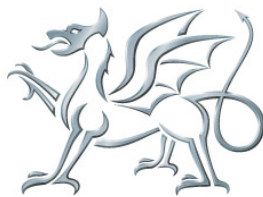




Cyngor Celfyddydau Cymru
Arts Council of Wales

GENERAL ACTIVITIES ACCOUNT

Report and Financial Statements
for the year ended 31 March 2009



Sponsored by
Welsh Assembly
Government

Charity number 1034245

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

CONTENTS

Page

Trustees' Annual Report	1
Remuneration report	15
Statement of Council's and the Accounting Officer's responsibilities	16
Statement on internal control	17
The Certificate and Report of the Auditor General for Wales to the Arts Council of Wales	19
Statement of financial activities	21
Balance sheet	22
Cash flow statement	23
Notes forming part of the financial statements	24

TRUSTEES' ANNUAL REPORT

for the year ended 31 March 2009

Reference and administrative details

Trustees

Council Members who served since 1 April 2008 were:

Professor Dai Smith, Chairman	(b)
Rhiannon Wyn Hughes MBE, Vice-chairman	(a) (b) (e) (ii) (iii)
Norah Campbell	(a) (g)
Simon Dancey	(a) (f)
Emma Evans	
Maggie Hampton	(c)
Margaret Jervis MBE DL	
John Metcalf (to 23 April 2009)	(d)
Robin Morrison	(c) (i)
Christopher O'Neil (to 31 March 2009)	(g) (v)
Dr Ian J Rees	(e)
Clive Sefia (31 March 2009)	(a)
Ruth Till MBE	(f)
David Vokes	(a) (b)
Debbie Wilcox	(f) (iv)
Kate Woodward	(d)

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

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

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

Chief Executive

Peter Tyndall (to 18 April 2008)
 James Turner (from 19 April 2008 to 14 September 2008)
 Nicholas Capaldi (from 15 September 2008)

Offices

Mid and West Wales region:
 4-6 Gardd Llydaw
 Jackson's Lane
 Carmarthen
 SA31 1QD

North Wales region:
 36 Prince's Drive
 Colwyn Bay
 LL29 8LA

*South Wales region
 and national office:*
 Bute Place
 Cardiff
 CF10 5AL

Auditor

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

Internal auditors

Bentley Jennison
33-35 Cathedral Road
Cardiff
CF11 9HB

Bankers

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

Solicitors

Geldards LLP
Dumfries House
Dumfries Place
Cardiff
CF10 3ZF

Structure, governance and management

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

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

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

Members induction and training

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

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

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

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

Accountability

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

- the Charities Acts 1960, 1993 and 2006 and guidance issued by the Charity Commission
- the Freedom of Information Act 2000 and Data Protection Act 1998 and guidance issued by the Information Commissioner
- a Management Statement, Financial Memorandum and Accounts Direction issued by Welsh Ministers

- Policy Directions, Finance Directions and an Accounts Direction issued by the Welsh Assembly Government in accordance with the terms of sections 26 and 35 of the National Lottery etc. Act 1993 (as amended), by agreement with HM Treasury and the Department for Culture, Media and Sport
- the power of the Parliamentary Commissioner for Administration to investigate the Council's affairs
- the power of the Public Services Ombudsman for Wales to investigate the Council's affairs
- a Code of Best Practice, applying to Members and staff, which sets out standards of behaviour required of those involved in financial decisions and in dealing with the public
- the Consumer Credit Act 1974 and guidance issued by the Office of Fair Trading

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

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

Risk management

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

Objectives, activities, achievements and performance

The Council's chartered objects are:

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

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

Main objectives for the year

The Council's strategic priorities for 2008/09 are set out in the table below according to our corporate themes, alongside key achievements made in relation to each priority during the year:

Corporate theme/ Strategic area	Priorities	Achievements and performance
Supporting the creation of high quality art		
<p>Artform development – we will continue to drive forward our vision for the development of six art forms and aim to increase the resources available in order to achieve our 5 year vision</p>	<ul style="list-style-type: none"> • Take forward and implement a series of actions for applied arts & crafts, visual arts, music, dance, theatre & drama and literature, related to the 5-year vision for artform development. 	<ul style="list-style-type: none"> • The finalised strategies were signed off by Council in July 2008 then acknowledged by the Arts Strategy Board in September. Publication followed in November 2008 and implementation has now begun.
<p>International work – through Wales Arts International (“WAI”) we will continue to work with key partners to place the arts and the contemporary culture of Wales on a world stage and to provide an international context to the arts in Wales</p>	<ul style="list-style-type: none"> • Work through WAI to establish the European Cultural Desk to increase the flow of information about opportunities for cultural players in Wales to access European Union (“EU”) funds and prepare successful bids to the EU for the funding of WAI’s strategic priorities 	<ul style="list-style-type: none"> • WAI established a European Cultural Desk and published its new strategy in November 2008. A major cross-sector seminar was held in Brussels, raising the profile of Wales’s artists abroad. One bid for EU funding has been successful.
<p>Support for artists – we will continue to support artists of high quality and vision at key points in their professional practice</p>	<ul style="list-style-type: none"> • Continue to promote the Creative Wales Awards and examine the structure of support provided to individual artists 	<ul style="list-style-type: none"> • 19 Creative Wales Awards were approved but evaluation of the impact of the awards, and the development of an appropriate measurement tool, was delayed due to ongoing work associated with beacon funding.
<p>Excellence in the arts – we will continue to encourage exemplar activity that is innovative and can be used as a model of good practice for others in the sector</p>	<ul style="list-style-type: none"> • Continue to implement the funding scheme for beacon companies and individuals 	<ul style="list-style-type: none"> • 22 companies received Beacon Awards. Recipients’ project details were agreed and all projects are in progress. The Creative Ambassadors scheme, allocating beacon funding to individuals, was established in the final quarter and four awards were announced in April 2009.

Corporate theme/ Strategic area	Priorities	Achievements and performance
Encouraging more people to enjoy and take part in the arts		
<p>Participation – we will work towards increasing opportunities for people to actively participate in the arts. We will focus on supporting projects that target areas of high deprivation and on community arts activities that result in transformation of individuals, groups and communities.</p>	<ul style="list-style-type: none"> • Develop a targeted action plan for the implementation of the Arts & Health Strategy over the next 3 years. • Develop and submit a fully-costed business plan for delivering the Legacy funded Cultural Olympiad programme in Wales 	<ul style="list-style-type: none"> • An Arts and Health Action Plan was completed in partnership with the Welsh Assembly Government's Health Department and will be published in May 2009. Implementation of the Plan will begin in 2009/10. • A fully costed business plan was approved by the Legacy Trust and £1.6 million was awarded to the Council to distribute. Work began in the final quarter on delivering the first phases of the four major strands of the project. Four delivery partners were identified and confirmed.
<p>The development of audiences – we will work towards increasing opportunities for people to engage in quality arts experiences as audiences, participants and artists.</p>	<ul style="list-style-type: none"> • Continue to develop the network of regional performing arts centres through the Arts outside Cardiff funding • Continue to work, in partnership with the Welsh Assembly Government ("WAG"), on plans to develop a Cultural Enterprise Centre in Merthyr Tydfil. 	<ul style="list-style-type: none"> • Arts outside Cardiff funding was awarded to a network of venues but evaluation of the impact of the funding has not been completed. This will be prioritised in 2009/10 and monitoring work will be tied into the Investment Review. • The planned feasibility study was completed and the findings were agreed by all stakeholders.

