

Presented to Parliament pursuant to Section 35(5) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998)

Arts Council of Wales Lottery Distribution Account 2011-12

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The National Audit Office scrutinises public spending on behalf of Parliament.

The Comptroller and Auditor General, Amyas Morse,
is an Officer of the House of Commons.
He is the head of the NAO, which employs some 880 staff.
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He certifies the accounts of all government departments
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on the economy, efficiency and effectiveness with which departments
and other bodies have used their resources.

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Annual Report

Trustees' Annual Report for the year ended 31 March 2012

Reference and administrative details

Trustees

Council Members who served since 1 April 2011 were:

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

		Attendance at meetings during 2011-12			
		Council	Audit Committee	Capital Committee	Remuneration Committee
		Number of meetings held:			
		7	6	3	1
Debbie Wilcox (rejoined 1 September 2011 to 31 March 2012)	(ii)	1/4			
Professor Gerwyn Williams	(c) (e)	5		3	
John C Williams	(a) (c)	7	5	Joined 11/11/11 2/2	
<i>Attendance of independent Committee members:</i>					
Gareth Jones	(a)		6		
Phillip Westwood	(a)		4		
Jonathan Adams	(c)			3	
Isabel Hitchman (to 31 March 2012)	(c)			2	
Janet Roberts	(c)			2	
Bethan Guilfoyle CBE	(b)				1

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

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

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

- (i) Blaenau Gwent County Borough Council
- (ii) Newport City Council
- (iii) University of Wales
- (iv) Wales Council for Voluntary Action

Chief Executive
Nicholas Capaldi

Offices

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

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

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

Auditor

Comptroller and Auditor General
157-197 Buckingham Palace Road
London
SW1W 9SP

Internal auditors

Deloitte LLP
5 Callaghan Square
Cardiff
CF10 5BT

Solicitors

Geldards LLP
Dumfries House
Dumfries Place
Cardiff
CF10 3ZF

Bankers

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

Structure, governance and management

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

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

The Council is a Welsh Government sponsored body. The Council's lottery distribution activities are not a devolved function so these financial statements are, therefore, laid before both Parliament and the National Assembly for Wales, and are audited by the Comptroller and Auditor General under section 35 of the National Lottery etc. Act 1993 (as amended).

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

Members' induction and training

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

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

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

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

Accountability

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

- the Charities Acts 1960, 2006 and 2011 and guidance issued by the Charity Commission
- the Freedom of Information Act 2000 and Data Protection Act 1998 and guidance issued by the Information Commissioner
- a Framework Document, Financial Memorandum and Accounts Direction issued by the Welsh Ministers
- Lottery Policy Directions issued by the Welsh Ministers, and Finance Directions and an Accounts Direction issued by the Secretary of State for Culture, Olympics, Media and Sport in accordance with the terms of sections 26 and 35 of the National Lottery etc. Act 1993 (as amended)
- the power of the Parliamentary Commissioner for Administration to investigate the Council's affairs
- the power of the Public Services Ombudsman for Wales to investigate the Council's affairs
- a Code of Best Practice, applying to Members and staff, which sets out standards of behaviour required of those involved in financial decisions and in dealing with the public
- the Consumer Credit Act 1974 and guidance issued by the Office of Fair Trading

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

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

Risk management

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

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

Lottery distribution

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

Under the National Lottery etc. Act 1993 (as amended) the Council is required to prepare a statement of account for its lottery distribution activities in the form and on the basis determined by the Secretary of State for Culture, Olympics, Media and Sport. The National Lottery Accounts Direction requires that all costs properly attributable to National Lottery activities should be funded from Lottery income. The Council is required to account separately for its general activities.

Given the uncertainty of the level of future lottery funding in the period leading to the London Olympic Games in 2012 the Capital programme for major awards was suspended from April 2007 and remained so until March 2012. However, the Council was committed to the continued management and delivery of projects in progress and those already registered for strategic funding, so an appropriate budget allocation has been available throughout this period. The Council has now consulted on a new Capital strategy which will operate from July 2012.

The Capital Committee advises Council in the development of policy on capital development and makes recommendations about individual capital grant applications. Independent external assessors were employed to advise on all Lottery capital applications for £100,000 or more. Council takes the final decisions concerning the award of Capital grants over £250,000.

The Council has delegated its grant making for film to the Film Agency for Wales. The terms of the external delegation are set out in a formal agreement with the Agency and satisfy the conditions of the Council's Statement of Financial Requirements.

Objectives, activities, achievements and performance for the public benefit

The Council's chartered objects are:

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

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

Main objectives for the year

The Council's strategic priorities for 2011-12 are set out in the table below according to our corporate themes, alongside key achievements made in relation to each priority during the year:

Corporate theme/ strategic area	Priorities	Achievements and performance
<p>Supporting the creation of high quality art</p> <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>		
<p>By 2012 we will be investing in a portfolio of funded organisations better able to succeed artistically and financially</p>	<p>We will have published the Annual Review Meeting reports of all our Revenue Funded Organisations (RFOs), reporting on the RFOs' progress and achievement of specific targets and the beneficial outcomes of these achievements.</p>	<p>During 2011-12 we have worked towards developing a more dynamic relationship with our RFOs. This has included the introduction of new monitoring arrangements and the completion of Annual Review Meetings for our RFO portfolio. Following completion of these meetings the reports are now undergoing final checks and the drafts agreed with the respective RFO. Final reports will be published by July and will be used to inform targets for the respective RFO for 2012-13.</p>
	<p>Working in partnership with our National Advisors, we will have achieved Quality appraisals for all RFOs to feed into 2012 Annual Review meetings.</p> <p>RFOs will have achieved their agreed income generation targets as detailed in their own budgets and consequently working towards a reduced reliance on Arts Council funding</p>	<p>This objective has been completed. Our new Quality Monitoring process is bedding in well, and we have obtained Quality Appraisal reports for the majority of RFOs. A further round of recruitment for new National Advisors is underway.</p> <p>We made good progress earlier in the year in setting a consistent methodology for defining targets in RFO funding agreements. However, issues were identified regarding some variability in the preciseness of targets and this has affected the clarity of reporting. Therefore for 2012-13 all Revenue Funding Agreements contain specific reference for the need for the RFO to consider increased income generation and lessen dependency on Arts Council funding.</p> <p>We need also to acknowledge that 2011-12 has been an economically challenging year and this could have had a negative impact on earned income targets.</p> <p>Later in the year – when we have had a chance to analyse RFO Annual Survey data – we will have a clearer picture of what is happening. At present, anecdotal feedback we are receiving is mixed, with some RFOs reporting pressures and others enjoying buoyant earned income.</p>

