | 20 |
| - Employees | 40 | 28 |
| Office running costs | 149 | 117 |
| Charge for use of fixed assets | 48 | 40 |
| Irrecoverable VAT | 52 | 45 |
| Restructuring | 32 | 41 |
| | 734 | 626 |

| 5 Direct costs of grant making | 2003 £'000 | 2002 £'000 |
|---------------------------------------|----------------------|---------------|
| Assessors' fees | 55 | 75 |
| Monitoring fees | 73 | - |
| Legal fees | 22 | - |
| Staff costs | 25 | - |
| | <u>175</u> | <u>75</u> |

The increase in the direct costs of grant making during the year resulted from the delegation of responsibility for film assessment and recommendation to Sgrŷn Cymru Wales. In 2001/2002 monitoring fees, legal fees and staff costs associated with film funding amounting to £107,000, which are now shown here, were charged to management and administration costs.

| 6 National Lottery Distribution Fund | 2003 £'000 | 2002 £'000 |
|---|----------------------|---------------|
| Balance held in the National Lottery Distribution Fund at 1 April | 32,547 | 28,066 |
| Allocation of Lottery proceeds | 11,473 | 13,801 |
| Interest receivable | 1,888 | 1,600 |
| Unrealised loss on investment in National Lottery Distribution Fund | (157) | (201) |
| Reversal of prior year unrealised loss | 201 | - |
| Drawn down in the year | (15,549) | (10,719) |
| Balance held in the National Lottery Distribution Fund at 31 March | <u>30,403</u> | <u>32,547</u> |

The balance held at 31 March 2003 at the National Lottery Distribution Fund may be subject to change as the audit of the fund is incomplete. Any adjustments arising from that audit will be reflected in the Council's 2003/2004 accounts. The corresponding adjustment for 2001/2002 made in these accounts was an increase in interest received of £NIL.

| 7 Debtors – amounts due within one year | 2003 £'000 | 2002 £'000 |
|--|----------------------|---------------|
| Sundry debtors and prepayments | 1 | 3 |
| Grants recoverable | 110 | - |
| | <u>111</u> | <u>3</u> |

8 Creditors: amounts falling due within one year

| | | |
|---|------------|------------|
| Trade creditors | 8 | 12 |
| Due to the Arts Council of Wales General Activities account | 358 | 181 |
| Accruals and deferred income | 114 | 50 |
| | <u>480</u> | <u>243</u> |

The amount due to the Arts Council of Wales General Activities account is made up of:

| | | |
|--------------------------------|------------|------------|
| Recharges of apportioned costs | | |
| - Staff | 201 | 53 |
| - Overheads | 32 | 26 |
| - Restructuring costs | 22 | 62 |
| Charge for use of assets | 48 | 40 |
| Inter-account transfer | 55 | - |
| | <u>358</u> | <u>181</u> |

| 9a Soft grant commitments | | | 2003 | 2002 |
|--|----------------------------|-----------------------------|----------------|----------------|
| | £'000 Capital & Film | £'000 Revenue schemes | £'000 Total | £'000 Total |
| Soft commitments as at 1 April | 1,120 | 894 | 2,014 | 5,615 |
| Soft commitments made in the year | 4,355 | 4,452 | 8,807 | 13,356 |
| Total grant offers made | 5,475 | 5,346 | 10,821 | 18,971 |
| Offers not accepted | (53) | (17) | (70) | (29) |
| Soft commitments transferred to hard commitments | (4,624) | (4,589) | (9,213) | (16,928) |
| Soft commitments as at 31 March | 798 | 740 | 1,538 | 2,014 |

9b Hard grant commitments

| | | | | |
|---|---------|---------|----------|---------|
| Hard commitments as at 1 April | 28,156 | 7,838 | 35,994 | 29,019 |
| Hard commitments in the year | 4,624 | 4,589 | 9,213 | 16,928 |
| Amounts not taken up | (626) | (76) | (702) | (1,279) |
| Charged to Income and Expenditure account | 3,998 | 4,513 | 8,511 | 15,649 |
| Grants paid in the year | (7,886) | (5,755) | (13,641) | (8,674) |
| Hard commitments at 31 March | 24,268 | 6,596 | 30,864 | 35,994 |
| Hard commitments payable within one year | 17,423 | 4,980 | 22,403 | 10,238 |
| payable after one year | 6,845 | 1,616 | 8,461 | 25,756 |
| | 24,268 | 6,596 | 30,864 | 35,994 |

The Council has recovered a lottery funded asset from an organisation which went into liquidation. To ensure the public continue to benefit this has been partly dispersed to another organisation for a period of ten years. The remainder of the asset will also be dispersed if another suitable organisation is found. The asset has only a notional value (less than £1,000) to the Council so does not appear on the balance sheet.

During the year, the Council also took ownership of lottery funded equipment, with an estimated useful life of 5 years, from an organisation which failed to secure match funding. The organisation has been granted continued use of the asset which, as it is deemed to be of no value to the Council, does not appear on the balance sheet.

| 10 Movement in Lottery funds | 2003 | 2002 |
|---|---------|---------|
| | £'000 | £'000 |
| Income and Expenditure account at 1 April | (2,198) | (456) |
| Increase/(decrease) in Lottery funds for the year | 3,449 | (1,742) |
| Income and Expenditure account at 31 March | 1,251 | (2,198) |

11 Contingent liabilities

The outstanding claim disclosed in the financial statements to 31 March 2002 has been withdrawn. One claim is currently outstanding against the Council. The basis of the claim is being contested. In the event that the Council loses this case, the Council may have a liability for damages and costs. The maximum potential liability is not disclosed here, as permitted by FRS 12, as such disclosure could prejudice the Council's position.

12 Related party transactions

Public bodies

The Council is an Assembly Sponsored Public Body.

The National Assembly for Wales is regarded as a related party and details of transactions with the National Assembly for Wales are given in the separate accounts covering the Council's general activities.

The National Lottery Distribution Fund is administered by the Department for Culture, Media and Sport which is regarded as a related party. During the year the Council had no material transactions with the Department for Culture, Media and Sport other than those shown in the Income and Expenditure account.

Individuals

During the year members of Council, or other related parties (being close family members) undertook material financial transactions (listed below) with the Council in its role as Lottery distributor. Material financial transactions with the Council in respect of its general activities are recorded in the separate accounts covering those activities. There were no material financial transactions with key managerial staff or their close family members.

Council members

A number of Council members and/or their close family were members of the Boards of Management (or equivalent) or were senior employees of organisations offered Lottery grants by the Council in 2002/2003. 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 Grants £ |
|--|---|--------------------------------|---------------------------|
| Sybil Crouch Employee | University of Wales, Swansea (including Taliesin Arts Centre) | Grant (1) | 49,408 |
| Roger Davies Vice-President | Llangollen International Musical Eisteddfod | Grant (2) | 53,736 |
| Meg Elis Employee | Cyngor Gwynedd | Grant (1) | 2,470 |
| Ellen ap Gwynn Chairman Council member | Arts Training Wales University of Wales, Aberystwyth (including Aberystwyth Arts Centre & Centre for Performance Research) | Grant (2) | 75,160 |
| (Family) - Employee | Sgrîn, Cymru Wales | Grant (2) Grant (2) Fees | 62,409 9,630 60,943 |
| Hazel Walford Davies (Family) – Columnist (Family) – Board member | Planet The Taliesin Trust Ltd | Grant (1) Grant (2) | 1,170 902,467 |