Corporate theme/ Strategic area	Priorities	Achievements and performance
<p>Young people – we will increase opportunities for young people to engage with the arts as participants, artists and audiences.</p>	<ul style="list-style-type: none"> • Develop a fully-costed proposal for an Expressive Schools pilot programme, in partnership with schools, local authorities and Assembly departments. • Secure Convergence funding for 7-years' implementation of the <i>Progression through the Arts</i> European Social Fund ("ESF") development project, as a key partner in WAG's <i>Reach the Heights</i> umbrella project. • In partnership with WAG and the Sports Council for Wales, develop and implement phase 1 of the pilot programme of delivering arts activities related to Saturday and Summer School opportunities. 	<ul style="list-style-type: none"> • A costed proposal was developed and agreed by the Steering Group and the proposal was discussed with the Curriculum & Qualifications Policy Group of WAG's Department for Children, Education, Lifelong Learning and Skills ("DCELLS"). • The Council was confirmed as a joint sponsor in the DCELLS-managed <i>Reach the Heights</i> Convergence project. Funding has been secured for the first 24 months of a 3 year programme to benefit more than 15,000 young people who are not in employment, education or training. Additional funding for the arts will be in the region of £5 million over the life of the project. • The partners established a broad framework and it was agreed that the 2008/09 funding would be used to support the development of the <i>Splash Arts</i> programme. Young people at risk of offending participated in 17 exciting, challenging and potentially life-changing projects run by Youth Offending Teams and Youth Inclusion programmes across Wales. Detailed evaluation reports are being compiled.
<p>Growing the arts economy</p>		
<p>Diversifying our funding base – we will work with WAG and other Assembly Government Sponsored Bodies towards identifying ways in which we can diversify our funding base for the wider benefit of the arts economy in Wales.</p>	<ul style="list-style-type: none"> • Work with Arts & Business Cymru to develop effective mechanisms for supporting arts organisations who are forging links with businesses in Wales. • Work through Wales Arts International to support a targeted number of bids for transnational funding for arts organisations. 	<ul style="list-style-type: none"> • Funding was provided to support Arts & Business Cymru's CultureScope investment programme. An interim report has been received and agreement reached on proposals for the 2009/10 funding relationship. • Two funding bids have been submitted: the <i>Practics</i> proposal seeks to facilitate and improve cultural mobility across the EU, whilst the <i>Toolquiz</i> proposal seeks to establish an environment, even in the most deprived areas, where creativity can flourish and contribute towards economic development.

Corporate theme/ Strategic area	Priorities	Achievements and performance
<p>Stimulating enterprise and business growth – we will work, with other partners, to identify the most efficient and appropriate method for delivering business start-up and business development services for micro-businesses and SMEs in the creative and cultural industries.</p>	<ul style="list-style-type: none"> • Work with WAG (Department for the Economy and Transport) to secure appropriate and relevant business support advice, mentoring and training for creative and cultural organisations within the umbrella of generic business support development for Wales. 	<ul style="list-style-type: none"> • An appropriate mechanism for supporting start-up and business development services has not yet been identified. This work will be prioritised in 2009/10.
<p>Skills for the workforce – we will work with Creative & Cultural Skills to develop the diversity of the creative and cultural industries workforce, and to create opportunities and access to appropriate training and other development opportunities.</p>	<ul style="list-style-type: none"> • Work with Creative & Cultural Skills and other partners to develop an ESF bid for the development of skills for the creative industries' workforce to be implemented over the next 4 years. 	<ul style="list-style-type: none"> • A discrete Council bid has not been taken forward but Creative and Cultural Skills has developed a business plan based on a creative blueprint and Council is working closely with them in relation to a partnership agreement.
<p>Regenerating communities – we will continue to focus our work and prioritise our funding in areas of social deprivation in Wales.</p>	<ul style="list-style-type: none"> • Contribute towards the regeneration and development of businesses, communities and individuals through the strategic prioritisation of our funding schemes. 	<ul style="list-style-type: none"> • Progress in this area has been limited to impact measurement work focussed on community arts evaluation and a review of our research strategy.

Corporate theme/ Strategic area	Priorities	Achievements and performance
Making the Arts Council an effective and efficient business		
<p>Implementing the recommendations from the Wales Arts Review – we will continue to progress work, in partnership with WAG, to implement the recommendations from the Wales Arts Review.</p>	<ul style="list-style-type: none"> • Work with WAG in the development of a new Culture Strategy for Wales; develop arts policies and strategies at the Arts Strategy Board. • Develop proposals for and begin implementation of regional partnerships, working with WAG and Welsh Local Government Association. • Examine future funding models for the arts in Wales and submit proposals which could be implemented within current spending limits. • Examine the nature and level of support provided to organisations to ensure a sustainable basis for the delivery of strategic objectives 	<ul style="list-style-type: none"> • This work is being led by WAG and is now expected to be taken forward during 2009/10. • The Council is closely involved in the development of the significant <i>Arts Connect</i> partnership in South Wales and has procured a pilot for a North Wales partnership model which will be implemented in 2009/10. • Work commenced on the Council's major review of our portfolio of revenue-funded organisations. This Investment Review will continue throughout 2009/10. An internal working group has been established, external briefings have been held and full terms of reference for the review have been drafted for public consultation.
<p>Culture change programme – we will drive forward our cultural change programme, implement changes and monitor their effectiveness in relation to our future business strategy.</p>	<ul style="list-style-type: none"> • Continue to work with our culture change consultant, staff and Council members to deliver the next stage of our agreed culture change programme. 	<ul style="list-style-type: none"> • Cross-Council work on the development of our vision and values was completed and a SIMA programme was implemented with senior staff and our culture change consultant. A Management Board, comprising all directors and departmental heads, was subsequently established by the incoming Chief Executive and a successful all staff Away Day was held.
<p>Managing our processes – we will work towards improving our processes in relation to corporate planning, partnership working and grants and client management.</p>	<ul style="list-style-type: none"> • Develop an appropriate monitoring and evaluation framework, to ensure the achievement of the strategic vision for the arts. 	<ul style="list-style-type: none"> • Work began on this during the year and it will now form an important part of the terms of reference for the Investment Review.

Corporate theme/ Strategic area	Priorities	Achievements and performance
Developing our workforce – we will continue to develop the skills of our workforce in line with the needs of our future business strategy.	<ul style="list-style-type: none"> Plan our training and workforce development, including a reassessment of our appraisal system, to align with our corporate objectives. 	<ul style="list-style-type: none"> There was a significant change to our corporate planning process during the year, culminating with each division holding workshops to prioritise and align actions with agreed high level outcomes. This will cascade into team and individual work plans for 2009/10.
Operations – we will manage our operations strategy to make the best use of available resources, and achieving maximum efficiency whilst being aware of the need for environmental sustainability.	<ul style="list-style-type: none"> Implement our Customer Service Strategy action plan for 2008/09. 	<ul style="list-style-type: none"> A Best Practice Review framework was developed during the year and will be progressed in 2009/10.

Detailed monitoring of performance against performance indicators (PIs) is carried out and reported on quarterly to the Senior Management Team, Council and the Welsh Assembly Government. There were 83 PIs in 2008/09, 40% of which were achieved, 37% partially achieved and 23% not achieved.