Corporate theme/ strategic area	Priorities	Achievements and performance
	We will have completed our review of Grant in Aid and Lottery funding programmes, and we will have implemented our new schemes programme. We will have produced a report showing the distribution of this funding and expected impact.	Our full complement of funding programmes is operational for 2012-13.
	We will have agreed a new three year partnership with British Council and created a joint annual action plan. We will have created and be operating an evaluation tool for our international projects.	A new Partnership Agreement with the British Council was endorsed by Council at its meeting in June 2011. An evaluation toolkit was also developed and implemented and used for all Wales Arts International activity, with an online facility also developed. Meanwhile we continue to work with the British Council to the new partnership agreement and to monitor progress as agreed in the document.
<p>Encouraging more people to enjoy and take part in the arts</p> <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>		
By 2012 we will have increased levels in attendance and participation in the arts in Wales by 3 per cent	<p>Our RFOs will have achieved agreed targets in attendance and participation, as per their Revenue Funding Agreements, and, by March 2012, clearly demonstrated their approach to increasing the number of people attending and taking part in the arts activities that the Arts Council has funded.</p> <p>We will have raised the quality of participatory arts by encouraging more organisations to use our evaluation toolkit.</p>	<p>Revenue Funding Agreements were implemented for all our RFOs. We also commissioned external support to help us develop a more efficient and effective on line Survey. Participation and audience development remains a key focus for our RFOs and, in consideration of their diverse nature and circumstances, we have asked each one to provide their own increased target in this area as part of their 2012-13 funding agreement. Progress against these targets will then be monitored as part of our routine process for RFOs.</p> <p>The development of an Evaluation Toolkit has been completed, and is being piloted by some of our RFOs.</p>
	<p>We will have supported our Night Out scheme to have promoted a minimum of 550 events, 150 of which will have been held in Communities First areas and a further 10 Young Promoters projects.</p> <p>We will have secured ongoing support for our Splash Arts programme and delivered a further 18 projects involving 800 young people at risk.</p>	<p>During 2011-12 we promoted 580 Night Out events, 153 of which were in Communities First areas. There have been 14 Young Promoter projects.</p> <p>We funded 15 projects two of which were led by RFOs and will produce a full report in 2012-13. Early indications from the evaluation reports received to date are that our target number of participants will have been achieved.</p>

Corporate theme/ strategic area	Priorities	Achievements and performance
	<p>We will have secured funding for and be delivering the second phase of our Reach the Heights programme, involving 3750 young people in our activities.</p>	<p>This target has been achieved following receipt of confirmation of continued funding from WEFO in June 2011. We completed our third round of procurement and in phase two and three are supporting a total of 37 projects.</p>
	<p>We will develop an action plan to deliver Changing Lives, our strategy for children, young people and the arts which includes reducing inequalities in cultural activities between children and parents of children, as required in the Welsh Assembly Government Child Poverty strategy for Wales.</p> <p>We will have seen the introduction of a pilot Arts Plus scheme and secured Ministerial approval for the scheme to be rolled out.</p> <p>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.</p> <p>Through increased investment we will have increased engagement and participation in Communities First areas by 5 per cent on current levels</p> <p>Through Legacy Trust partners we will have engaged 45,000 people in arts programmes across Wales</p>	<p>Following its public consultation, the Strategy – now called Young Creators – was published. The Action Plan has been completed and is waiting to be published.</p> <p>Young people gave our Child Poverty strategy four awards at the Child Poverty conference held in March 2012.</p> <p>The pilot phase was concluded in July 2011. However, we were unable to make further progress on this target during the year.</p> <p>We were advised by Welsh Government colleagues during the year that there would be no additional funding available towards this. Therefore we have been unable to progress this during the year.</p> <p>For 2011-12 we improved our performance quarter on quarter when compared to the previous year and awarded Lottery Schemes funding to 131 applications with activity taking place wholly or partly within Community First Areas with a total value of £2,505,863. This equates to an increase of 18 per cent in number of applications awarded (111 for 2010-11) and 54 per cent increase on value (£1,621,156 for 2010-11).</p> <p>This target has been achieved with over 22,500 having participated in or engaged with Legacy trust funded projects throughout the year, and an estimated further 17000 visitors to the Following the Flame projects.</p>

Corporate theme/ strategic area	Priorities	Achievements and performance
<p>Growing the arts economy</p> <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 of a dependency on government subsidy.</p>		
<p>By 2012 we will have increased our own turnover with at least 10 per cent 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>	<p>We will have been successful in applying for a third EU transnational project.</p> <p>We will have met our financial targets for the first phase of Reach the Heights and secured funding for a second phase of delivery</p> <p>We will have a new capital funding strategy in place</p>	<p>Wales Arts International developed a third bid as a lead partner for a Culture Programme, Practics two. However, the bid was not successful. We are actively seeking alternative funding options.</p> <p>During 2011-12 we had a successful second procurement phase and awarded contracts to a further 28 participation projects and 4 training projects, thus achieving this target.</p> <p>Following its public consultation the final Capital strategy and the application process for the new Programme was agreed at the February 2012 Council and the General Capital Guidelines approved at March Council. The new programme will be opened in July 2012.</p>
	<p>We will have levered in private sector income to support the arts.</p>	<p>In September 2011, it was announced that Cardiff will host WOMEX 2013. The Arts Council, together with Wales Arts International, invested significantly in this successful bid in order to support the development of music and the music industry in Wales. However we had to agree to attach a lower priority to this target. As a consequence we did not achieve the target. On a more positive note, the Business plan commissioned for Cerdd Cymru Music Wales provides a framework for the development of private sector partnerships, particularly in relation to WOMEX 2013, the benefits of which will be apparent during the next financial year. We have also arts projects to achieve private investment (for example Helfa Gelf and Blinc), but we have to acknowledge that this has been ad hoc rather than part of an overall strategic approach. This target will be moved to the new financial year.</p>

