



Cyngor Celfyddydau Cymru  
Arts Council of Wales

## GENERAL ACTIVITIES ACCOUNT

Report and Financial Statements  
for the year ended 31 March 2011



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

# THE ARTS COUNCIL OF WALES GENERAL ACTIVITIES ACCOUNT

## CONTENTS

	<b>Page</b>
Trustees' Annual Report	1
Remuneration report	20
Statement of Council's and the Accounting Officer's responsibilities	22
Statement on internal control	23
The Certificate and Report of the Auditor General for Wales to the Arts Council of Wales	25
Statement of financial activities	27
Balance sheet	28
Cash flow statement	29
Notes forming part of the financial statements	30

# TRUSTEES' ANNUAL REPORT

for the year ended 31 March 2011

## Reference and administrative details

### *Trustees*

Council Members who served since 1 April 2010 were:

Professor Dai Smith, Chairman	(b)
Dr Ian J Rees, Vice-chairman	(a) (b) (e - to February 2011)
Norah Campbell (to 31 March 2011)	(a) (g)
Emma Evans	(a)
John Geraint	
Maggie Hampton (to 29 September 2010)	(c)
Margaret Jervis MBE DL	(b) (f) (iv)
Robin Morrison	(c) (i)
Osi Rhys Osmond	(d) (g)
Richard Turner	(f) (iii)
Alan Watkin	(e) (v)
Debbie Wilcox (to 23 November 2010)	(f) (ii)
Professor Gerwyn Williams	(c) (e)
John C Williams	(a)
Dr 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) Newport City Council
- (iii) University of Wales
- (iv) Wales Council for Voluntary Action
- (v) Wrexham County Borough Council

### *Chief Executive*

Nicholas Capaldi

*Offices*

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

*Auditor*

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

*Internal auditors*

*to 31 March 2011*  
RSM Tenon  
33-35 Cathedral Road  
Cardiff  
CF11 9HB

*from 1 April 2011*  
Deloitte LLP  
5 Callaghan Square  
Cardiff  
CF10 5BT

*Solicitors*

Geldards LLP  
Dumfries House  
Dumfries Place  
Cardiff  
CF10 3ZF

*Bankers*

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

**Structure, governance and management**

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

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

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

*Members' induction and training*

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

Charities from the State'. Seminars and additional training are arranged as necessary to inform the formulation of strategies and policies.

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

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

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

### *Accountability*

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

- the Charities Acts 1960, 1993 and 2006 and guidance issued by the Charity Commission
- the Freedom of Information Act 2000 and Data Protection Act 1998 and guidance issued by the Information Commissioner
- a Management Statement, Financial Memorandum and Accounts Direction issued by Welsh Ministers
- Lottery Policy Directions issued by the Welsh Ministers and Finance Directions and an Accounts Direction issued by the Secretary of State for Culture, Olympics, Media and Sport in accordance with the terms of sections 26 and 35 of the National Lottery etc. Act 1993 (as amended)
- the power of the Parliamentary Commissioner for Administration to investigate the Council's affairs
- the power of the Public Services Ombudsman for Wales to investigate the Council's affairs
- a Code of Best Practice, applying to Members and staff, which sets out standards of behaviour required of those involved in financial decisions and in dealing with the public
- the Consumer Credit Act 1974 and guidance issued by the Office of Fair Trading

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

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

### *Risk management*

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

Council has identified key areas of risk which we have been evaluating and managing during the year. These include: the implementation and delivery of our Investment Review decisions; our Organisational Review to achieve significant cost savings and efficiencies to meet Welsh Government targets; and the management of major projects, including three Lottery-funded capital developments and three European-funded initiatives.

### **Objectives, activities, achievements and performance for the public benefit**

The Council's chartered objects are:

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

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

## Main objectives for the year

The Council's strategic priorities for 2010/11 are set out in the table below according to our corporate themes, alongside key achievements made in relation to each priority during the year:

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
<b>Supporting the creation of high quality art</b>		
<p>We will support artists and arts organisations who demonstrate the highest standards of imagination, capability and enterprise.</p> <p>In return, we will expect them to strive for work of the highest quality that reaches out to, engages and grows audiences.</p> <p>By doing so, we will be able to highlight a range of high quality arts activity that inspires others to aspire to.</p>	<ul style="list-style-type: none"> <li>• We will have completed our Investment Review and identified our new nationwide network of revenue-funded organisations (RFOs).</li> <li>• We will have completed our review of grant-in-aid and Lottery funding programmes, and have published a new financial strategy.</li> <li>• We will have completed a further round of Creative Wales awards and made four Creative Wales Ambassadors Awards. We will have evaluated the Creative Wales programme to date and made recommendations for the future of the awards.</li> <li>• Working in partnership with our National Advisers we will have achieved quality appraisals for all revenue funded organisations to feed into 2011's annual review meetings.</li> <li>• We will have launched a new website providing practical information about the arts.</li> <li>• We will have completed our active programme of international arts activity by delivering year 3 of Wales Arts International's 5 year strategy, <i>Creating 2013</i>.</li> </ul>	<ul style="list-style-type: none"> <li>• We announced the outcome of our Review in June 2010. The levels of funding for each RFO for 2011/12 were decided in December 2010 when we published <i>Delivering our Vision: A Strategy for Success</i>.</li> <li>• Guidelines were published in February 2011 as the first step in a wider overhaul that will be completed by autumn 2011. Recent consultations on new areas of funding policy have been completed.</li> <li>• 18 professional artists received Creative Wales awards and the panel made 1 Ambassador award. The main part of the evaluation of the scheme was completed in the autumn but further work on the future of the awards will take place in 2011/12.</li> <li>• National Advisers and officers are now completing quality appraisals. Our annual review meetings timetable has changed so we will now hold these in January/February each year from 2012.</li> <li>• The new Arts Council website was launched in August 2010. The main site and the Wales Arts International sub-site are fully operational and have the facility for online registration and delivery of our eNewsletters.</li> <li>• During the year we have participated in the Welsh Government's new priority countries focus teams and will be informing new action plans. The Cerdd Cymru Music Wales partnership was developed and led to a bid to host WOMEX at Cardiff in 2013. The city has been shortlisted. We are managing 2 transnational projects, as part of which we hosted a successful European conference on public/private partnership in the arts.</li> </ul>

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
	<ul style="list-style-type: none"> <li>• We will have had a high profile presence at key national and international events and completed preparation for 2012's events. These will include Hay Festival, the Urdd Eisteddfod, the National Eisteddfod and the Venice Biennale of Art.</li> <li>• We will have funded our Equalities Action Plan and be providing development funding to disability led and black and minority ethnic led arts organisations.</li> </ul>	<ul style="list-style-type: none"> <li>• Our presence at the Hay Festival was a collaboration between 5 partners under the <i>Culture Cymru</i> banner and was deemed an improvement on previous years. At the Urdd Eisteddfod we brought together partners from public and voluntary sectors on an open performance stage to showcase professional and amateur talent. Our presence there and at the National Eisteddfod was deemed successful. The curatorial team for the Venice Biennale is in place and working with the selected artist on the creation of new work which will be seen at a new and more central location. We have agreed to support over 70 artists and arts organisations from Wales to attend the 2011 exhibition.</li> <li>• As a result of our Investment Review we will be supporting 4 disability focussed RFOs and have also developed and consulted on a new programme, <i>Creative Steps</i>, to provide targeted funding to artists and organisations who will deliver projects with and for currently under represented groups. We are finalising the criteria for the programme and expect to launch it in 2011/12.</li> </ul>
<b>Encouraging more people to enjoy and take part in the arts</b>		
<p>We will support activity that increases and broadens public engagement in the arts.</p> <p>We want people to enjoy and experience work of quality that inspires, entertains and challenges.</p> <p>By doing so, we want to persuade more people that attending and taking part in the arts should be an important part of their everyday lives.</p>	<ul style="list-style-type: none"> <li>• We will have agreed with our portfolio of RFOs new targets for public engagement.</li> <li>• We will be supporting, as a result of our Investment Review, artistically exciting, financially durable community arts organisations.</li> <li>• We will have raised the quality of participatory arts by encouraging more organisations to use our evaluation toolkit.</li> <li>• We will have completed and evaluated our Summer <i>Splash</i> programme.</li> </ul>	<ul style="list-style-type: none"> <li>• We worked with our RFOs throughout the autumn of 2010 and have entered into funding agreements, initially for 2011/12, with each of them. The agreements include targets for increased public engagement and we will use the results of our 2009/10 annual survey of RFOs to establish baseline data.</li> <li>• Our new portfolio includes 7 community arts organisations and we will work closely with them to establish procedures to monitor the impact of their work.</li> <li>• We held a development meeting in the spring of 2010 and then began work to build on our evaluation framework. As a result, our new revenue funding agreement includes a sector-specific requirement for community arts organisations to work with us to refine the present evaluation toolkit.</li> <li>• 18 projects were approved and funded in 2010/11. We have begun work on the production of an evaluation booklet and DVD and held a very successful celebration event in March 2011. We are actively seeking ongoing support from the Youth Justice Board and plan to publish our evaluation booklet and DVD by September 2011.</li> </ul>