Grant making policies

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

Recurrent, or annual revenue, grants are made to a portfolio of about 100 organisations to deliver high quality artistic services. Consideration of revenue status for any organisation is dependent on the availability of funding, the sustainability of the organisation, and demonstration of strong fit with the Council's strategic priorities. Currently, each revenue-funded organisation enters into a funding agreement for a term of one to three years which sets out the anticipated level of funding, the programme of activity to be delivered, requirements for monitoring and annual review, standard conditions of grant, and any additional conditions. The Council is undertaking a detailed review of current funding and aims to reach the end of this process with agreement, by Spring 2010, of a portfolio of revenue-funded organisations who are artistically vibrant, financially durable and with 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. Due to the decline in Lottery income there have been some further policy changes from 1 April 2009 in respect of these grants:

Grant type	up to 31 March 2009	from 1 April 2009
Training grants support the undertaking or purchase of training and also the provision of arts training	£250 - £5,000 (organisations undertaking training) £250 - £2,000 (individuals) 5 application deadlines each year – April, June, September, January & March £1,000 - £30,000 (organisations providing training) 2 application deadlines each year – April & September	£250 - £5,000 (organisations undertaking training) £250 - £2,000 (individuals) 4 application deadlines each year – April, June, September & January £1,000 - £30,000 (organisations providing training) 2 application deadlines each year – May & September

Grant type	up to 31 March 2009	from 1 April 2009
Small grants support organisations or individuals for pilot projects or where there are significant levels of funding from other sources	£250 - £5,000 5 application deadlines each year (organisations) – April, June, September, January & March 3 application deadlines each year (individuals) – June, September & January	£250 - £5,000 4 application deadlines each year (organisations) – April, June, September & January 3 application deadlines each year (individuals) – June, September & January
Creative Wales Awards enable artists to develop their creative practice	£5,001 - £12,000 & £20,000 - £25,000 1 application deadline each year - November	£5,001 - £12,000 & £20,000 - £25,000 1 application deadline each year - January
Production grants support larger programmes of work for established individual artists and organisations.	£5,001 - £30,000 (organisations) £5,001 - £20,000 (individuals) 2 application deadlines each year – April & September	£5,001 - £30,000 (organisations) £5,001 - £20,000 (individuals) 2 application deadlines each year – May & September
Maximum level of funding for organisations and individuals	75% of eligible costs (organisations) 90% of eligible costs (individuals)	
Maximum level of funding for local authorities and school clusters	50% of eligible costs	
Maximum level of funding where the main aim of an application is to promote non-arts issues	No funding	50% of eligible costs
Over-arching funding priorities when assessing grant applications	<ol style="list-style-type: none"> 1. Projects delivered in acknowledged deprived communities 2. Projects to promote the work of artists from under-represented groups (e.g. disabled people, people from black and minority ethnic backgrounds) 3. Projects delivered in Welsh or bilingually 	

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

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

Financial review

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

Reserves

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

Most of the Council's unrestricted funds are committed during the year, in accordance with the conditions of grant-in-aid issued by the Welsh Assembly Government. Any surplus funds are carried forward and used in furtherance of the Council's chartered objectives in the following year. There were no designated funds at 31 March 2009 (2008: £Nil).

Investment

Investment powers are governed by the Trustee Act 2000 and the Management Statement and Financial Memorandum issued by Welsh Ministers. The Council's policy is to achieve the maximum return within these terms. Interest at a negotiated rate linked to bank base rate is received on all credit balances in the Council's current accounts. From time to time, higher rates may be available for restricted funds on long term deposit.

Financial results

The accounts, excluding Lottery distribution activities, show total incoming resources for the year of £31,657,000 (2007/08: £28,978,000), net incoming resources of £443,000 (2007/08: £426,000), net current assets of £1,320,000 (2008: £971,000) and total fund balances at 31 March 2009 of £1,500,000 (2008: £1,057,000).

At 31 March 2009 the Council had formally offered forward grants for 2009/10 of £25,115,000 (2008/09: £21,823,000).

The Lottery distribution account shows the Council's 2008/09 share of the proceeds from the National Lottery of £10,410,000 (2007/08: £10,019,000). The combined total incoming resources for both general and Lottery activities for 2008/09 was £42,637,000 (2007/08: £39,860,000).

General grants are charged to the Statement of Financial Activities as soon as they are offered. Lottery grants are charged only when the formal offer has been accepted by the recipient. Although not all charged as expenditure in the Income and Expenditure Account, during 2008/09 Council approved Lottery grants amounting to £3,919,000 (2007/08: £8,749,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2008/09 was £35,849,000 (2007/08: £38,069,000).

Plans for future periods

The Council has drafted a new Operational Plan for 2009/10. We are developing our business strategy in a difficult economic climate but will continue to campaign for the level of funding that we believe the arts in Wales need. However, we do so in the full knowledge of the wider economic recession. In the short to medium term we must withstand the challenge of reduced public funding for the arts, but with our clients and other partners we must also prepare our plans for the economic upturn which is predicted in the longer term.

Our corporate themes and planned activities are as follows:

Corporate theme/Strategic area	Priorities 2009/10
Supporting the creation of high quality art	
Artform development & support for artists – we will implement all actions under Resource Category One in the Artform Strategies	<ul style="list-style-type: none"> • Support the gallery network to further promote excellent curatorial practice • Develop new support for artist-filmmakers through two new film/sound commissions • Set up the framework for dance and disability for Wales • Develop a funding proposition to support new composition in music • Support the development of the National Theatre of Wales • Establish a new partnership agreement with Academi, the Welsh National Literature Promotion Agency
International work – we will deliver the first year's work outlined in <i>Creating 2013</i> to maximise international opportunities for the arts in Wales, increase investment into WAI's programme of activities and ensure international impact and recognition for arts from Wales.	<ul style="list-style-type: none"> • Develop and deliver the Writers' Chain project partnership with British Council • Develop and deliver the Cultural Relations Programme with China in partnership with WAG and British Council • Review and develop WAI's long-term programme with North America