Corporate theme/ strategic area	Priorities	Achievements and performance
	<p>We will have worked with artists and arts organisations to improve the quality of their technical and professional skills</p> <p>We will have completed a programme of advocacy events and publications demonstrating the contribution that the arts make to the life of the nation</p> <p>We will have increased the value and number of Collectorplan loans</p>	<p>This objective has been achieved in part. Individual artists continue to benefit from production, training and CPD support. We have also supported a major three year initiative with Helfa Gelf. From a corporate perspective we have had to agree to attach a lower priority to this target. As a consequence we did not achieve the target. This target will be redefined and reinstated in our plans for the new financial year.</p> <p>During the year we prepared publications which demonstrated the contribution the arts make to the life of the nation and shared these with Welsh Government Members. In addition to the numerous case studies and press releases prepared for the media and briefings for the Welsh Government our programme of advocacy events have included a series of road shows, strong presence at National and Urdd Eisteddfods and our Marketing Symposium. Additionally we co-hosted an event with the Welsh Government and WOMEX in Brussels to mark St David's Day.</p> <p>The figures for the full year 2011-12 are (2010-11 figures in brackets)</p> <p>No of loans – 979 (895)</p> <p>Value of loans £715,758 (£645,012)</p> <p>Therefore this year we have achieved an increase of 9.4 per cent in the number of loans made and an increase of 11 per cent in the value of the loans when compared to 2010-11.</p>

Corporate theme/ strategic area	Priorities	Achievements and performance
<p>Making the Arts Council an effective and efficient business</p> <p>We will scrutinise our use of resources to ensure that we are providing an effective, value for money public service.</p> <p>We want to create an organisation that is respected for the quality of its activities and recognised as an authoritative source of arts expertise.</p> <p>By doing so we will be able to demonstrate that we provide an essential public service to the people of Wales.</p>		
<p>By 2012 we will be able to demonstrate that we are a more efficient and effective organisation.</p>	<p>We will have achieved at least 12 per cent reduction in our running costs as part of the Organisational Review.</p> <p>We will have created a positive workplace that encourages staff to realise their full potential.</p> <p>We will have reduced our paper and printing consumable usage by 15 per cent</p> <p>We will have created and maintained a data bank that will clearly evidence our achievements against our Corporate plan targets</p>	<p>During 2011-12 we undertook an extensive Organisational Review which will now deliver the required reduction by the Welsh Government's target date of 2013/14. Council has agreed staffing proposals to be implemented as part of the Organisational Review. These proposals became effective on 1 May 2012.</p> <p>We had a highly successful round of external recruitment with an unprecedented number of applications. There are currently only a small handful of outstanding vacancies.</p> <p>We have identified a preferred option for a relocated Colwyn Bay office. Negotiations are underway. We are also developing proposals for consolidating our office space in Cardiff.</p> <p>An internal Staff Well-Being Group is developing an Action Plan towards gaining the Corporate Health Standard Bronze award. However, our original plans have inevitably been affected by the practical and human challenges of managing the Organisational Review process. As part of our transition to the 'new' organisation we will be re-evaluating our approach to this target. Therefore, this target was only partially complete by the year end.</p> <p>We implemented a number of measures throughout the year, including an awareness programme, to reduce paper usage and quarterly updates on our usage were shared with our staff. The overall reduction target was achieved by the end of the reporting year.</p> <p>Regular reviews and updates of our Corporate Plan throughout the year allowed us to monitor progress and to catalogue our achievements, including the collation of relevant information for publication in our Annual Review. Investment in new technology is helping us to improve the quality of data that we are collecting from RFOs. Enhancements to The Knowledge project also assisted with the achievement of this target.</p>

Corporate theme/ strategic area	Priorities	Achievements and performance
	<p>We will have in place at least one joint working protocol agreement with another organisation.</p> <p>We will have had a high profile presence at key national and international events including Hay Festival, Urdd Gobaith Cymru, National Eisteddfod and Venice Biennale. Through these events we will have raised the profile of the Arts Council of Wales and, thus, of arts in Wales.</p>	<p>This target has been exceeded, with agreements in place with Cadw in the production of an arts policy as part of a wider strategy to achieve a closer working partnership; British Council memorandum with Wales Arts International, and Cerdd Cymru Music Wales partnership to deliver WOMEX 13 Cardiff.</p> <p>Our joint presence at the Hay Festival consisted of sponsoring a venue with Welsh Government named Llwyfan Cymru – Wales Stage. The open performance stage at the Urdd was deemed very successful, bringing together partners from public and voluntary sectors showcasing professional and local amateur talent. Y Lle Celf at the National Eisteddfod was well received and our presence highlighting the summer of '77 generated media coverage from several media outlets. Additionally we supported a high profile Cerdd Cymru Music Wales event at SXSW in Austin Texas in conjunction with Swm Festival hosted by DJ Huw Stephens</p> <p>Our presence at the Venice Biennale is recognised as one of our most successful showcases with record visitor numbers recorded in the opening month. In September 2011, it was announced that Cardiff will host WOMEX 2013.</p>

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

Grant making policies

The Council invites applications for recurrent and one-off grants from organisations and individuals and monitors the proper and effective use of those grants. As well as meeting the Council's strategic aims, applications must demonstrate benefit to the people of Wales across all regional, cultural and economic sectors. Recurrent grants are funded from grant-in-aid only but one-off grants may be funded from grant-in-aid or lottery income. Under the terms of its Lottery Policy Directions the Council makes grants in support of capital and other projects under revenue schemes relating to the arts in Wales.

Capital grants, to organisations only, support the purchase, improvement, restoration, building or creation of an asset that will be used continuously. As noted above, the Council did not take applications for major awards from April 2007 to March 2012 but the Capital programme was open for small grants from £2,000 to £10,000, subject to a maximum of 90 per cent of eligible costs. The programme re-opens in July 2012.

Council has delegated its grant making for film to the Film Agency for Wales ('the Agency'). The terms of the external delegation are set out in a formal agreement between the Council and the Agency and satisfy the conditions of the Council's Statement of Financial Requirements. The latest agreement, renewed with effect from 1 April 2012, expires on 31 March 2013. The obligations of the Council's Accounting Officer are unchanged by the delegation but he has satisfied himself that the Agency and its systems are suitable to undertake the delegated functions, including: the assessment of applications for film funding; holding, accounting for and distributing Lottery money allocated to it by the Council for that purpose; and monitoring funded projects. The delegation agreement allows for appropriate access to the Agency by the Council's internal auditors and by the Comptroller and Auditor General for the review of the operation of the delegated functions.