<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
	<ul style="list-style-type: none"> <li>• We will have completed and evaluated the first phase of our <i>Reach the Heights</i> programme.</li> <li>• We will have secured the support of Creative and Cultural Skills to fund apprenticeships that equip artists to work in participatory and educational settings.</li> <li>• We will have consulted on and produced a Touring and Distribution strategy designed to bring a diverse range of high quality arts to a wider audience across Wales, drawing together our existing policy positions in this sector.</li> <li>• We will have supported our <i>Night Out</i> scheme to promote a minimum of 550 events, 150 of which will be in Communities First areas.</li> <li>• We will have increased our investment in Communities First areas.</li> <li>• We will have seen an increase in the amount of arts activity taking place in schools.</li> <li>• We will have seen the introduction of a pilot <i>Arts Plus</i> scheme.</li> <li>• We will have established a delivery model for a virtual arts and health network and secured additional resources for the delivery of the action plan.</li> </ul>	<ul style="list-style-type: none"> <li>• We finalised our project evaluation process in summer 2010, produced an evaluation DVD and held a successful evaluation and networking event in February 2011. The Welsh European Funding Office has approved an extension to the first phase of the programme until September 2011.</li> <li>• Although we have been involved in initial discussions with Creative and Cultural Skills, and are members of the Wales Advisory Group, there has been no significant progress against this target.</li> <li>• We have developed and consulted on a new National Touring scheme. A final version of the programme will be published in the first quarter of 2011/12 and we will be open to applications for our September 2011 funding round.</li> <li>• We supported 574 events during the year, 163 of which were in Communities First areas. The scheme celebrated its 30th anniversary in 2010/11 and published a new Plan for the period 2010-12.</li> <li>• Of the 450 successful Lottery applications in 2010/11, 96 (21%) were recorded as hitting our priority for delivering activity in deprived communities.</li> <li>• The data to inform this target is drawn from our RFO surveys. We are currently collating the results and should be in a position to report by September 2011.</li> <li>• We received ministerial approval, from the Education and Heritage departments of the Welsh Government, to move forward with the <i>Arts Plus</i> scheme and developed the framework and guidelines in the summer and autumn of 2010. Work began on the pilot in the final quarter of the year and will continue into early 2011/12.</li> <li>• In the first quarter of the year a costed proposal was developed by an arts and health working group for the consideration of the Health Minister. There has been no further progress on the initiative since that time.</li> </ul>

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
	<ul style="list-style-type: none"> <li>• We will have completed a programme of research that assesses the impact of our investment in the arts.</li> <li>• We will have established a baseline and methodology for evaluating the impact of our Lottery schemes funding.</li> </ul>	<ul style="list-style-type: none"> <li>• The Arts in Wales survey 2010 was completed and published and we developed a comprehensive press campaign to highlight the key findings. We also prepared our RFO Survey report for 2008/09 for publication and continue to collate the results of the 2009/10 RFO Survey.</li> <li>• Work on the development of an evaluation framework began during the year but will now be rolled forward into 2011/12.</li> </ul>
<b>Growing the arts economy</b>		
<p>We will increase the level of money and resources that is available for the arts in Wales.</p> <p>We want to foster a greater spirit of entrepreneurship in ourselves and the arts that we support.</p> <p>By doing so we want to encourage less dependency on government subsidy.</p>	<ul style="list-style-type: none"> <li>• We will have secured European funding for 3 transnational projects.</li> <li>• We will have met year 2 financial targets for <i>Reach the Heights</i> and secured funding for a second phase of delivery.</li> <li>• We will have levered in new private sector income through our investment in the Arts and Business <i>CultureStep</i> programme.</li> <li>• We will have increased the value and number of <i>Collectorplan</i> loans and researched initiatives in other market development potential for the visual and applied arts.</li> <li>• We will have agreed new income generation targets with our RFOs.</li> <li>• We will have put on a Marketing Symposium designed to improve professional and technical skills.</li> </ul>	<ul style="list-style-type: none"> <li>• 2 transnational projects – <i>Toolquiz</i> and <i>Practics</i> – are progressing well and work is continuing to secure a third. We are exploring a proposal for a digital music and tourism project.</li> <li>• Although there was some delay in the release of funding in the early stages of the project – there were ongoing queries between the Wales European Funding Office and the lead sponsoring department of the Welsh Government – all of our claims have been submitted on time. The financial and beneficiary profiles were revised during the year but there is currently await a decision on the continuation of the project into a second phase.</li> <li>• Ring-fenced funding was allocated to a number of projects in the first half of the year. The annual report showed that third party income of £7.52 had been generated for every £1 invested. Across the whole of the <i>CultureStep</i> programme, £87,445 of public funding attracted business investment of £694,093.</li> <li>• Although rallying a little in the final quarter, purchases of works of visual and applied arts with the assistance of our interest-free loan scheme fell significantly during the year – 18% in number and 15% in value. 1,091 loans (value £762,104) were processed in 2009/10 and 895 (value £645,012) in 2010/11. This was probably to be expected in the current economic climate. As we move forward with a revision of our artform strategies we will consider the marketing of the scheme and review the terms and conditions. We will also be introducing online loan applications via the gallery network.</li> <li>• When negotiating the 2011/12 funding agreements with our RFOs we discussed the aspiration for reduced dependency on our annual revenue grants. It was concluded that we need more time to define appropriate and achievable targets so we will continue to work with the organisations to this end.</li> <li>• The Symposium took place in October 2010. 129 delegates registered and the event was deemed a success.</li> </ul>