Corporate theme/Strategic area	Priorities 2009/10
Encouraging more people to enjoy and take part in the arts	
<p>Participation – we will deliver year one of the Legacy Trust business plan, develop an evaluation toolkit for measuring the impact of participatory arts activity in a community arts context, and deliver the agreed actions in the joint Arts & Health Action Plan.</p>	<ul style="list-style-type: none"> • Engage up to 8,000 participants in Legacy Trust-funded projects • Roll out the community arts evaluation toolkit • Hold at least one practical workshop with senior health managers from across Wales following the launch of the Arts & Health Action Plan and the associated guidance document
<p>Audience development – we will have a new plan for the future support of venues in Wales and have progressed work on the development of the Cultural Enterprise Centre in Merthyr Tydfil</p>	<ul style="list-style-type: none"> • Evaluate the impact of Arts outside Cardiff funding and present clear proposals for the future development of regional performing arts centres • Work in partnership with WAG to continue the development of the Cultural Enterprise Centre in Merthyr Tydfil
<p>Young people – we will progress our Arts & Young People Strategy, our <i>Reach the Heights</i> project, and develop the Expressive Schools Wales initiative.</p>	<ul style="list-style-type: none"> • Publish the Arts & Young People Strategy and commence implementation • Meet our year one targets for the <i>Reach the Heights</i> project • Establish two Expressive Schools Wales pilot projects
<p>Research – we will collate survey and research data that will inform progress towards the 2012 target of increasing engagement, setting clear, measurable outcomes and impact measures.</p>	<ul style="list-style-type: none"> • Agree the final version of the Research Strategy and implement agreed priorities for 2009/10 • Develop appropriate measures and evaluation tools for all of our projects and programmes
Growing the arts economy	
<p>Diversifying our funding base – we will meet our year one financial targets for the <i>Reach the Heights</i> project, complete year one of WAI's Convergence-funded projects, and secure funding for a further two international projects.</p>	<ul style="list-style-type: none"> • Ensure we award sufficient contracts and deliver the agreed outputs to draw down the allocated ESF funding • Fully establish our European Officer post and develop structures to support the successful implementation of large-scale projects
<p>Stimulating enterprise and business growth – we will have an agreed plan for developing business support services</p>	<ul style="list-style-type: none"> • Undertake a scoping exercise with potential partners and agree an action plan
<p>Cultural tourism – we will have advanced our role in the agreed Cultural Tourism Action Plan</p>	<ul style="list-style-type: none"> • Establish the Impact Project as a successful bid to the Atlantic Area EU funding scheme
Making the Arts Council an effective and efficient business	
<p>Investment Review – we will complete the review of our portfolio of revenue-funded organisations</p>	<ul style="list-style-type: none"> • Consult and agree the terms of reference, quality framework and planning guidance • Assess applications, making reasoned and supported recommendations to Council • Manage the communication of decisions to applicants
<p>Excellence and innovation – we will review the effectiveness of our beacon and Arts outside Cardiff funding strategies</p>	<ul style="list-style-type: none"> • Develop the evidence base for supporting the arts and support WAG in the production of a new Cultural Strategy

Corporate theme/Strategic area	Priorities 2009/10
Business simplification – we will simplify our administrative processes and systems	<ul style="list-style-type: none"> • Complete our review of grants and client management to streamline our operations within available resources and ensure value for money and high level customer service • Publish our Customer Service Standards
Developing our workforce – our staff will be engaged and motivated and benefit from a programme of staff training and development	<ul style="list-style-type: none"> • Establish new arrangements for staff development, training and appraisal • Ensure retention of our Investors in People standard
Communications and campaigning – we will deliver all actions in our 2009/10 Communications Strategy	<ul style="list-style-type: none"> • Redevelop our online services • Devise and execute a major campaign to raise the profile of the arts in Wales

Audit

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

Human resources

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.

Sickness absence

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

Employee communication

The Council recognises the trade union Unite, with which it has established a procedural agreement; representatives of management and union meet regularly to discuss matters of current concern. Additionally, regular departmental meetings are held and Directors are required to report to their staff on matters discussed at Council and at the Senior Management Team 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. 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 2009, the Council paid 94% (2007/08: 94%) of all invoices within the terms of its payment policy. Since November 2008 the Council, in line with Welsh Assembly Government policy, aims to pay invoices with 10 days. For this period 86% of invoices have been paid with 10 days.

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 2009/10, to meet all current contracted commitments. The Council does not consider that its general activities are exposed to any significant liquidity risk.

Interest rate risk - Cash balances, which are drawn down from the Welsh Assembly Government to pay grant commitments and operating costs, are held in instant access variable rate bank accounts which on average carried an interest rate of 3.42% (2007/08: 5.28%) in the year. The unrestricted year-end cash balance held by the Council in the bank was £300,000 (2008: £353,000). 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.

Responsibility towards the environment, social and community issues

The Council is developing policies in this area. Current arrangements are being reviewed to inform our approach in our new national office but we already have arrangements in place to recycle approximately 75% of office waste via agreements with local authorities. Procurement guidelines will be reviewed and developed to incorporate environmental awareness.

Personal data related incidents

The Council suffered two personal data security breaches during the year: a laptop computer was stolen from one of the Council's offices; and a Council website, which is hosted externally, was compromised by an automated virus attack. Personal data stored on the laptop was already in the public domain so no remedial action was needed in that regard, but laptops left overnight at any of the Council's offices are now stored in locked cabinets. The vulnerability of the website following the virus attack would, however, have allowed a skilled attacker to extract data stored in the backend database, which included personal details submitted by users. The website was, therefore, closed down as soon as the attack was identified and the Council's web developer worked with third party security experts to remove the threat of future attacks of the same kind. All individuals with details registered on the database were informed of the issue and the incident was reported to the Information Commissioner's Office. The Welsh Assembly Government's Head of Information Security was also notified. When this attack occurred a comprehensive assessment of the Council's information security was already underway but that work was subsequently extended. A major review of the Council's websites has been instigated to reflect our changed business needs and to further improve security.

REMUNERATION REPORT

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

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

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

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

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

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

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

The dates of commencement of employment are: Professor Dai Smith (Chairman) 1 April 2006; Peter Tyndall (former Chief Executive) 1 October 2001 (left 18 April 2008); Nicholas Capaldi (current Chief Executive) 15 September 2008; David Alston (Arts Director) 1 July 2005; Hywel Tudor (Finance and Central Services Director) 21 January 2002; Jane Clarke (Operations Director) 1 April 2004 (left 9 May 2008); Siân Phipps (Head of Communications) 26 January 2004 (left 26 November 2008).

From April 2008 to September 2008, the post of Chief Executive was covered by James Turner under an interim management arrangement. The post of Operations Director remains vacant at present.

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 *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

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

Nicholas Capaldi
Accounting Officer

14 July 2009

Dai Smith
Chairman

14 July 2009

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2009 and up to the date of approval of the trustees' annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

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

4. The risk and control framework

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

The Council has created a Risk Management Group which meets regularly to review the risk management of the Council.

This includes an organisation-wide risk register containing details of all key risks and mitigating controls. Managers are responsible for drawing up and maintaining more detailed risk registers for any new activities. During the year ended 31 March 2009, for example, the relocation of the Council's national office in Cardiff was identified as a risk priority and managed accordingly.

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

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

The Council has established the following processes:

- the Senior Management Team meets regularly to consider the plans and strategic direction of the Council;
- periodic reports from the chairman of the Audit Committee, to Council, concerning internal control;
- regular reports by the Council's appointed internal auditors, to standards defined in the Government Internal Audit Manual, to the Audit Committee which includes the auditors' independent opinion on the adequacy and effectiveness of the Council's system of internal control together with recommendations for improvement;
- the identification and discussion of emerging risks by the Management Board at its monthly meetings;
- regular reviews by the Risk Management Group to identify and keep up to date the record of risks facing the Council;

- maintenance of an organisation-wide risk register;
- key performance indicators.

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

The Council suffered two personal data security breaches during the year: a laptop computer was stolen from one of the Council's offices; and a Council website, which is hosted externally, was compromised by an automated virus attack. Personal data stored on the laptop was already in the public domain so no remedial action was needed in that regard, but laptops left overnight at any of the Council's offices are now stored in locked cabinets. The vulnerability of the website following the virus attack would, however, have allowed a skilled attacker to extract data stored in the backend database, which included personal details submitted by users. The website was, therefore, closed down as soon as the attack was identified and the Council's web developer worked with third party security experts to remove the threat of future attacks of the same kind. All individuals with details registered on the database were informed of the issue and the incident was reported to the Information Commissioner's Office. The Welsh Assembly Government's Head of Information Security was also notified. When this attack occurred a comprehensive assessment of the Council's information security was already underway but that work was subsequently extended. A major review of the Council's websites has been instigated to reflect our changed business needs and to further improve security.