Revenue scheme grants are available to help fund time-limited artistic projects of high quality which best meet the Council's funding priorities. There have been some policy changes from 1 April 2012 in respect of these grants:

Grant type	up to 31 March 2012	from 1 April 2012
Training grants support the undertaking or purchase of training and also the provision of arts training	<p>£250 – £5,000 (organisations undertaking training)</p> <p>£250 – £2,000 (individuals)</p> <p>Four application deadlines each year – April, June, September & January</p> <p>£1,000 – £30,000 (organisations providing training)</p> <p>Two application deadlines each year – April and September</p>	<p>£250 – £5,000 (organisations providing or accessing training)</p> <p>£250 – £2,000 (individuals accessing industry-recognised training)</p> <p>Open to application at any time</p> <p>£5,001 – £30,000 (organisations providing training or accessing industry-recognised training)</p> <p>4 application deadlines each year – May, July, October and February</p>
Small grants support organisations or individuals for small scale or pilot projects or where there are significant levels of funding from other sources	<p>£250 – £5,000</p> <p>4 application deadlines each year (organisations & individuals) – April, June, September & January</p>	<p>£250 – £5,000</p> <p>Open to application at any time</p>
Research and development grants support periods of experimentation and testing of artistic ideas		<p>£250 – £5,000 (organisations)</p> <p>£250 – £3,000 (individuals)</p> <p>Open to application at any time</p>
Creative Wales Awards enable artists to develop their creative practice	<p>£5,001 – £12,000 & £20,000 – £25,000</p> <p>One application deadline each year September</p>	<p>Details to be confirmed later in 2012</p>
Large grants (known before April 2012 as Mainline Production and Development grants) support larger programmes of work for established individual artists and organisations.	<p>£5,001 – £30,000 (organisations)</p> <p>£5,001 – £20,000 (individuals)</p> <p>2 application deadlines each year – April and September</p>	<p>£5,001 – £30,000 (organisations)</p> <p>£5,001 – £25,000 (individuals)</p> <p>4 application deadlines each year – May, July, October and February</p>
Maximum level of funding for organisations and individuals	<p>75 per cent of eligible costs (organisations)</p> <p>90 per cent of eligible costs (individuals)</p>	<p>Generally 75 per cent of eligible costs but 80 per cent for Theatre Production & Development and Music Industry Development grants (organisations)</p> <p>90 per cent of eligible costs (individuals)</p>
Maximum level of funding for local authorities and school clusters	50 per cent of eligible costs	

Grant type	up to 31 March 2012	from 1 April 2012
Maximum level of funding where the main aim of an application is to promote non-arts issues	50 per cent of eligible costs	
Over-arching funding priorities when assessing grant applications	Projects delivered in acknowledged deprived communities Projects to promote the work of artists from under-represented groups (e.g. disabled people, people from black and minority ethnic backgrounds) Projects delivered in Welsh or bilingually	

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

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

Principal Lottery distribution activities

The Council received 689 (2010-11: 588) lottery applications in the year of which 7 (2010-11: 7) were for capital schemes and 682 (2010-11: 581) for revenue schemes. In total 589 (2010-11: 450) offers of grant were made amounting to £9,334,000 (2010-11: £6,169,000) of which £1,195,000 (2010-11: £516,000) were capital grants, and £8,139,000 (2010-11: £5,653,000) were revenue scheme grants. Hard commitments (i.e. grants accepted but not yet paid over) at the end of the year amounted to £8,076,000 (2011: £9,163,000), of which £3,655,000 (2011: £6,496,000) were for capital grants and £4,421,000 (2011: £2,667,000) were for revenue schemes grants.

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 general activities.

Investment

Investment powers are governed by the Trustee Act 2000 and the Framework Document issued by the Welsh Ministers and the Financial Directions issued by the Secretary of State for Culture, Olympics, Media and Sport. 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.

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Olympics, Media and Sport so, although the Council receives investment income on its share of such balances, the Council has no investment powers over the Fund.

Financial results

The Lottery Distribution account shows the Council's 2011-12 share of the proceeds from the National Lottery of £15,083,000 (2010-11: £12,878,000), and an increase in funds for the year of £1,494,000 (2010-11: £2,533,000) which was transferred to reserves.

In February 2008 a statutory instrument was passed which allowed for the transfer of up to £1,085,000,000 from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 London games. The Council was committed to contribute up to £3,552,000 in the original bid and this order allows for the transfer of up to a further £4,509,000. Similar amounts are expected to be transferred every three months until August 2012. During 2011-12 there were transfers totalling £2,169,000 (2010-11 £2,169,000).

Grant offers made in the year totalled £9,334,000 (2010-11: £6,169,000). £8,587,000 (2010-11: £5,805,000) is recorded as grant expenditure, which reflects offers made in this year and previous years which were formally accepted during this year. Soft commitments at 31 March 2012, not recorded as expenditure in the Statement of Comprehensive Net Income, totalled £864,000 (2011: £246,000).

The balance held in the National Lottery Distribution Fund at 31 March 2012 was £15,566,000 (2011: £14,120,000). The accounts show cumulative reserves of £6,799,000 (2011: £5,305,000).

The timing of a capital development project has resulted in the high balance of reserves. Funding of £3,250,000 has been ring-fenced for some time but the application did not reach decision stage until 2012-13. It was approved in May 2012.

Plans for future periods

The Council will continue to be a lottery distributor until 2019, the end of the current Lottery operator's licence, which amounts to an investment of some £18 million every year for the arts in Wales.