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
	<ul style="list-style-type: none"> <li>• We will have produced a workforce/business development strategy as part of a new approach to the creative industries.</li> <li>• We will have published a fundraising strategy.</li> <li>• We will have a new capital funding strategy in place.</li> <li>• In partnership with Visit Wales we will have contributed to the implementation of the Cultural Tourism Action Plan.</li> <li>• We will have completed a programme of advocacy events and publications demonstrating the contribution that the arts make to the life of the nation.</li> <li>• We will have promoted at least one joint conference/event with a peer WGSB in the cultural sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Initial dialogue has begun within the Welsh Government's Creative Industries Panel and a draft scoping document was produced. Our Chief Executive sits as a member of the Panel.</li> <li>• This work was not progressed during the year.</li> <li>• A draft capital strategy was approved by Council in March 2011 and will now proceed to public consultation.</li> <li>• We fed into the review of the work of the Cultural Tourism Partnership.</li> <li>• We issued a number of publications demonstrating the benefits of the arts. Targeted circulations to AMs, MPs, local authorities and other partners were supported by the release of case studies to the press and media. This work is ongoing. A programme of advocacy events was put in place.</li> <li>• We hosted a joint Arts and Heritage summit with Cadw, at Caerphilly Castle, in October 2010. We also organised a very well received Music of Wales showcase at WOMEX in Copenhagen.</li> </ul>
<b>Making the Arts Council an effective and efficient business</b>		
<p>We will scrutinise our use of resources to ensure that we are providing an effective, value for money public service.</p> <p>We want to create an organisation that is respected for the quality of its activities and recognised as an authoritative source of arts expertise.</p> <p>By doing so we will be able to demonstrate that we provide an essential public service to the people of Wales.</p>	<ul style="list-style-type: none"> <li>• We will have achieved a 1.5% reduction in our running costs through the simplification of our business processes, procurement, structures and use of IT.</li> <li>• We will have produced an action plan and begun implementation of the recommendations in our staff survey and Investors in People reports.</li> <li>• We will have produced an action plan in response to the Governance Review.</li> </ul>	<ul style="list-style-type: none"> <li>• During the year the Welsh Government set us a target of reducing our running costs by 12% over the 3 years to 2013/14. We have subsequently embarked on an Organisational Review and the terms of reference and project plan are in place. In-year initiatives to contain or reschedule expenditure resulted in an annual saving of approximately 10%.</li> <li>• Our Investors in People action plan was completed and a group was established to take forward the recommendations of our staff survey. The group, in consultation with all members of staff, developed an action plan and continues to meet to monitor its delivery.</li> <li>• The Welsh Government's proposed Governance Review was cancelled.</li> </ul>

<i>Corporate theme/ Strategic area</i>	<i>Priorities</i>	<i>Achievements and performance</i>
	<ul style="list-style-type: none"> <li>• We will have introduced an environmental policy.</li> <li>• We will maintain our active involvement in 2 Local Authority partnerships designed to deliver joint shared services.</li> </ul>	<ul style="list-style-type: none"> <li>• An environmental policy has been produced. Additional recycling facilities have been put in place and 3 copy/print devices have been replaced with equipment which has improved power consumption. Energy and cost savings have been achieved by reducing the operating times of the heating and cooling systems.</li> <li>• We continue to work with the <i>ArtsConnect</i> partnership of 7 local authorities in South Wales. The partnership is committed to achieving a 10% efficiency saving and is working towards a formal implementation by autumn 2011. Development of a partnership in North Wales is at an early stage with only an initial planning meeting held during the year.</li> </ul>

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

### *Grant making policies*

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

Recurrent, or annual revenue, grants are made to a portfolio of organisations to deliver high quality artistic services. Consideration of revenue status for any organisation is dependent on the availability of funding, the sustainability of the organisation, and demonstration of strong fit with the Council's strategic priorities. Currently, each revenue-funded organisation enters into a funding agreement for a term of one to three years which sets out the anticipated level of funding, the programme of activity to be delivered, requirements for monitoring and annual review, standard conditions of grant, and any additional conditions. We recently completed our Investment Review and, in June 2010, agreed a portfolio of revenue-funded organisations who are artistically vibrant, financially durable and who will, subject to our own funding, receive a level of investment that will enable them to thrive. They will be at the heart of the Council's future strategy to develop the arts in Wales.

One-off grants are available to help fund time-limited artistic projects of high quality which best meet the Council's funding priorities. There have been some policy changes from 1 April 2011 in respect of these grants:

<b>Grant type</b>	<b>up to 31 March 2011</b>	<b>from 1 April 2011</b>
<b>Training grants</b> support the undertaking or purchase of training and also the provision of arts training	£250 - £5,000 (organisations undertaking training) £250 - £2,000 (individuals) 4 application deadlines each year – April, June, September & January £1,000 - £30,000 (organisations providing training) 2 application deadlines each year – May & 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 – April & September
<b>Small grants</b> support organisations or individuals for pilot projects or where there are significant levels of funding from other sources	£250 - £5,000 4 application deadlines each year (organisations) – April, June, September & January 3 application deadlines each year (individuals) – June, September & January	£250 - £5,000 4 application deadlines each year (organisations & individuals) – April, June, September & January
<b>Creative Wales Awards</b> enable artists to develop their creative practice	£5,001 - £12,000 & £20,000 - £25,000 1 application deadline each year - June	£5,001 - £12,000 & £20,000 - £25,000 1 application deadline each year - September
<b>Mainline Production and Development grants</b> support larger programmes of work for established individual artists and organisations.	£5,001 - £30,000 (organisations) £5,001 - £20,000 (individuals) 2 application deadlines each year – May & September	£5,001 - £30,000 (organisations) £5,001 - £20,000 (individuals) 2 application deadlines each year – April & September
Maximum level of funding for organisations and individuals	75% of eligible costs (organisations) 90% of eligible costs (individuals)	
Maximum level of funding for local authorities and school clusters	50% of eligible costs	
Maximum level of funding where the main aim of an application is to promote non-arts issues	50% of eligible costs	
Over-arching funding priorities when assessing grant applications	<ol style="list-style-type: none"> <li>1. Projects delivered in acknowledged deprived communities</li> <li>2. Projects to promote the work of artists from under-represented groups (e.g. disabled people, people from black and minority ethnic backgrounds)</li> <li>3. Projects delivered in Welsh or bilingually</li> </ol>	

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

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

## Financial review

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

### *Reserves*

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

Most of the Council's unrestricted funds are committed during the year, in accordance with the conditions of grant-in-aid issued by the Welsh Government. Any surplus funds are carried forward and used in furtherance of the Council's chartered objectives in the following year. There were no designated funds at 31 March 2011 (2010: £Nil).

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

### *Investment*

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

### *Financial results*

The accounts, excluding Lottery distribution activities, show total incoming resources for the year of £36,439,000 (2009/10: £33,156,000), net incoming resources of £640,000 (2009/10: £368,000), net current assets of £2,217,000 (2010: £1,581,000) and total fund balances at 31 March 2011 of £2,508,000 (2010: £1,868,000). The incoming resources for the year includes £3,500,000 strategic capital investment funding from the Welsh Government for the City and County of Swansea in connection with the redevelopment of the Glynn Vivian Gallery (see note 5).

At 31 March 2011 the Council had formally offered forward grants for 2011/12 of £28,359,000 (2010/11: £23,977,000).

The Lottery distribution account shows the Council's 2010/11 share of the proceeds from the National Lottery of £12,878,000 (2009/10: £12,338,000). The combined total incoming resources for both general and Lottery activities for 2010/11 was £49,432,000 (2009/10: £46,495,000).

General grants are charged to the Statement of Financial Activities as soon as they are offered, except for forward commitments as described in Accounting policy note 1e. Lottery grants are charged only when the formal offer has been accepted by the recipient. Although not all charged as expenditure in the Statement of Comprehensive Net Expenditure, during 2010/11 Council approved Lottery grants amounting to £6,169,000 (2009/10: £8,977,000). On this basis, the combined total direct charitable arts

expenditure for both general and Lottery activities for 2010/11 was £42,744,000 (2009/10: £42,485,000).

## **Plans for future periods**

The Council has prepared a new Operational Plan for 2011/12, which is the final year of our Corporate Plan first published in 2008 and updated in 2009.

As set out in these Plans, we remain committed to our mission and priorities, and continue in our determination to support activity of the highest artistic quality, and to work towards making such activity as widely available as possible to the people of Wales. We build on firm foundations. Our Arts in Wales Survey 2010 shows levels of attendance at record levels, with participation in arts activity growing fastest amongst some of our most disadvantaged communities.