5. Review of effectiveness

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

In their annual opinion, the internal auditors provided limited assurance in two of the eight areas on which they had reported: budget setting and strategic planning; and grant making. 2008/09 was a transitional year for the Council due to changes in executive leadership and the corporate planning process, but management has agreed action plans to address the recommendations made in both these areas which will be the subject of further comprehensive reviews in 2009/10.

Nicholas Capaldi
Accounting Officer

14 July 2009

Dai Smith
Chairman

14 July 2009

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 2009 under Article 11 of the Council's Royal Charter. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having being audited.

Respective responsibilities of the Council, the Accounting Officer and the auditor

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

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

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

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

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

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

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Arts Council of Wales' circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with Article 11 of the Council's Royal Charter and directions made thereunder by Welsh Ministers, of the state of the Arts Council of Wales' affairs as at 31 March 2009 and of its incoming resources and application of resources, and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Article 11 of the Council's Royal Charter and Welsh Ministers directions made thereunder; and
- information given within the Trustees' Annual Report is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

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

Date: 17 July 2009

THE ARTS COUNCIL OF WALES

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 March 2009

	Note	Unrestricted Funds £'000	Restricted Funds £'000	2009 Total £'000	2008 Total £'000
INCOMING RESOURCES					
Incoming resources from generated funds					
<i>Voluntary income:</i>					
Grant-in-aid from the Welsh Assembly Government	3	24,179	6,532	30,711	28,152
Other grants and donations	4	206	11	217	207
Sub-total Voluntary income		<u>24,385</u>	<u>6,543</u>	<u>30,928</u>	<u>28,359</u>
<i>Activities for generating funds:</i>					
Services and sponsorship	5	161	442	603	467
<i>Investment income:</i>					
Bank interest		71	7	78	125
Other incoming resources	6	48	-	48	27
Total incoming resources		<u>24,665</u>	<u>6,992</u>	<u>31,657</u>	<u>28,978</u>
RESOURCES EXPENDED					
Charitable activities:					
Grants awarded	7,9	20,476	6,461	26,937	24,775
Other services and strategies	8,9	3,029	1,173	4,202	3,711
Sub-total Direct charitable expenditure		<u>23,505</u>	<u>7,634</u>	<u>31,139</u>	<u>28,486</u>
Governance costs	11	75	-	75	66
Resources expended before notional cost of capital		<u>23,580</u>	<u>7,634</u>	<u>31,214</u>	<u>28,552</u>
Notional cost of capital		45	-	45	30
Total resources expended		<u>23,625</u>	<u>7,634</u>	<u>31,259</u>	<u>28,582</u>
Net incoming/(outgoing) resources					
after charging notional cost of capital and before transfers		1,040	(642)	398	396
Gross transfers between funds	17	(678)	678	-	-
Reversal of notional cost of capital		45	-	45	30
Net movement in funds		407	36	443	426
Fund balances brought forward		803	254	1,057	631
Total funds carried forward		<u>1,210</u>	<u>290</u>	<u>1,500</u>	<u>1,057</u>

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

The notes on pages 24 to 40 form part of these financial statements

ARTS COUNCIL OF WALES

BALANCE SHEET as at 31 March 2009

		2009		2008	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	12a		10		28
Tangible fixed assets	12b		<u>395</u>		<u>68</u>
			405		96
Current assets					
Grants paid in advance	13	168		40	
Other debtors and prepayments	14	1,075		828	
Cash at bank and in hand		<u>590</u>		<u>607</u>	
		<u>1,833</u>		<u>1,475</u>	
Creditors: amounts falling due within one year					
Grants payable		(31)		(92)	
Other creditors falling due within one year		<u>(482)</u>		<u>(412)</u>	
	15	<u>(513)</u>		<u>(504)</u>	
Net current assets			<u>1,320</u>		<u>971</u>
Total assets less current liabilities			1,725		1,067
Creditors: amounts falling due after more than one year					
Deferred income	16	(225)		-	
Loan		<u>-</u>		<u>(10)</u>	
			(225)		(10)
Net assets			<u><u>1,500</u></u>		<u><u>1,057</u></u>
Represented by:					
Funds					
Unrestricted funds	17		1,210		803
Restricted funds	17		<u>290</u>		<u>254</u>
			<u><u>1,500</u></u>		<u><u>1,057</u></u>

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

The notes on pages 24 to 40 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

14 July 2009

Dai Smith
Chairman

14 July 2009

ARTS COUNCIL OF WALES

CASH FLOW STATEMENT

for the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Net cash inflow from operating activities	19a	321	85
Bank interest		78	125
		<hr/>	<hr/>
		399	210
Capital expenditure	19b	(416)	(44)
		<hr/>	<hr/>
(Decrease)/Increase in cash in the year	19c	(17)	166
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 24 to 40 form part of these financial statements

1. Accounting policies

a. Basis of preparation

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

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

b. Income

All income is accounted for on an accruals basis. Capital grants receivable are treated as incoming resources.

c. Lottery distribution

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

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

d. Resources expended

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

e. Grants awarded

Subsidy expenditure is incurred in the form of grants which are formally offered to and accepted by organisations funded by the Council. Grants are offered in support of a programme of activities planned for, or to commence in, a particular financial year and are charged to the Statement of Financial Activities in that year. Any amounts unpaid from grants and guarantees at the year end are shown as creditors in the Balance Sheet. Any advance payments which have been made in respect of approved grants relating to future years' activities are shown in the Balance Sheet as current assets.

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

f. Services and strategies

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

g. Allocation of overhead and support costs

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

h. Governance costs

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

i. Foreign currency

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

j. Recognition of liabilities

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

k. Fund accounting

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

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

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

l. Fixed assets

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

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

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

m. Depreciation

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

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

n. Leases

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

o. Pensions

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

p. Taxation

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

q. Deferred income

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

r. Financial instruments

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

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

s. Notional cost of capital charge

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

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

The separate Lottery distribution account shows the Council's 2008/09 share of the proceeds from the National Lottery of £10,410,000 (2007/08: £10,019,000). The combined total incoming resources for both general and Lottery activities for 2008/09 was £42,637,000 (2007/08: £39,860,000).

General grants are charged to the Statement of Financial Activities as soon as they are offered. Lottery grants are charged only when the formal offer has been accepted by the recipient. Although not all charged as expenditure in the Income and Expenditure Account, during 2008/09 Council approved Lottery grants amounting to £3,919,000 (2007/08: £8,749,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2008/09 was £35,849,000 (2007/08: £38,069,000).