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

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

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

Corporate theme/ strategic area	Priorities 2012-13
<p>Supporting the best in the creation of great art</p>	
<p>What will success look like?</p>	
<p>Through our Investment Review we have achieved our Corporate Plan objective of a portfolio of better funded organisations (our revenue funded organisations). The challenge now – a challenge made more demanding by the current economic recession– is whether these organisations can now succeed artistically and financially.</p>	
<p>Of course, we can't guarantee that every artist or arts organisation that we support will have the good grace to create a work of genius. However, we can help to create an environment in which ambitious, exciting and compelling work becomes a more likely outcome.</p>	
<p>We'll know that we're making progress if:</p> <p>our arts policies and strategies encourage more evidence of ambitious, innovative arts practice</p> <p>the quality of work produced by organisations that we fund encourages an increase in arts attendance</p> <p>arts audiences express high levels of satisfaction with the quality of the activity that they're experiencing</p> <p>in the judgement of our professional Officers and Advisers, the quality of work delivered by our revenue funded organisations is of a consistently high standard</p> <p>proposals submitted to our Creative Wales awards are of a high quality</p> <p>there is regular and positive media coverage of the arts in Wales</p> <p>competition for Lottery grants focuses funding decisions on the strongest and most persuasive applications</p> <p>our partnerships with other bodies are providing new opportunities to highlight interesting arts activities</p>	<p>Policy</p> <p>Produce new Arts Strategy document (a successor to our current Artform Strategies and Arts Council/WAI International Strategy).</p> <p>Review the impact of the implementation of new funding programmes/ strategies (Festivals, National Touring, Theatre Development, Public Art, Music Industry Development Fund)</p> <p>Commission a Public Satisfaction Survey into the arts promoted by RFOs</p> <p>Projects</p> <p>Work with our portfolio of RFOs to support them in their efforts to increase audiences, to exchange knowledge and share best practice</p> <p>Achieve increased international recognition for Welsh artists and arts organisations</p> <p>Establish new project delivery partnership for Wales in Venice 2013</p> <p>Services</p> <p>Ensure nationwide monitoring of the quality of our RFOs</p> <p>Support a strong cohort of artists through the Creative Wales awards</p> <p>Use our media contacts to promote the arts in Wales</p> <p>Partnerships</p> <p>Maintain effective partnerships with British Council and Cadw</p> <p>Governance</p> <p>Establish new list of National Advisers</p>

Corporate theme/ strategic area	Priorities 2012-13
<p>Encouraging more people to enjoy and take part in the arts</p>	
<p>What will success look like? Levels of arts attendance and participation are currently high in Wales. But as average household income reduces, attendance and participation figures will come under pressure. However, it's not just about defending and protecting what already exists. We want to see the arts activities that we support reaching out to a wider cross section of the population of Wales – to people who've previously experienced barriers to attending and taking part in the arts.</p>	
<p>We'll know that we're making progress if:</p> <p>our Omnibus Survey reports demonstrate that levels of attendance and participation are not only remaining consistent, they are increasing</p> <p>the quality of work produced by organisations that we fund encourages an increase in arts attendance and participation across a more diverse cross section of the population</p> <p>implementation of our new Single Equality Plan is creating new opportunities for a more diverse range of artists and arts organisations to create, present and promote work</p> <p>implementation of our new strategies for arts and young people encourages more opportunities for young people to engage directly in creative activity</p> <p>if implementation of our new strategies to tackle Child Poverty result in a more equal access to the arts</p> <p>we're seeing an increase in the number of arts projects developed in Communities First areas</p> <p>our Night Out scheme delivers high quality performances to local communities across Wales</p>	<p>Policy</p> <p>Implement our Young Creators/Child Poverty strategy</p> <p>Promote greater awareness and implement our new Single Equality Plan</p> <p>Review the impact of the implementation of new Creative Steps programme</p> <p>Projects</p> <p>Work with our portfolio of RFOs to support them in their efforts to increase arts participation</p> <p>Pilot new methods of engaging 'hard to reach' young people through the delivery of the Splash Arts and Reach the Heights the programmes</p> <p>Pilot new initiative to explore innovative ways of encouraging increased arts attendance by low income families</p> <p>Deliver the Wales component of the 2012 Cultural Olympiad</p> <p>Services</p> <p>Monitoring levels of overall attendance and participation in the arts in Wales</p> <p>Promoting high quality touring activity in local communities across Wales through our Night Out service</p> <p>Partnerships</p> <p>Support BME artists' development programme through service agreement with BVSNW</p> <p>Support Voluntary Arts development of Running Your Group programme in Wales</p> <p>Governance</p> <p>Increase the diversity of the Arts Council of Wales Council members and its staff</p>

Corporate theme/ strategic area	Priorities 2012-13
<p>Growing the arts economy</p> <p>What will success look like?</p> <p>We want to see a financially resilient arts sector that is not wholly dependent on public subsidy. With the value of public subsidy for the arts decreasing in real terms, such dependency could only have negative implications. The Arts Council will use all its powers of advocacy to encourage the widest possible range of public and private sector agencies to invest in the arts. However, we believe that success will largely depend on the extent to which artists and arts organisations are able to build their own business capability and exploit the full value of their artistic worth.</p>	
<p>We'll know that we're making progress if:</p> <p>artists and arts organisations demonstrate an entrepreneurial approach to developing new local, national and international markets for their work</p> <p>artists and arts organisations are investing in their professional and organisation development</p> <p>our revenue funded arts organisations are able to reduce the level of subsidy as a proportion their overall income</p> <p>we see more examples of organisations working together to develop creative projects or to share costs and services</p> <p>the opportunities offered by new digital technologies are understood and widely used across the arts in Wales</p> <p>the arts in Wales are operating on a more sustainable basis</p> <p>local government across Wales values the arts and maintains levels of funding and service delivery</p> <p>Wales's principal public service broadcasters – BBC Cymru Wales, S4C and ITV Wales – develop new partnerships with the arts</p>	<p>Policy</p> <p>Implement new Lottery Capital strategy and funding programme</p> <p>Formulate strategies for:</p> <ul style="list-style-type: none"> ■ the Creative Industries ■ Digital Arts ■ training and workforce development ■ Arts and Regeneration ■ European funding <p>Projects</p> <p>Re-launch Collectorplan to increase the number and value of art purchase loans</p> <p>Using existing research/data, establish the level and extent of employment in the arts in Wales</p> <p>Capitalise on the opportunity provided by WOMEX 2013 to develop new markets for the Welsh music industry</p> <p>Services</p> <p>Deliver a successful annual Arts Council Marketing Symposium</p> <p>Deliver an Organisational Development Programme for RFOs</p> <p>Facilitate meetings of Wales European Arts Forum</p> <p>Partnerships</p> <p>Develop a new partnership with Local Government that reflects the outcomes of the Welsh Government's Simpson Review</p> <p>Develop Public Value Partnerships with BBC Cymru Wales and S4C</p> <p>Develop Memorandum of Understanding with Creative Industries Sector Team at Welsh Government</p>