Having completed our Investment Review in 2010/11, a key task for us this year is to support our new portfolio of revenue-funded organisations and to manage the associated risks in order to achieve our aspirations. Over the coming period we will be working with this portfolio to help them improve their efficiency and effectiveness as organisations. Consistent with these goals is the aspiration – shared with the Welsh Government – that we should encourage funded organisations to develop new sources of income beyond existing public funding.

With effect from 1 April 2011 the Heritage Minister transferred responsibility for funding the Wales Millennium Centre from the Welsh Government to the Arts Council. A three year package of revenue and capital funding has been agreed. We had evaluated Wales Millennium Centre's position against key risk areas and been in discussion with the organisation's Board and executive staff. We had also been attending Board meetings and contributing to the Welsh Government's monitoring for some time before the transfer and are confident that we have the capacity to manage this new relationship.

Other aspects of our development of the revenue-funded portfolio will involve important strategic initiatives to develop artform practice. We will, for example, be creating a new single national organisation for the development of Literature (in English and in Welsh), and new structures for the promotion of creative opportunities for dance artists.

Policy developments will see us implementing exciting proposals for engaging children and young people in the arts, the promotion of public art, and increased investment in national touring. We have also been tasked by the Heritage Minister to look closely at access to arts provision across Wales, especially those who are involved at a community and voluntary level.

Ensuring that our own operations are efficient and cost-effective is an important priority. We have begun an organisational review through which we aim to achieve a reduction of at least 12% in our running costs by March 2014. This will be challenging but we will look at every aspect of our operation, including our business processes, procurement, structures and our investment in technology. We will incorporate into our efficiency plans means of reducing our environmental impact.

In 2011/12 we will develop a new three year Corporate Plan for 2012 to 2015. Following the May 2011 elections to the National Assembly for Wales, the preparation of our Plan will be informed by the policy priorities of the new Welsh Government, working with the Minister for Housing, Regeneration and Heritage.

Our corporate themes and planned activities for 2011/12 are as follows:

<i>Corporate theme/Strategic area</i>	<i>Priorities 2011/12</i>
<b>Supporting the creation of the best in great art</b>	
<p>By 2012 we will be investing in a portfolio of funded organisations better able to succeed artistically and financially</p>	<ul style="list-style-type: none"> <li>• We will have published the annual review meeting reports of all our revenue-funded organisations (RFOs), reporting on the RFOs' progress and achievement in attaining specific targets and the beneficial outcomes of these achievements.</li> <li>• Working in partnership with our national advisers, we will have achieved quality appraisals for all RFOs to feed into their 2012 annual review meetings.</li> <li>• RFOs will have achieved their agreed income generation targets as detailed in their own budgets and consequently be working towards reduced reliance on Arts Council funding.</li> <li>• We will have completed our review of grant-in-aid and Lottery funding programmes and we will have implemented our new schemes programme. We will have produced a report showing the distribution of this funding and the expected impact.</li> <li>• We will have agreed a new three year partnership with the British Council and created a joint annual action plan. We will have created and be operating an evaluation tool for our international projects.</li> </ul>
<b>Encouraging more people to enjoy and take part in the arts</b>	
<p>By 2012 we will have increased levels in attendance and participation in the arts in Wales by 3%</p>	<ul style="list-style-type: none"> <li>• Our RFOs will have achieved agreed targets in attendance and participation and have clearly demonstrated their approach to increasing the number of people attending and taking part in the activities that we have funded.</li> <li>• We will have raised the quality of participatory arts by encouraging more organisations to use our evaluation toolkit.</li> <li>• We will have supported our <i>Night Out</i> scheme to promote a minimum of 550 events, 150 of which will be in Communities First areas, and a further 10 Young Promoters projects.</li> <li>• We will have secured ongoing support for our <i>Splash Arts</i> programme and delivered a further 18 projects involving 800 young people at risk.</li> </ul>



<i>Corporate theme/Strategic area</i>	<i>Priorities 2011/12</i>
	<ul style="list-style-type: none"> <li>• We will have secured funding for and be delivering the second phase of our <i>Reach the Heights</i> programme, involving 3,750 young people in arts activities.</li> <li>• We will have developed an action plan to deliver <i>Changing Lives</i>, our strategy for children, young people and the arts, which includes reducing inequalities in cultural activities amongst children and parents, as required by the Welsh Government's Child Poverty strategy for Wales.</li> <li>• We will have seen the introduction of a pilot <i>Arts Plus</i> scheme and secured Ministerial approval for the scheme to be rolled out.</li> <li>• We will have established a delivery model for a virtual arts and health network and secured additional resources for the delivery of the action plan.</li> <li>• Through increased investment we will have increased engagement and participation in Communities First areas by 5% on current levels.</li> <li>• Through Legacy Trust UK partners we will have engaged 45,000 people in arts programmes across Wales.</li> </ul>
<b>Growing the arts economy</b>	
<p>By 2012 we will have increased our own turnover with at least 10% of our income coming from new sources.</p> <p>In addition, we will have increased the value and impact of our existing investment in the arts.</p>	<ul style="list-style-type: none"> <li>• We will have been successful in applying for a third European Union transnational project.</li> <li>• We will have met our financial targets for the first phase of <i>Reach the Heights</i> and secured funding for a second phase of delivery.</li> <li>• We will have a new capital funding strategy in place.</li> <li>• We will have levered in private sector income to support the arts.</li> <li>• We will have worked with artists and arts organisations to improve the quality of their technical and professional skills.</li> <li>• We will have completed a programme of advocacy events and publications demonstrating the contribution that the arts make to the life of the nation.</li> <li>• We will have increased the value and number of <i>Collectorplan</i> loans.</li> </ul>

<b>Making the Arts Council an effective and efficient business</b>	
<p>By 2012 we will be able to demonstrate that we are a more efficient and effective organisation.</p>	<ul style="list-style-type: none"> <li>• We will have achieved at least a 12% reduction in our running costs as part of our Organisational Review.</li> <li>• We will have created a positive workplace that encourages staff to realise their full potential.</li> <li>• We will have reduced our paper and printing consumable usage by 15%.</li> <li>• We will have created and maintained a database that will clearly evidence our achievements against our Corporate Plan targets.</li> <li>• We will have in place at least 1 joint working protocol agreement with another organisation.</li> <li>• We will have had a high profile presence at key national and international events including Hay Festival, Urdd Eisteddfod, National Eisteddfod and Venice Biennale. Through these events we will have raised the profile of the Arts Council of Wales and, thus, of the arts in Wales.</li> </ul>

## Human resources

### *Equal opportunities*

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

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

### *Sickness absence*

During 2010/11 staff sickness absence totalled 725 days (2009/10 923 days). This represented 3.53% (2009/10 3.72%) of working days, including 0.64% (2009/10 1.32%) as a result of long term absence (over 28 days).

### *Employee communication*

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

## **Pension scheme**

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

## **Payment of creditors**

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

The Council aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, in line with these terms. During the year ended 31 March 2011, the Council paid 96% (2009/10: 97%) of all invoices within the terms of its payment policy. Since November 2008 the Council, in line with Welsh Government policy, aims to pay invoices within 10 days. For 2010/11 87% (2009/10 88%) of invoices have been paid within 10 days. It is not anticipated that our policy will alter in future years.

## **Financial risk and capital management**

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

*Liquidity risk* - The Council is satisfied that it has sufficient liquid resources, in the form of cash at bank and agreed funding for 2011/12, to meet all current contracted commitments. The Council does not consider that its general activities are exposed to any significant liquidity risk.

*Interest rate risk* - Cash balances, which are drawn down from the Welsh Government to pay grant commitments and operating costs, are held in instant access variable rate bank accounts which on average carried an interest rate of 0.50% (2009/10: 0.50%) in the year. The unrestricted year-end cash balance held by the Council in the bank was £967,000 (2010: £1,235,000). The Council does not consider that its general activities are exposed to significant interest rate risks.