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

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

	Unrestricted funds £'000	Restricted funds £'000	2009 Total £'000	2008 Total £'000
Cash grant-in-aid paid in full	24,179	5,550	29,729	27,737
Capital investment in galleries	-	700	700	-
Contributions towards Wales' presence at the Venice Biennale	-	65	65	-
Supplementary grant-in-aid to fund specific arts activity	-	217	217	415
Grant-in-aid credited to incoming resources in the Statement of Financial Activities	24,179	6,532	30,711	28,152

4. Voluntary income: Other grants and donations

Prior years' grants no longer required	14	-	14	22
Legacy	-	-	-	105
Donations	7	6	13	1
Contributions towards Wales' presence at the Venice Biennale	-	-	-	69
Bank of Ireland: contribution towards "Celtic Neighbours" project	-	5	5	10
Welsh Assembly Government capital funding towards office relocation	185	-	185	-
	206	11	217	207

5. Activities for generating funds: Services and sponsorship

	Unrestricted funds £'000	Restricted Funds £'000	2009 Total £'000	2008 Total £'000
Community Touring scheme: contributions from venues/promoters	127	-	127	108
Wales Arts International: contribution from the British Council	-	53	53	108
contribution from the Welsh Assembly Government	-	292	292	212
other Income	1	-	1	-
Collectorplan charges	33	-	33	34
Annual Conference - delegate fees	-	5	5	3
Arts Marketing Symposium - trainee fees	-	4	4	2
Cultural Olympiad 2012: contribution from the Welsh Assembly Government	-	42	42	-
Legacy Trust UK	-	46	46	-
	161	442	603	467

6. Other incoming resources

Lease incentive - release of deferred income (note 16)	10	-	10	-
Contribution from the Lottery Distribution account for use of fixed assets	38	-	38	27
	48	-	48	27

7. Charitable activities: Grants awarded

	Unrestricted funds			Restricted funds			2009	2008
	Grants £'000	Support costs £'000 (a)	Total unrestricted £'000	Grants £'000	Support costs £'000 (b)	Total restricted £'000	Total £'000	Total £'000
Grants to revenue-funded organisations	19,773	703	20,476	6,019	442	6,461	26,937	24,114
Welsh Assembly Government awards to fund specific arts activity (other than revenue-funded organisations)	-	-	-	-	-	-	-	646
Capacity building grants with the support of the European Social Fund (Objective 3)	-	-	-	-	-	-	-	15
	19,773	703	20,476	6,019	442	6,461	26,937	24,775

(a) The total of £703,000 for costs in support of unrestricted grants includes £438,000 in respect of staff costs.

(b) The total of £442,000 for costs in support of restricted grants includes £276,000 in respect of staff costs.

Grants awarded comprise:

	2009	2008
	£'000	£'000
Grants to public bodies	4,946	4,576
Grants to private bodies	<u>20,846</u>	<u>18,880</u>
	<u>25,792</u>	<u>23,456</u>

All grants awarded were to organisations.

8. Charitable activities: Other services and strategies

	Unrestricted funds			Restricted funds			2009	2008
	Services and strategies £'000 (a)	Support costs £'000 (b)	Total unrestricted £'000	Services and strategies £'000 (c)	Support costs £'000 (d)	Total restricted £'000	Total £'000	Total £'000
Planning, Development & Research	1,155	413	1,568	58	21	79	1,647	1,379
Community Touring: "Night Out"	307	66	373	150	32	182	555	485
Principality Collectorplan	46	107	153	-	-	-	153	167
Arts outside Cardiff	-	-	-	217	2	219	219	206
English Language Theatre	-	-	-	1	65	66	66	86
Marketing & Communications	163	85	248	10	5	15	263	269
Contribution towards "Celtic Neighbours"	-	-	-	10	2	12	12	-
Landfill donation for Chapter Arts Centre	19	-	19	-	-	-	19	-
Regional partnerships pilot	-	-	-	5	2	7	7	-
Saturday & Summer schools pilot	-	-	-	50	2	52	52	-
Wales at the Venice Biennale of Art	132	38	170	65	19	84	254	299
Wales Arts International	341	80	421	371	86	457	878	756
Visual arts and craft services	67	10	77	-	-	-	77	64
	2,230	799	3,029	937	236	1,173	4,202	3,711

- (a) The total of £2,230,000 for unrestricted services and strategies includes £1,093,000 in respect of staff costs.
(b) The total of £799,000 for costs in support of unrestricted services and strategies includes £498,000 in respect of staff costs.
(c) The total of £937,000 for restricted services and strategies includes £206,000 in respect of staff costs.
(d) The total of £236,000 for costs in support of restricted services and strategies includes £147,000 in respect of staff costs.

9. Support costs

	Facilities & IT infrastructure £'000	Personnel & Communications £'000	Professional fees £'000	Irrecoverable VAT £'000	Depreciation £'000	2009 Total £'000	2008 Total £'000
Charitable activities: Grants awarded		(a)					
Grants to revenue-funded organisations	189	822	32	46	56	1,145	1,279
Welsh Assembly Government awards to fund specific arts activity (other than revenue-funded organisations)	-	-	-	-	-	-	34
Capacity building grants with the support of the European Social Fund (Objective 3)	-	-	-	-	-	-	6
<i>Sub-total in support of grants awarded</i>	189	822	32	46	56	1,145	1,319
Charitable activities: Other services and strategies							
Planning, Development & Research	76	310	13	14	21	434	467
Community Touring: "Night Out"	15	71	3	4	5	98	92
Principality Collectorplan	18	77	3	4	5	107	115
Arts outside Cardiff	-	2	-	-	-	2	3
English Language Theatre	11	46	2	3	3	65	37
Marketing & Communications	15	64	3	4	4	90	97
"Celtic Neighbours" project	-	-	-	-	2	2	-
Regional partnerships pilot	-	2	-	-	-	2	-
Saturday & Summer schools pilot	-	2	-	-	-	2	-
Wales at the Venice Biennale of Art	9	39	2	4	3	57	38
Wales Arts International	27	120	5	6	8	166	155
Visual arts and craft services	2	7	1	-	-	10	9
<i>Sub-total in support of other services and strategies</i>	173	740	32	39	51	1,035	1,013
Total in support of charitable activities	362	1,562	64	85	107	2,180	2,332

(a) The total of £1,562,000 for Personnel & Communications includes £1,359,000 in respect of staff costs.

10. Staff costs

a. Total staff costs consist of:

	Unrestricted funds £'000	Restricted funds £'000	2009 Total £'000	2008 Total £'000
Wages and salaries charged to general activities	1,541	493	2,034	1,861
Social security costs	122	29	151	170
Other pension costs	285	81	366	336
Redundancy costs	20	8	28	54
Agency costs	61	18	79	45
	2,029	629	2,658	2,466

	2009	2008
	Total	Total
	£'000	£'000
Staff costs are incorporated in the accounts as follows:		
Charitable activities: Services and strategies (direct costs) (note 8)	1,299	970
Charitable activities: Support costs - Personnel & Communications (note 9)	1,359	1,496
	<u>2,658</u>	<u>2,466</u>

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

	No	No
Charitable activities: Services and strategies (directly charged)	26	21
Charitable activities: Support	70	73
Agency staff	1	2
	<u>97</u>	<u>96</u>

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

Charitable activities: Services and strategies (directly charged)	26	22
Charitable activities: Support	42	41
Agency staff	1	1
	<u>69</u>	<u>64</u>

The balance of 28 (2007/08: 32) staff were employed on lottery distribution activities.