Corporate theme/ strategic area	Priorities 2012-13
<p>Developing the effectiveness and efficiency of our business</p>	
<p>What will success look like? As we implement the outcomes of our Organisational Review we'll be striving to create to create a strong, confident organisation providing services that are relevant and useful. We'll be providing professional services across a range of disciplines. And we'll be doing so in ways which reduces cost and recognises our responsibility to become a more environmentally sustainable organisation.</p>	
<p>We'll know that we're making progress if:</p> <p>the individuals, organisations and stakeholders that we work with express a high level of satisfaction with the quality of our services</p> <p>we fully exploit the potential of new technology</p> <p>we process applications, grant payments and financial transactions in a prompt and timely fashion</p> <p>we're seen to be improving our environmental sustainability</p> <p>we retain our Investors in People accreditation</p> <p>we're reducing our running costs</p>	<p>Policy</p> <p>Review HR policies</p> <p>Implement our ICT Strategy</p> <p>Implement our Accommodation Strategy</p> <p>Implement an online applications process (IGAM)</p> <p>Establish our new Information Service</p> <p>Implement cost cutting measures to help us to achieve our Organisational Review targets</p> <p>Services</p> <p>Publish an annual report on the financial and organisational performance of the RFO portfolio</p> <p>Achieve published targets for processing of grants applications and financial payments</p> <p>Achieve high level of public satisfaction with our Information Service</p> <p>Partnerships</p> <p>Improve the quality of our engagement with partners and stakeholders across Wales</p> <p>Governance</p> <p>Provide clearer information on our Governance arrangements</p> <p>Compliance</p> <p>Deal effectively with Complaints and Freedom of Information requests</p>

Human resources

Equal opportunities

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

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

Sickness absence

During 2011-12 staff sickness absence totalled 963 days (2010-11 725 days). This represented 4.30 per cent (2010-11 3.53 per cent) of working days, including 1.77 per cent (2010-11 0.64 per cent) as a result of long term absence (over 28 days).

Employee communication

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

Pension scheme

Most employees are members of the Arts Council Retirement Plan 1994. The fund is a defined benefit scheme. It is also a multi-employer scheme so the Council is unable to identify its share of the underlying assets and liabilities. 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 IAS 19.

Payment of trade and other payables

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 per cent of invoices, including disputed invoices once the dispute has been settled, in line with these terms. During the year ended 31 March 2012, the Council paid 96 per cent (2010-11: 96 per cent) of all invoices within the terms of its payment policy. Since November 2008 the Council, in line with Welsh Government policy, aims to pay invoices within 10 days. For 2011-12 86 per cent (2010-11 87 per cent) 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 and other receivables and trade and other payables, and cash and cash equivalents arising directly from its operations. The financial risk management of exposures arising from trading financial instruments, primarily trade and other receivables and trade and other payables, is through a series of policies and procedures. These risks are managed as follows:

Liquidity risk – The Council does not consider that its Lottery Distribution function is exposed to any significant liquidity risks, and is satisfied that the balance within the National Lottery Distribution Fund and projected future Lottery proceeds are sufficient to meet its hard commitments.

Interest rate risk – Cash and cash equivalents balances, which are drawn down from the National Lottery 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 per cent (2010-11: 0.50 per cent) in the year. The year-end Cash and cash equivalents balance held by the Council in the bank was £28,000 (2011: £759,000). The Council does not consider that its Lottery Distribution function is exposed to significant interest rate risks.

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

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

Personal data related incidents

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

Responsibility towards the environment

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

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

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

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

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

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

We promote and encourage the use of environmentally friendly means of transport, restricting travel to necessary journeys only and ensuring those journeys are made by the most efficient means possible taking account of both environmental and financial considerations. Car sharing is encouraged, and we actively promote the use of video conferencing as an alternative to travel.

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

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

We funded the *Emergence – Eginriad* programme which brought together over 300 attendees from across the arts sector in three major conferences in Cardiff, Swansea and Caernarfon. The conferences shared experiences and offered practical tools for more sustainable work in the arts. *Emergence – Eginriad* focuses on two main things: developing a low-carbon arts infrastructure; and developing the role of the arts as a crucible of ideas and visions for a low-carbon One Planet Wales.

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

We now capture and measure details of our use of consumables, waste, energy, water and staff travel. This will allow us to report on our carbon dioxide emissions in more detail in future years. We calculated that our energy, water and waste usage resulted in 33,411 kilograms of CO₂ emissions during 2011-12, a reduction of two per cent compared to the previous year. Emissions in respect of transport, however, increased, due in part to our support of artists involved in the Writers Chain in India. We plan to reduce our overall CO₂ emissions by at least two per cent in 2012-13.

Social and community issues

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

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

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

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

Audit

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

Remuneration report

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

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

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

The Chief Executive's remuneration consists of a basic salary plus an annual bonus. Annual bonuses are recommended to Council by the Remuneration Committee in consideration of the performance of the Chief Executive against a set of predetermined objectives. A percentage of the bonus, as advised by the Welsh Government, is consolidated into the Chief Executive's salary and the remainder is paid as a non-consolidated award. Guidance received from the Welsh Government during the year meant that consolidated basic increases could not be paid, and that non-consolidated payments were strongly discouraged. As a consequence, Remuneration Committee reluctantly concluded that no increase in remuneration would be made to the Chief Executive during the year.

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 Directors are entitled to thirteen weeks notice of termination of employment.

The dates of commencement of employment are: Professor Dai Smith (Chairman) 1 April 2006; Nicholas Capaldi (Chief Executive) 15 September 2008; David Alston (Director of Arts) 1 July 2005; Katherine Davies (Director of Investment and Funding Services from 1 February 2012) 24 August 1998; Diane Hebb (Director of Engagement and Participation from 1 February 2012) 13 January 1992; Siân Tomos (Director of Enterprise and Regeneration from 1 February 2012) 3 May 1994; and Hywel Tudor (Director of Finance and Resources) 21 January 2002.

The Chief Executive and Directors are responsible for directing the Council's activities. Their actual emoluments were as follows, 37.5 per cent (2010-11: 37.5 per cent) of which is charged in these financial statements and the remainder to general activities.

The figures within this Remuneration Report have been audited.

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

1 **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.

2 **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.