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

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

## **Personal data related incidents**

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

## **Responsibility towards the environment**

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

We have reviewed and strengthened our environmental policy and are reviewing the whole of our operations to ensure they are as efficient as possible. Initiatives introduced include:

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

We encourage high environmental standards in all building projects we fund, and have funded a project that will help promote sustainability awareness and provide practical advice to artists and arts organisations.

We became a signatory to the Welsh Government's Sustainable Development Charter in May 2011.

## **Social and community issues**

We are committed to ensuring that the Council's funding is accessible and of benefit to all the citizens of Wales. Ensuring greater access to the arts is a natural priority for a body, such as us, that is in receipt of public funds. We are fully committed to removing the barriers that prevent and impede people from enjoying and taking part in the arts.

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

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

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

## **Audit**

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

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

## REMUNERATION REPORT

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

Each year 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 Government for approval. The resultant pay and conditions package is binding on the whole of the Council until the next round of negotiation. Increases under the pay remit are dependent upon performance established by the Council's system of personal development reviews.

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

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

Further details of the remuneration and pension benefits of the Chairman, Chief Executive and other senior directors are provided in note 11b to the financial statements. This information is audited.

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

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

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

The Remuneration Committee members who served since 1 April 2010 were:

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

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

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

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

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

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

Nicholas Capaldi  
Accounting Officer

Dai Smith  
Chairman

7 July 2011

7 July 2011



## STATEMENT ON INTERNAL CONTROL

### 1. Scope of responsibility

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

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2011 and up to the date of approval of the trustees' annual report and financial statements, and accords with Treasury guidance.

### 3. Capacity to handle risk

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

### 4. The risk and control framework

The Council has a system of internal control based on a framework of regular management information, documented administrative procedures including the segregation of duties, and a system of delegation and accountability. Audit Committee monitors the Council's approach to risk management, including periodic review of its risk policy, the monitoring of the corporate risk register and any reports arising.

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

There is an organisation-wide risk register containing details of all key risks and mitigating controls. Managers are responsible for drawing up and maintaining more detailed risk registers for any new activities. During the year ended 31 March 2011, for example, the Council's Investment Review was identified as a risk priority and managed accordingly.

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

Policies and procedures have been drafted to ensure that there is adequate detection and response to inefficiency, conflict of interest and, as far as reasonably possible, fraud and to

minimise the loss of grant. These are reviewed regularly and updated as necessary. Policies are also in place covering the acceptable use of IT systems and data protection.

The Council has established the following processes:

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

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

## 5. Review of effectiveness

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

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

The internal auditors undertook ten reviews during the year: five assurance audits; four advisory reviews; and a follow-up of recommendations made in previous audit years. All five assurance reviews provided a substantial level of assurance, and the follow-up review concluded that good progress had been made towards the implementation of recommendations. The internal auditors provided the following assurance statement in their Annual Report: 'In our opinion, based upon the work we have undertaken for the 12 months ended 31 March 2011, the Arts Council of Wales has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.'

Nicholas Capaldi  
Accounting Officer  
7 July 2011

Dai Smith  
Chairman  
7 July 2011

## 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 2011 under Article 11 of the Council's Royal Charter. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

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

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on Financial Statements**

In my opinion the financial statements:

- give a true and fair view of the state of the Arts Council of Wales' affairs as at 31 March 2011 and of its surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with Article 11 of the Council's Royal Charter.

## **Opinion on Regularity**

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

## **Opinion on other matters**

In my opinion:

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

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

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

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

## **Report**

I have no observations to make on these financial statements.

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

11 July 2011

# THE ARTS COUNCIL OF WALES

## STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 March 2011

	Note	Unrestricted funds £'000	Restricted funds £'000	2011 Total £'000	2010 Total (restated) £'000
<b>INCOMING RESOURCES</b>					
Incoming resources from generated funds					
<i>Voluntary income:</i>					
Grant-in-aid from the Welsh Government	5	28,403	6,387	34,790	32,183
Other grants and donations	6	-	1,239	1,239	544
Sub-total Voluntary income		<u>28,403</u>	<u>7,626</u>	<u>36,029</u>	<u>32,727</u>
<i>Activities for generating funds:</i>					
Services and sponsorship	7	200	90	290	321
<i>Investment income:</i>					
Bank interest		15	-	15	5
Other incoming resources	8	105	-	105	103
<b>Total incoming resources</b>		<u><b>28,723</b></u>	<u><b>7,716</b></u>	<u><b>36,439</b></u>	<u><b>33,156</b></u>
<b>RESOURCES EXPENDED</b>					
Charitable activities	9,10,11	27,424	8,271	35,695	32,685
Governance costs	12	89	-	89	98
Bank interest surrendered to Welsh Consolidated Fund		15	-	15	5
<b>Total resources expended</b>		<u><b>27,528</b></u>	<u><b>8,271</b></u>	<u><b>35,799</b></u>	<u><b>32,788</b></u>
<b>Net incoming/(outgoing) resources</b>		1,195	(555)	640	368
Gross transfers between funds	18	<u>(528)</u>	<u>528</u>	-	-
<b>Net movement in funds</b>		<b>667</b>	<b>(27)</b>	<b>640</b>	<b>368</b>
Fund balances brought forward		<u>1,671</u>	<u>197</u>	<u>1,868</u>	<u>1,500</u>
<b>Total funds carried forward</b>		<u><b>2,338</b></u>	<u><b>170</b></u>	<u><b>2,508</b></u>	<u><b>1,868</b></u>

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

The notes on pages 30 to 44 form part of these financial statements

# THE ARTS COUNCIL OF WALES

## BALANCE SHEET

as at 31 March 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible fixed assets	13a		64		35
Tangible fixed assets	13b		<u>334</u>		<u>418</u>
			<u>398</u>		<u>453</u>
<b>Current assets</b>					
Grants paid in advance	14	150		205	
Other debtors and prepayments	15	1,498		1,144	
Cash at bank and in hand		<u>1,258</u>		<u>1,432</u>	
		<u>2,906</u>		<u>2,781</u>	
<b>Creditors: amounts falling due within one year</b>					
Grants payable		(99)		(772)	
Other creditors falling due within one year		<u>(590)</u>		<u>(428)</u>	
	16	<u>(689)</u>		<u>(1,200)</u>	
<b>Net current assets</b>			<u>2,217</u>		<u>1,581</u>
<b>Total assets less current liabilities</b>			2,615		2,034
<b>Creditors: amounts falling due after more than one year</b>					
Deferred income	17		(107)		(166)
<b>Net assets</b>			<u><u>2,508</u></u>		<u><u>1,868</u></u>
Represented by:					
<b>Funds</b>					
Unrestricted funds	18		2,338		1,671
Restricted funds	18		<u>170</u>		<u>197</u>
			<u><u>2,508</u></u>		<u><u>1,868</u></u>

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

The notes on pages 30 to 44 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

Dai Smith  
Chairman

7 July 2011

7 July 2011

# THE ARTS COUNCIL OF WALES

## CASH FLOW STATEMENT

for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
<b>Net cash inflow from operating activities</b>	20a	(121)	1,003
Bank interest		15	5
		<hr/>	<hr/>
		(106)	1,008
Capital expenditure	20b	(68)	(166)
		<hr/>	<hr/>
<b>Increase/(Decrease) in cash in the year</b>	20c	<b>(174)</b>	842
		<hr/>	<hr/>

The notes on pages 30 to 44 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 true and fair view of the application of the Council's resources. However, the combined total incoming resources and an indication of the combined direct charitable arts expenditure is provided in note 4.

**b. Income**

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

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

**c. Lottery distribution**

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

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

**d. Resources expended**

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



**e. Grants awarded**

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

Forward commitments made in the year relating to next year's activity, as disclosed in note 22, are not charged to the Statement of Financial Activities. As the grant-in-aid to meet these commitments cannot be recognised until it is received, the Trustees do not believe their inclusion would provide a true and fair view of the application of the Council's resources.