- b. The Chief Executive, Arts Director, Finance and Central Services Director, Operations Director and, until November 2008, the Head of Communications are responsible for directing the Council's activities. Their actual emoluments were as follows, 60% of which is charged in these financial statements and the remainder to lottery distribution activities:

Name and position	2009	2008	2009	2009	2009	2009	2009
	Emoluments band	Emoluments band	Real increase in pension at age 65	Total accrued pension at age 65 as at 31/03/09	Cash ¹ Equivalent Transfer Value at 31/03/08	Cash Equivalent Transfer Value at 31/03/09	Real ² Increase/ (decrease) in Cash Equivalent Transfer Value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Nick Capaldi <i>Chief Executive (from 15 September 2008)</i>	50-55	-	0-2.5	0-5	-	6	6
Peter Tyndall <i>Chief Executive (to 18 April 2008)</i>	5-10	70-75	0-2.5	20-25	285	261	(22)
David Alston <i>Arts Director</i>	60-65	60-65	0-2.5	0-5	19	30	11
Hywel Tudor <i>Finance and Central Services Director</i>	60-65	60-65	0-2.5	5-10	71	79	9
Jane Clarke <i>Operations Director (to 9 May 2008)</i>	5-10	60-65	0-2.5	10-15	171	160	(10)
Siân Phipps <i>Head of Communications (to 26 November 2008)</i>	25-30	40-45	0-2.5	10-15	128	120	(8)

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

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

Following an amendment to the Council's Royal Charter, and with the approval of the Charity Commission, since 1 April 2004 the Chairman has been remunerated for his services but receives no bonus payments and is not a member of the pension scheme. Other Council Members, Committee Members and National Advisers receive no payment for their services. Council meeting costs for 2008/09 disclosed in note 11 include an aggregate amount of £6,695 (2007/08: £11,477) reimbursed to 13 (2007/08: 12) Council members.

From April 2008 to September 2008 the post of Chief Executive was covered by James Turner under an interim management arrangement. The post of Operations Director remains vacant at present.

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

	2009	2008
	£	£
Chairman		
Salary	<u>43,160</u>	<u>42,120</u>
Former Chief Executive		
Salary	3,751	65,621
Non-consolidated award	4,922	4,801
Pension contribution	<u>773</u>	<u>13,387</u>
	<u>9,446</u>	<u>83,809</u>
Interim Chief Executive		
Management fees	<u>69,600</u>	<u>-</u>
Current Chief Executive		
Salary	50,089	-
Pension contribution	9,317	-
Benefit in kind: contribution to living accommodation (including tax and national insurance)	<u>4,745</u>	<u>-</u>
	<u>64,151</u>	<u>-</u>
Travel and subsistence expenses incurred and defrayed whilst on Council business:		
Chairman	4,823	2,259
Chief Executives	12,285	15,762

60% (2007/08: 60%) of the Chairman's and Chief Executive's emoluments are charged in these financial statements and the remainder to lottery distribution activities.

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

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

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

Contributions by the Council and its employees were:

	For staff in post on or before 31/08/2006		For staff in post on or after 01/09/2006	
	2009 %	2008 %	2009 %	2008 %
Council	20.6	20.6	18.6	18.6
Employees	1.5	1.5	3.5	3.5

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

At the date of signing these financial statements the contribution rates for 2009/10 are unchanged from 2008/09.

11. Governance costs

	2009 Total £'000	2008 Total £'000
Auditor's remuneration - Audit	25	21
Additional assurance	4	3
Internal audit	11	11
Council meetings, including Members' travel and subsistence	15	12
Committee meetings, including travel and subsistence	6	7
Council policy seminars	13	12
Legal advice	1	-
	75	66

12. Fixed assets

a. Intangible fixed assets

	Computer software licences
	£'000
Cost at 1 April 2008	493
Additions	-
Disposals	(22)
Cost at 31 March 2009	<u>471</u>
Depreciation at 1 April 2008	465
Backlog charge on reclassification of assets	7
Charge for the year	11
<i>Total charge for year</i>	18
Disposals	(22)
Depreciation at 31 March 2009	<u>461</u>
Net book value at 31 March 2009	<u>10</u>
Net book value at 1 April 2008	<u>28</u>

b. Tangible fixed assets

	Property plant & equipment	Computer system, furniture, etc	Total
	£'000	£'000	£'000
Cost or valuation at 1 April 2008	220	429	649
Additions	92	324	416
Disposals	-	(161)	(161)
Cost or valuation at 31 March 2009	<u>312</u>	<u>592</u>	<u>904</u>
Depreciation at 1 April 2008	199	382	581
Backlog charge on reclassification of assets	-	11	11
Charge for the year	12	66	78
<i>Total charge for year</i>	12	77	89
Disposals	-	(161)	(161)
Depreciation at 31 March 2009	<u>211</u>	<u>298</u>	<u>509</u>
Net book value at 31 March 2009	<u>101</u>	<u>294</u>	<u>395</u>
Net book value at 1 April 2008	<u>21</u>	<u>47</u>	<u>68</u>

- c. Net book value at 31 March 2009 represents fixed assets used by the Council in support of its charitable activities.

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

	2009	2008
	£'000	£'000
Depreciation charged has been allocated to charitable activities as follows (note 9):		
Grants awarded – support costs	56	38
Services and strategies – support costs	51	29
	<u>107</u>	<u>67</u>

13. Grants paid in advance

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

	2009	2008
	£'000	£'000
Payments in respect of the following year's grants	<u>168</u>	<u>40</u>

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

a. Analysis by type

Collectorplan loans	396	432
Trade debtors	67	110
Other debtors	80	9
Prepayments	<u>250</u>	<u>189</u>
	793	740
Due from Lottery distribution fund	<u>282</u>	<u>88</u>
	<u>1,075</u>	<u>828</u>

b. Intra-government balances

Balances with other central government bodies	282	116
Balances with local authorities	<u>71</u>	<u>4</u>
<i>Sub-total: Intra-government balances</i>	353	120
Balances with bodies external to government	<u>722</u>	<u>708</u>
Total debtors and prepayments	<u>1,075</u>	<u>828</u>

15. Creditors: amounts falling due within one year

a. Analysis by type

Grants payable	31	92
Taxation and social security	70	74
Trade creditors	65	92
Other creditors	75	62
Accruals and deferred income	<u>272</u>	<u>184</u>
	<u>513</u>	<u>504</u>

b. Intra-government balances

Balances with other central government bodies	70	74
Balances with local authorities	<u>10</u>	<u>17</u>
<i>Sub-total: Intra-government balances</i>	80	91
Balances with bodies external to government	<u>433</u>	<u>413</u>
Total creditors	<u>513</u>	<u>504</u>

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

Deferred income

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

Loan

The Council's Collectorplan Scheme has been boosted by a low-cost loan from the Principality Building Society. The facility of up to £500,000, originally available for a period of three years from 1 August 2004 at an advantageous fixed interest rate, was extended for a further two years to 31 July 2009 on the same terms. The Welsh Assembly Government has approved this loan and provided a guarantee for the repayment of the facility for the duration of the term. This loan is now repayable within one year so the balance due is included within Other creditors in note 15.

a. Analysis by type

	2009	2008
	£'000	£'000
Deferred income	225	-
Other creditors	-	10
	<u>225</u>	<u>10</u>

b. Intra-government balances

Intra-government balances	-	-
Balances with bodies external to government	225	10
Total creditors	<u>225</u>	<u>10</u>