3 **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 paid for his services. Other Council and Committee members are not paid for their services. An aggregate amount of £13,251 (2010-11: £10,458) was reimbursed to 13 (2010-11: 15) Council members for travel and subsistence costs incurred on Council business. The aggregate amount allocated to Lottery Distribution activities was £3,012 (2010-11: £2,376).

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

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

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

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

37.50 per cent (2010-11: 37.50 per cent) of the Chairman's and Chief Executive's emoluments are charged in these financial statements and the remainder to general activities.

	2012	2011
	£000	£000
The median annual remuneration (full time equivalents) at 31 March was (whole Council):	30	30
The ratio between the median annual remuneration and the annual remuneration of the highest paid member of staff was (whole Council):	1:3.12	1:3.12

Compensation schemes – exit packages (whole Council):

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

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

All 'other departures agreed' related to requests for redundancy where, in accordance with the Council's redundancy policy, the employee's post either disappeared in the new structure or was filled by another employee who would otherwise have been compulsorily redundant. There is no difference in the payment entitlements of volunteers and those who are compulsorily redundant.

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

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

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

Under Section 35 of the National Lottery etc. Act 1993 (as amended) the Council is required to prepare for each financial year a statement of accounts for its Lottery distribution activities in the form and on the basis determined by the Secretary of State for Culture, Olympics, Media and Sport. 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 income and expenditure, changes in equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State for Culture, Olympics, Media and Sport, 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 Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

Nicholas Capaldi
Accounting Officer

5 July 2012

Dai Smith
Chairman

5 July 2012

Governance statement

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

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

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

Scope of responsibility

Council is responsible for ensuring the Arts Council of Wales conducts its business in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

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

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

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. Further details are shown on pages 34 to 35.

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

Governance structure

Council is the ultimate decision making body for the organisation. It is responsible for the strategic direction and management of the organisation, and for ensuring that, through the Chief Executive, the organisation operates within the policy framework set by the Welsh Government. Council is responsible for formulating strategies; ensuring the organisation makes efficient and effective use of the resources at its disposal; and for ensuring high standards of propriety.

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

Council-appointed committees are:

- Audit Committee
- Capital Committee
- Remuneration Committee

There are three regional committees, and ad hoc committees that act in an advisory capacity. Further information is provided on pages 30 to 31.

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

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

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

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

Council

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

During 2011-12, Council met seven times to discharge its responsibilities, receiving reports prepared by officers on matters of strategy and performance and setting plans and budgets. A list of members of Council appears on pages 2 and 3 together with details of each member's attendance at Council and, where applicable, committee meetings. Details of attendance by independent members are also shown on pages 2 and 3.

Committees

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

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

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

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

The Committee met three times during the year.

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

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

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

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

Chief Executive

The Chief Executive is the designated Accounting Officer and ensures compliance with established policies, procedures, laws and regulations. The Chief Executive also has responsibility for maintaining a sound system of internal control that supports the achievement of Council policies, aims and objectives whilst safeguarding the public funds and resources for which he is personally responsible, in accordance with the responsibilities assigned to him in Managing Welsh Public Money and in the Framework Document – both of which are issued by the Welsh Government – and Lottery finance directions issued by the Department for Culture, Media and Sport.

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

Senior Management Team

The Senior Management Team previously consisted of the Chief Executive, the Director of Arts, and the Director of Finance and Central Services. Following the Organisational Review, the structure and composition of the Senior Management Team was changed. With effect from 1 February 2012 we now have an Arts Development Team based around three directorates – Arts; Engagement and Participation; Enterprise and Regeneration – and a Corporate Services Team incorporating two directorates – Finance and Resources; and Investment and Funding Services. Each is led by a director with responsibility for their particular area. Further details can be found on pages 24 to 27.

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

Focusing on the purpose of the organisation and on outcomes

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

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

Details of our strategic priorities for 2011-12, together with key achievements made in relation to each priority during the year, can be found on pages 7 to 13.

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

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

Working together to achieve a common purpose

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

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

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

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

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

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

Promoting values through upholding high standards of conduct and behaviour

New members of Council undergo an induction programme to brief them on their legal obligations under the Royal Charter and charity law, the Code of Best Practice, the Committee and decision making processes, strategic plans, and funding issues. Further details are contained on page 4.

New members of staff also undergo an induction process to brief them on the requirements and expectations of their role and of the organisation. The induction training provides information on a range of policies, procedures

and regulations including those relating to financial control, human resources (HR), health and safety, equalities and IT security.

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

- A 'Whistle-blowing' policy.
- Anti-fraud policy.

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

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

Taking informed and transparent decisions:

Council has reserved to itself powers to take certain decisions, and delegates others to officers and to a Capital Committee, under a scheme of delegation. Further details are shown on page 6.

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

Council discussions are minuted, and those minutes are published on our website.

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

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

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

Developing the capacity and capability of members and officers

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

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

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

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

System of internal control

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2012 and up to the date of approval of the trustees' annual report and financial statements, and accords with Treasury guidance.

Risk Management

Capacity to handle risk

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

The risk and control framework

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

As Chief Executive I have overall responsibility for the system of internal control and securing adherence to our policy on risk management, which is supported by the Senior Management Team and Management Board.

There is an organisation-wide risk register containing details of all key risks and mitigating controls. Managers are responsible for drawing up and maintaining more detailed risk registers for any new activities. Risk management has been embedded in the key operations of the Council by the introduction of a prioritisation methodology based on risk ranking.

From the receipt and assessment of applications for funding through to the monitoring of scheme and annually recurring revenue awards, a risk category is assigned on the basis of key criteria. The level of qualitative and other monitoring will be dependent upon the risk category assigned and mitigating controls identified, which are regularly reviewed.

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

Council has established the following processes:

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

- regular reports by the Council's appointed internal auditors, to standards defined in the Government Internal Audit Manual, to the Audit Committee which includes the auditors' independent opinion on the adequacy and effectiveness of the Council's system of internal control together with recommendations for improvement;
- the identification and discussion of emerging risks by the Management Board at its monthly meetings;
- maintenance of an organisation-wide risk register; and
- key performance indicators, which are reviewed quarterly by Council.