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

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

**f. Services and sponsorship**

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

**g. Allocation of operating costs**

Operating costs have been allocated first between charitable activities and governance. Operating costs relating to charitable activities have been apportioned to reflect the time spent by staff in delivering direct activities and in support of their delivery. The allocation and analysis of these costs is in notes 9, 10 and 11.

**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 12.

**i. Foreign currency**

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

**j. Recognition of liabilities**

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

**k. Fund accounting**

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

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

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

**l. Fixed assets**

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

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

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

**m. Amortisation and depreciation**

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

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

**n. Leases**

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

**o. Pensions**

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

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

**p. Taxation**

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

**q. Deferred income**

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

**r. Financial instruments**

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

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

**2. Prior period adjustment**

*Removal of notional cost of capital charge*

As a consequence of HM Treasury's *Clear Line of Sight* project, the Council is no longer required to include a notional cost of capital charge in resources expended. In previous years the notional charge was shown as part of the Statement of Financial Activities. The charge was also reversed out in the Statement of Financial Activities so there was no impact on the Council's funds. Comparative figures for 2009/10 have been restated to remove the notional charge of £59,000 and its reversal. The notional charge in 2008/09 was £45,000.

**3. Reclassification of income and expenditure**

Incoming resources from the Legacy Trust UK, disclosed as Activities for generating funds: Services and sponsorship in 2009/10, have been reclassified as Voluntary income: Other grants and donations. The change is reflected in notes 6 and 7.

Staff and operating costs have been reclassified to provide greater clarity and further information on: (1) the total costs incurred by the Council, with detail of the recharges to our Lottery Distribution Account; and (2) the allocation of costs between those which are directly attributable to our charitable activities and those which are in support of their delivery. These costs are disclosed in notes 9, 10 and 11.

The Chairman's remuneration, previously included in operating costs, has been reclassified as a governance cost. This is disclosed in note 12.

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

The separate Lottery distribution account shows the Council's 2010/11 share of the proceeds from the National Lottery of £12,878,000 (2009/10: £12,338,000). The combined total incoming resources for both general and Lottery activities for 2010/11 was £49,432,000 (2009/10: £46,495,000).

General grants are charged to the Statement of Financial Activities as soon as they are offered. Lottery grants are charged only when the formal offer has been accepted by the recipient. Although not all charged as expenditure in the Statement of Comprehensive Net Expenditure, during 2010/11 Council approved Lottery grants amounting to £6,169,000 (2009/10: £8,977,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2010/11 was £42,744,000 (2009/10 (restated): £42,485,000).

**5. Incoming resources**

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

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

	Unrestricted funds	Restricted funds	2011 Total	2010 Total
	£'000	£'000	£'000	£'000
Cash grant-in-aid paid in full	28,403	2,887	31,290	31,053
Capital investment for specific organisations	-	3,500	3,500	1,130
Grant-in-aid credited to incoming resources in the Statement of Financial Activities	<b>28,403</b>	<b>6,387</b>	<b>34,790</b>	<b>32,183</b>

6. Incoming resources  
Voluntary income: Other grants and donations

	Unrestricted funds £'000	Restricted funds £'000	2011 Total £'000	2010 Total £'000
Grants from European funds	-	906	906	170
Legacy Trust UK	-	333	333	362
Prior years' grants no longer required	-	-	-	12
	<b>-</b>	<b>1,239</b>	<b>1,239</b>	<b>544</b>

7. Incoming resources  
Activities for generating funds: Services and sponsorship

	Unrestricted funds £'000	Restricted funds £'000	2011 Total £'000	2010 Total £'000
Community Touring scheme:				
- contributions from venues/promoters	129	-	129	127
Wales Arts International:				
- contribution from the British Council	-	50	50	65
- contributions from others	-	2	2	23
Collectorplan charges	26	-	26	31
Legacy Trust UK - management fees	36	-	36	-
Annual Conference - delegate fees	-	6	6	4
Arts & Health Symposium - delegate fees	-	1	1	1
Arts Marketing Symposium - trainee fees	-	4	4	5
Clore Fellowship - refund of fees	2	-	2	-
Fees for exhibition work at Gwydyr House, Whitehall	6	-	6	-
Royalties	1	-	1	-
Cultural Olympiad 2012:				
- contribution from the Welsh Government	-	27	27	29
Contributions towards the Venice Biennale of Art	-	-	-	13
Contribution towards the <i>Ashes</i> commission	-	-	-	23
	<b>200</b>	<b>90</b>	<b>290</b>	<b>321</b>

8. Incoming resources  
Other incoming resources

	Unrestricted funds £'000	Restricted funds £'000	2011 Total £'000	2010 Total £'000
Lease incentive - release of deferred income (note 17)	59	-	59	59
Contribution from the Lottery Distribution account for use of fixed assets	46	-	46	44
	<b>105</b>	<b>-</b>	<b>105</b>	<b>103</b>

9. Resources expended  
Charitable activities

	Direct activities £'000	Support costs £'000	2011 Total £'000	2010 Total £'000
Grant making and arts development <sup>1</sup>	30,806	401	31,207	28,961
Arts strategy and research	977	194	1,171	1,207
International	693	119	812	893
European funded projects	1,099	36	1,135	328
Services: <i>Night Out &amp; Collectorplan</i>	573	83	656	657
Cultural Olympiad 2012 & Legacy Trust UK	422	30	452	412
Advocacy	223	39	262	227
	<b>34,793</b>	<b>902</b>	<b>35,695</b>	<b>32,685</b>

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

- to public bodies	8,309	5,810
- to private bodies	21,220	21,236
	<b>29,529</b>	<b>27,046</b>

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

10. Operating costs

	Gross costs £'000	Deduct Recharges to Lottery Distribution £'000	2011 Net charge to General Activities £'000	2010 Net charge to General Activities £'000
<b>Charged to Direct activities</b> (note 9)				
Grant making and arts development	586	335	251	245
Arts strategy and research	174	40	134	145
International	82	-	82	89
European funded projects	25	-	25	6
Services: <i>Night Out &amp; Collectorplan</i>	57	-	57	51
Cultural Olympiad 2012 & Legacy Trust UK	21	-	21	19
Advocacy	46	19	27	24
	<b>991</b>	<b>394</b>	<b>597</b>	<b>579</b>
<b>Charged to Support costs</b> (note 9)				
Staff related costs	209	108	101	99
Infrastructure	82	41	41	38
Office running costs	52	27	25	24
Professional fees	26	13	13	13
Irrecoverable VAT	33	17	16	15
Amortisation and depreciation	50	-	50	54
	<b>452</b>	<b>206</b>	<b>246</b>	<b>243</b>
<b>Total</b>	<b>1,443</b>	<b>600</b>	<b>843</b>	<b>822</b>

11. Staff costs

a. Total staff costs consist of:

	Gross costs £'000	Deduct Recharges to Lottery Distribution £'000	2011 Net charge to General Activities £'000	2010 Net charge to General Activities £'000
Wages and salaries	2,836	820	2,016	2,043
Social security costs	215	65	150	169
Other pension costs	516	154	362	393
Agency costs	5	2	3	13
Compensation payment	-	-	-	6
	<b>3,572</b>	<b>1,041</b>	<b>2,531</b>	<b>2,624</b>

Staff costs are incorporated in the financial statements as follows:

**Charged to Direct activities** (note 9)

Grant making and arts development	1,338	518	820	852
Arts strategy and research	466	69	397	459
International	243	-	243	280
European funded projects	74	-	74	19
Services – <i>Night Out &amp; Collectorplan</i>	170	-	170	160
Cultural Olympiad 2012 & Legacy Trust UK	62	-	62	60
Advocacy	113	34	79	75
	<b>2,466</b>	<b>621</b>	<b>1,845</b>	<b>1,905</b>