17. **Statement of funds**

	At 1 April 2008 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	At 31 March 2009 £'000
Unrestricted funds					
General fund	803	24,665	(23,580)	(678)	1,210
Total unrestricted funds	<u>803</u>	<u>24,665</u>	<u>(23,580)</u>	<u>(678)</u>	<u>1,210</u>
Restricted funds					
Income					
Welsh Assembly Government for specific arts activity	101	6,467	(6,966)	559	161
Bank of Ireland: contribution towards "Celtic Neighbours" project	10	5	(12)	2	5
Other donations	-	15	(20)	5	-
Contributions towards Wales' presence at the Venice Biennale	-	65	(84)	19	-
Wales Arts International: contributions from the British Council and Welsh Assembly Government	26	345	(457)	86	-
Cultural Olympiad 2012	-	42	(45)	3	-
Legacy Trust UK	-	46	(50)	4	-
	<u>137</u>	<u>6,985</u>	<u>(7,634)</u>	<u>678</u>	<u>166</u>
Capital					
Alun Llywelyn Williams Memorial Fund (income to provide bursary for young artist)	12	1	-	-	13
Brian Ross Memorial Fund (income to provide bursary for young visual artist)	105	6	-	-	111
	<u>117</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>124</u>
Total restricted funds	<u>254</u>	<u>6,992</u>	<u>(7,634)</u>	<u>678</u>	<u>290</u>
Total funds	<u>1,057</u>	<u>31,657</u>	<u>(31,214)</u>	<u>-</u>	<u>1,500</u>

The Alun Llywelyn Williams and Brian Ross Memorial Funds are represented by cash at bank and are within the total of £590,000 shown on the balance sheet.

18. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Fund balances at 31 March 2009 are represented by:			
Fixed assets	405	-	405
Current assets	1,543	290	1,833
Creditors: amounts falling due within one year	(513)	-	(513)
Creditors: amounts falling due after more than one year	(225)	-	(225)
Total net assets	1,210	290	1,500

19. Cash flow information

	2009 £'000	2008 £'000
a. Reconciliation of changes in resources to net inflow from operating activities		
Net incoming resources	443	426
Bank interest	(78)	(125)
Depreciation (note 12c)	107	67
Increase in grants paid in advance	(128)	(40)
Increase in debtors and prepayments	(247)	(67)
Increase/(Decrease) in grants payable	(61)	14
Increase in other creditors falling due within one year	70	50
(Increase)/Decrease in creditors falling due after more than one year	215	(240)
Net cash inflow from operating activities	321	85
b. Analysis of cash flows		
Capital expenditure		
Payments to acquire intangible fixed assets (note 12a)	-	(30)
Payments to acquire tangible fixed assets (note 12b)	(416)	(14)
	(416)	(44)
c. Reconciliation of net cash flow to movement in net funds		
Increase/(Decrease) in cash in the year	(17)	166
Net funds at 1 April	607	441
Net funds at 31 March	590	607

20. Commitments on operating leases

At 31 March 2009 the Council had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Equipment	
	2009 £'000	2008 £'000	2008 £'000	2008 £'000
Operating leases which expire				
within one year	28	133	-	2
one to five years	37	-	5	6
over five years	214	25	-	-

21. Forward commitments

	2009 £'000	2008 £'000
Grants		
Forward funding - grants formally offered	<u>25,115</u>	<u>21,823</u>

22. Contingent liabilities

At 1 April 1994 two former employees of the Welsh Arts Council transferred their contracts of employment to the Welsh Amateur Music Federation. The Welsh Assembly Government has approved an arrangement whereby the Council has indemnified the Federation for redundancy entitlements accrued by the employees concerned during their service with the Council. One of the employees has since retired and the remaining employee's length of service with the Federation has reached the point where there is no longer any liability to the Council.

	2009 £	2008 £
Contingent liability	<u>Nil</u>	<u>2,010</u>

The Council recently relocated its national office and is currently negotiating a schedule of dilapidations with the former landlord. Agreement is not anticipated in the immediate future and it was not possible to quantify any liability for costs at the balance sheet date. Consequently no provision has been included in these financial statements.

The Council has recently been involved in an employment tribunal case. The basis of the claim against the Council has been contested. Legal costs associated with the Council's defence of this action have been included in these accounts. A decision on the level of liability for damages and costs, if any, is not expected in the immediate future. Consequently, as permitted by FRS 12, the potential liability, which cannot be quantified with any degree of certainty, is not disclosed here as such disclosure could prejudice the Council's position.

23. Financial instruments

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

Liquidity risks – In 2008/09 £30,711,000 or 97% of the Council's income was derived from the Welsh Assembly Government (2007/08: £28,152,000 or 97%). Of the remaining income £946,000 or 3% was derived from bank interest and sundry income (2007/08: £826,000 or 3%). The Council does not consider that its general activities are exposed to any significant liquidity risk, and is satisfied that future income is sufficient to meet its commitments.

Interest rate risks – Cash balances which are drawn down from the Welsh Assembly Government to pay grant commitments and operating costs are held in an instant access, variable rate bank account which on average carried an interest rate of 3.42% in the year (2007/08: 5.28%). The unrestricted cash balance at the year end was £300,000 (2008: £353,000). The Council does not consider that its general activities are exposed to significant interest rate risks.

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

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

24. Corporation Tax

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

25. Post balance sheet event

The Accounting Officer authorised these financial statements for issue on 17 July 2009.

26. Related party transactions

Public bodies

The Council is an Assembly Government sponsored body.

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

Individuals

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

Council Members

A number of Council Members and/or their close family were members of the Boards of Management (or equivalent) or senior employees of organisations who received grants in 2008/09 from the Council. In all such cases, in accordance with the Council's Code of Best Practice, the Member concerned withdrew from any meeting during discussion of the application.

Member	Organisation	Transaction (number)	Total value £	Total balance outstanding at 31 March 2009 £
Norah Campbell Board Member	Oriel Mostyn	Grant (3)	583,689	Nil
Simon Dancey Director	Community Music Wales	Grant (2)	92,017	Nil
Emma Evans Trustee/Director Fellow	Creu Cymru Clare leadership Programme	Grant (1) Payment (1)	148,110 35,000	Nil Nil
Maggie Hampton Director Board Member (family member)	Disability Arts Cymru India Dance Wales	Grant (2) Grant (1)	87,109 20,000	Nil Nil
Rhiannon Wyn Hughes MBE Councillor	Denbighshire County Council (including Pavilion Theatre, Rhyl and Ruthin Craft Centre)	Grant (4)	380,764	Nil
Vice President	Llangollen International Musical Eisteddfod	Grant (1)	57,028	Nil
John Metcalf Employee	Swansea Festival of Music and the Arts	Grant (1)	38,652	Nil
Employee	Vale of Glamorgan Festival	Grant (1)	36,694	Nil
Robin Morrison Employee	Blaenau Gwent County Borough Council (including Beaufort Theatre)	Grant (1)	40,051	Nil

Member	Organisation	Transaction (number)	Total value £	Total balance outstanding at 31 March 2009 £
Ruth Till MBE				
Committee member	Community Dance Wales	Grant (1)	69,386	Nil
Director	Rubicon Dance	Grant (2)	185,286	Nil
Debbie Wilcox				
Councillor	Newport City Council (including Newport Museum and Art Gallery and The Riverfront)	Grant (2)	102,374	Nil

Key managerial staff

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