**Charged to Support costs** (note 9)

Management and internal control	488	188	300	312
Finance	193	72	121	120
Information and computer technology	121	46	75	77
Facilities management	62	23	39	40
Human resources	77	29	48	48
Communications	117	44	73	92
	<b>1,058</b>	<b>402</b>	<b>656</b>	<b>689</b>

**Charged to Governance** (note 12)

Chairman's remuneration	<b>48</b>	<b>18</b>	<b>30</b>	<b>30</b>
	<b>3,572</b>	<b>1,041</b>	<b>2,531</b>	<b>2,624</b>

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

	Across the whole Council No	On Lottery Distribution activities No	2011 On General activities No	2010 On General activities No
On charitable activities: directly charged	24	-	24	26
On charitable activities: recharged	48	20	28	29
In support of our charitable activities	21	6	15	13
Agency staff	1	-	1	1
	<b>94</b>	<b>26</b>	<b>68</b>	<b>69</b>

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

Name and position	2011	2010	2011		2011		2011	2011
	Emoluments <sup>1</sup> £'000	Emoluments <sup>1</sup> £'000	Real increase in pension and related lump sum at age 65 £'000	Total accrued pension at age 65 as at 31/03/11 and related lump sum £'000	Cash <sup>2</sup> Equivalent Transfer Value at 31/03/10 £'000	Cash Equivalent Transfer Value at 31/03/11 £'000	Real <sup>3</sup> Increase in Cash Equivalent Transfer Value £'000	
Nicholas Capaldi <i>Chief Executive</i>	90-95	90-95	Pension 0-2.5 Lump sum 2.5-5	Pension 0-5 Lump sum 5-10	19	31	11	
David Alston <i>Director of Arts</i>	65-70	65-70	Pension 0-2.5 Lump sum 0-2.5	Pension 0-5 Lump sum 10-15	47	58	10	
Hywel Tudor <i>Director of Finance and Central Services</i>	65-70	65-70	Pension 0-2.5 Lump sum 0-2.5	Pension 5-10 Lump sum 25-30	101	107	2	

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

<sup>2</sup> **Cash Equivalent Transfer Values** - A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Arts Council Retirement Plan 1994. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

<sup>3</sup> **Real increase in CETV** - This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Following an amendment to the Council's Royal Charter, and with the approval of the Charity Commission, since 1 April 2004 the Chairman has been remunerated for his services but receives no bonus payments and is not a member of the pension scheme. Other Council Members, Committee Members and National Advisers receive no payment for their services. Council meeting costs for 2010/11 disclosed in note 12 include an aggregate amount of £10,458 (2009/10: £12,023) reimbursed to 15 (2009/10: 15) Council members.

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

	2011 £	2010 £
<b>Chairman</b>		
Salary	43,810	43,810
<b>Chief Executive</b>		
Salary	93,380	93,380
Performance-related non-consolidated award	934	-
Pension contribution	17,368	18,302
Benefit in kind: contribution towards accommodation (including tax and national insurance)	-	3,389
	<u>111,682</u>	<u>115,071</u>

The Chief Executive waived his entitlement to the balance of his non-consolidated award for 2010/11, based on performance against his objectives for 2009/10.

	2011 £	2010 £
Travel and subsistence expenses incurred and defrayed whilst on Council business:		
Chairman	2,643	2,951
Chief Executive	5,751	4,406

62.50% (2009/10: 62.50%) of the Chairman's and Chief Executive's emoluments are charged in these financial statements and the remainder to lottery distribution activities.

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

An independent actuarial valuation of the Arts Council Retirement Plan 1994 normally takes place every three years. The most recent valuation was not finalised until June 2011. Contributions in 2010/11 therefore continued to reflect the last valuation, as at 31 March 2007, at which time the overall market value of the Plan's assets was £58.5m. The actuary concluded that at the valuation date the Plan had a past service deficit of £18.8m and a funding ratio of 76%. In order to eliminate the deficit, the actuary recommended increased employer contributions over the next 9 years. The reduction to 9 years compared to the 12 years used previously took account of the guidance issued by the Pensions Regulator.

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

Contributions by the Council and its employees were:

For staff joining the Plan:	Council		Employees	
	2011	2010	2011	2010
on or before 31 August 2006	20.6%	20.6%	1.5%	1.5%
from 1 September 2006 to 31 March 2010	18.6%	18.6%	3.5%	3.5%
on or after 1 April 2010	16.1%	16.1%	6.0%	6.0%

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

Following completion of the latest valuation, as at 31 March 2010, new contribution rates will be applied, beginning 1 April 2011. The Council's contribution rates will alter to 20.8%, 18.8% and 16.3%. Payments in respect of the deficit are subject to a minimum level each year during the period of the deficit recovery to 2023, at a rate advised by the scheme actuary.

## 12. Resources expended

### Governance costs

	2011 Total £'000	2010 Total £'000
Chairman's remuneration	30	30
Auditor's remuneration - Audit	22	23
Additional assurance	4	4
Internal audit	15	12
Council meetings, including Members' travel and subsistence	11	18
Committee meetings, including travel and subsistence	7	11
	<b>89</b>	<b>98</b>



13. Fixed assets

a. Intangible fixed assets

	Computer software licences £'000
Cost at 1 April 2010	523
Additions	61
Disposals	(27)
Cost at 31 March 2011	<u>557</u>
Amortisation at 1 April 2010	488
Charge for the year	32
Disposals	(27)
Amortisation at 31 March 2011	<u>493</u>
<b>Net book value at 31 March 2011</b>	<b><u>64</u></b>
Net book value at 1 April 2010	<u>35</u>

b. Tangible fixed assets

	Leasehold property £'000	Computer system, furniture, etc £'000	Total £'000
Cost or valuation at 1 April 2010	243	688	931
Additions	-	7	7
Disposals	-	(63)	(63)
Cost or valuation at 31 March 2011	<u>243</u>	<u>632</u>	<u>875</u>
Depreciation at 1 April 2010	142	371	513
Charge for the year	14	77	91
Disposals	-	(63)	(63)
Depreciation at 31 March 2011	<u>156</u>	<u>385</u>	<u>541</u>
<b>Net book value at 31 March 2011</b>	<b><u>87</u></b>	<b><u>247</u></b>	<b><u>334</u></b>
Net book value at 1 April 2010	<u>101</u>	<u>317</u>	<u>418</u>

c. Net book value at 31 March 2011 represents fixed assets used by the Council in support of its charitable activities.

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

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

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

	2011 £'000	2010 £'000
Amortisation and depreciation charged has been allocated to charitable activities as follows (note 9):		
Direct activities	73	45
Support costs	50	73
	<u>123</u>	<u>118</u>
<b>14. Grants paid in advance</b>		
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.		
	2011 £'000	2010 £'000
Payments in respect of the following year's grants	<u>150</u>	<u>205</u>
<b>15. Other debtors and prepayments (falling due within one year)</b>		
	2011 £'000	2010 £'000
<b>a. Analysis by type</b>		
<i>Collectorplan</i> loans	355	389
Trade debtors	54	113
Other debtors	485	176
Prepayments	397	268
	<u>1,291</u>	<u>946</u>
Due from Lottery distribution fund	207	198
	<u>1,498</u>	<u>1,144</u>
<b>b. Intra-government balances</b>		
Balances with other central government bodies	207	198
Balances with local authorities	4	52
<i>Sub-total: Intra-government balances</i>	<u>211</u>	<u>250</u>
Balances with bodies external to government	1,287	894
Total debtors and prepayments	<u>1,498</u>	<u>1,144</u>
<b>16. Creditors: amounts falling due within one year</b>		
	2011 £'000	2010 £'000
<b>a. Analysis by type</b>		
Grants payable	99	772
Taxation and social security	87	76
Trade creditors	94	63
Other creditors	62	116
Accruals and deferred income	347	173
	<u>689</u>	<u>1,200</u>

	2011 £'000	2010 £'000
<b>b. Intra-government balances</b>		
Balances with other central government bodies	87	76
Balances with local authorities	-	714
<i>Sub-total: Intra-government balances</i>	<u>87</u>	<u>790</u>
Balances with bodies external to government	602	410
Total creditors	<u><b>689</b></u>	<u><b>1,200</b></u>

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

**Deferred income**

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

	2011 £'000	2010 £'000
<b>a. Analysis by type</b>		
Deferred income	107	166
	<u><b>107</b></u>	<u><b>166</b></u>

**b. Intra-government balances**

Intra-government balances	-	-
Balances with bodies external to government	107	166
Total creditors	<u><b>107</b></u>	<u><b>166</b></u>

**18. Statement of funds**

	At 1 April 2010 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	At 31 March 2011 £'000
<b>Unrestricted funds</b>					
General fund	1,671	28,723	(27,528)	(528)	2,338
<b>Total unrestricted funds</b>	<u><b>1,671</b></u>	<u><b>28,723</b></u>	<u><b>(27,528)</b></u>	<u><b>(528)</b></u>	<u><b>2,338</b></u>
<b>Restricted funds</b>					
Income					
Welsh Government for specific arts activity	18	6,387	(6,835)	436	6
Planning, Development & Strategies	-	5	(5)	-	-
European Funded Projects	-	906	(969)	63	-
Wales Arts International: contributions from the British Council and Welsh Government	-	52	(56)	4	-
Cultural Olympiad 2012 & Legacy					
Trust UK	55	360	(394)	25	46
Marketing & Communications	-	6	(6)	-	-
	<u>73</u>	<u>7,716</u>	<u>(8,265)</u>	<u>528</u>	<u>52</u>
Capital					
Alun Llywelyn Williams Memorial Fund (income to provide bursary for young artist)	13	-	-	-	13
Brian Ross Memorial Fund (income to provide bursary for young visual artist)	111	-	(6)	-	105
	<u>124</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>118</u>
<b>Total restricted funds</b>	<u><b>197</b></u>	<u><b>7,716</b></u>	<u><b>(8,271)</b></u>	<u><b>528</b></u>	<u><b>170</b></u>
<b>Total funds</b>	<u><b>1,868</b></u>	<u><b>36,439</b></u>	<u><b>(35,799)</b></u>	<u><b>-</b></u>	<u><b>2,508</b></u>

The Alun Llywelyn Williams and Brian Ross Memorial Funds are represented by cash at bank and are within

the total of £1,258,000 shown on the balance sheet.

19. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
<b>Fund balances at 31 March 2011 are represented by:</b>			
Fixed assets	398	-	<b>398</b>
Current assets	2,614	292	<b>2,906</b>
Creditors: amounts falling due within one year	(567)	(122)	<b>(689)</b>
Creditors: amounts falling due after more than one year	(107)	-	<b>(107)</b>
<b>Total net assets</b>	<b>2,338</b>	<b>170</b>	<b>2,508</b>

20. Cash flow information

	2011 £'000	2010 £'000
<b>a. Reconciliation of changes in resources to net inflow from operating activities</b>		
Net incoming resources	640	368
Bank interest	(15)	(5)
Amortisation and depreciation (note 13c)	123	118
(Increase)/Decrease in grants paid in advance	55	(37)
(Increase)/Decrease in debtors and prepayments	(354)	(69)
Increase/(Decrease) in grants payable	(673)	741
Increase/(Decrease) in other creditors falling due within one year	162	(54)
Increase/(Decrease) in creditors falling due after more than one year	(59)	(59)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(121)</b>	<b>1,003</b>
<b>b. Analysis of cash flows</b>		
Capital expenditure		
Payments to acquire intangible fixed assets (note 13a)	(61)	(52)
Payments to acquire tangible fixed assets (note 13b)	(7)	(114)
	<b>(68)</b>	<b>(166)</b>
<b>c. Reconciliation of net cash flow to movement in net funds</b>		
Increase/(Decrease) in cash in the year	(174)	842
Net funds at 1 April	1,432	590
<b>Net funds at 31 March</b>	<b>1,258</b>	<b>1,432</b>

21. Commitments on operating leases

At 31 March 2011 the Council had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Equipment	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Operating leases which expire				
within one year	-	-	2	1
one to five years	62	62	5	2
over five years	189	189	-	-

**22. Forward commitments**

	<b>2011</b>	2010
	£'000	£'000
Grants		
Forward funding - grants formally offered	<b>28,359</b>	23,977

Forward funding at 31 March 2011 represents allocations to revenue-funded organisations where payments will be made within 12 months.

**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 2010/11 £34,790,000 or 95% of the Council's income was derived from the Welsh Government (2009/10: £32,183,000 or 97%). Of the remaining income £1,649,000 or 5% was derived from bank interest and sundry income (2009/10: £973,000 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 Government to pay grant commitments and operating costs are held in an instant access, variable rate bank account which on average carried an interest rate of 0.50% in the year (2009/10: 0.50%). The unrestricted cash balance at the year end was £1,254,000 (2010: £1,235,000). 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 Welsh Government sponsored body and as such is exempt from Corporation Tax under Section 505 ICTA 1988.

**25. Post balance sheet event**

**Authorisation of these financial statements for issue**

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

**26. Related party transactions**

**Public bodies**

The Council is a Welsh Government sponsored body.

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

**Individuals**

Members of Council, key managerial staff or other related parties (being close family members) undertook

material financial transactions (listed below) with the Council during the year. Transactions with the Council as a Lottery distributor are recorded in the equivalent note to the separate Lottery Distribution Account.

### Council Members

A number of Council Members and/or their close family were members of the Boards of Management (or equivalent) or senior employees of organisations who were offered grants or other payments from the Council in 2010/11. 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 2011 £
<b>Norah Campbell</b> Board Member	Oriel Mostyn	Grant (2)	433,689	Nil
<b>Emma Evans</b> Trustee/Director	Creu Cymru	Grant (2)	158,870	Nil
<b>Maggie Hampton</b> Director	Disability Arts Cymru	Grant (2)	115,334	Nil
Board Member (family member)	India Dance Wales	Grant (1)	20,000	Nil
<b>Margaret Jervis</b> Director	Valleys Kids	Grant (1)	71,987	Nil
<b>Robin Morrison</b> Employee	Blaenau Gwent County Borough Council (including Beaufort Theatre)	Grant (2)	58,238	Nil
Trustee (elect)	Borough Theatre	Grant (2)	52,807	Nil
<b>Richard Turner</b> Chairman	South Wales Intercultural Community Arts	Grant (1)	74,455	Nil
<b>Alan Watkin</b> Employee	Wrexham County Borough Council (including Oriel Wrexam)	Grant (2)	117,668	Nil
<b>John C Williams</b> Former employee	Welsh Independent Dance	Grant (1)	89,222	Nil
Employee (family member)	Clwyd Theatr Cymru	Grant (2)	1,644,802	Nil
<b>Gerwyn Wiliams</b> Employee	Bangor University	Grant (1)	105,000	26,000
Member	Yr Academi Gymreig	Grant (2)	814,894	Nil
<b>Debbie Wilcox</b> Councillor	Newport City Council (including Newport Museum and Art Gallery and The Riverfront)	Grant (3)	105,173	Nil
<b>Dr Kate Woodward</b> Employee	Aberystwyth University (including Aberystwyth Arts Centre and Wales Literature Exchange)	Grant (2)	572,981	Nil
Board member (family member)	Audiences Wales	Grant (2)	140,559	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.