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

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

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

Review of effectiveness

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

The Council, Audit Committee, and the internal auditors have advised me on the implications of the results of my review of the effectiveness of the internal control system, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

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

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

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

Nicholas Capaldi
Accounting Officer

5 July 2012

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Members of the National Assembly for Wales

I certify that I have audited the financial statements of the Arts Council of Wales Lottery Distribution Account for the year ended 31 March 2012 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

As explained more fully in the Statement of Council's and the Accounting Officer's Responsibilities, the Arts Council of Wales and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices 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 Lottery Distribution Account's 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 read all the financial and non-financial information in the 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 certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Arts Council of Wales Lottery Distribution Account's affairs as at 31 March 2012 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder with the approval of HM Treasury.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made with HM Treasury approval under the National Lottery etc. Act 1993; and
- the information given in the Reference and administrative details, Structure, governance and management, Financial review, Human resources, Pensions scheme, Payment of trade and other payables, Financial risk and capital management, Personal data related incidents, Responsibility towards the environment, and Social and community issues sections of the Trustees' Annual Report for the financial year for which the financial statements are prepared 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:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

11 July 2012

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of Comprehensive Net Income for the year ended 31 March 2012

	Notes	2011 £000	2012 £000	2011 £000	2012 £000
Expenditure					
Management and administration:					
Staff costs	2	1,194		1,041	
Other operating costs	4a	613		600	
			1,807		1,641
Irrecoverable grants:					
Irrecoverable grants written off		615		-	
Reduction in provision for doubtful debts		(665)		-	
			(50)		-
Expenditure on the arts:					
Grant commitments made (hard) ¹		8,716		6,080	
Less: Lapsed and revoked commitments (hard) ¹		(129)		(275)	
Net grant commitments made (hard) ¹	9b		8,587		5,805
Delegated distributor: Film Agency for Wales	8a, 11		1,200		785
Other arts awards	5		177		75
Direct costs of grant making	4b		17		20
			9,981		6,685
Statutory transfer to Olympic Lottery Distribution Fund	6		2,169		2,169
Total expenditure			13,907		10,495
Income					
Share of proceeds from the National Lottery	6		15,083		12,878
Investment income on balances in the National Lottery Distribution Fund	6		109		97
Other income			-		16
Interest receivable			5		2
Grants recoverable			35		-
Total income			15,232		12,993
Net income			1,325		2,498
Other Comprehensive Income					
Net unrealised gain on the revaluation of investment in the National Lottery Distribution Fund	6		169		35
Total comprehensive Income for the year			1,494		2,533

1 See note 1d for details of the different categories of grant commitments

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

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

The notes on pages 41 to 52 form part of these financial statements.

Statement of Financial Position as at 31 March 2012

	Notes	£000	31 March 2012 £000	£000	31 March 2011 £000
Non-current assets:					
Trade and other receivables	7a		150		150
Current assets:					
Financial assets:					
Investments – balance held in the National Lottery Distribution Fund	6	15,566		14,120	
Trade and other receivables	7b	3		9	
Cash and cash equivalents	10c	28		759	
Total current assets			15,597		14,888
Total assets			15,747		15,038
Trade payables and other current liabilities – amounts falling due within one year:					
Trade and other payables	8	(431)		(274)	
Other liabilities:					
Delegated distributor: Film Agency for Wales	8, 11	(441)		(296)	
Provision for grant commitments (hard) ¹	8, 9b	(6,560)		(7,381)	
Total payables and other current liabilities			(7,432)		(7,951)
Non-current assets plus net current assets			8,315		7,087
Trade payables and other liabilities – amounts due after more than one year:					
Provision for grant commitments falling due after more than one year (hard) ¹	9b		(1,516)		(1,782)
Assets less liabilities			6,799		5,305
Equity/Reserves:					
Net Expenditure account			6,799		5,305

1 See note 1d for details of the different categories of grant commitments

The notes on pages 41 to 52 form part of these financial statements.

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

Nicholas Capaldi
Accounting Officer

5 July 2012

Dai Smith
Chairman

5 July 2012

Statement of Cash Flows for the year ended 31 March 2012

	Notes	2012 £000	2011 £000
Cash flows from operating activities			
Funds drawn down from the National Lottery Distribution Fund	6	11,746	8,715
Other cash receipts		91	222
Grants paid	9b	(9,674)	(5,342)
Cash paid to and on behalf of employees		(1,026)	(975)
Other cash payments		(818)	(718)
Film Agency payments	8a	(1,055)	(1,148)
Net cash (outflow)/inflow from operating activities	10a	(736)	754
Cash flows from investing activities			
Interest received		5	2
Net cash inflow from investing activities		5	2
Net (decrease)/increase in cash and cash equivalents in the period	10b	(731)	756

Statement of Changes in Equity for the year ended 31 March 2012

	2012 £000	2011 £000
Balance at beginning of year	5,305	2,772
Net income for the year	1,494	2,533
Balance at end of year	6,799	5,305

The notes on pages 41 to 52 form part of these financial statements.

Notes forming part of the Financial Statements

1 Accounting policies

a Basis of preparation

These financial statements are prepared under the historical cost convention. They have been prepared in accordance with Section 35 of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998) in the form and on the basis determined by the Secretary of State for Culture, Olympics, Media and Sport.

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS).

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.

b Recognition of income and expenditure

All income is accounted for on an accruals basis. 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.

c General activities

These financial statements do not cover the Council's general activities, funded mainly by grant-in-aid, for which separate financial statements have been prepared.

d Grant commitments

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

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

e National Lottery Distribution Fund

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

It is appropriate to classify the National Lottery Distribution Fund investments as 'available for sale', being in line with the Department for Culture, Media and Sport accounting policy, and this accounting treatment is appropriate to the Council. The policy is that investments are held at fair value with any unrealised profit or loss recognised through reserves.

f Pensions

The Council is an admitted employer of the Arts Council Retirement Plan 1994. The pension scheme provides defined benefits to Council employees. The costs of the Council's contributions are charged to the Statement of Comprehensive Net Income 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 IAS 19.

g Taxation

Non-recoverable Value Added Tax arising from expenditure is charged to the Statement of Comprehensive Net Income or capitalised as a fixed asset where applicable.

h Apportionment of management and administration costs from the General Activities Account

The Council incurs costs which support both its general activities and lottery distribution functions. In accordance with its Financial Directions 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.

i Financial Instruments

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

Financial liabilities: Trade payables and other current liabilities are not interest bearing and are stated at their nominal value.

2 Staff costs

	2012	2011
	£000	£000
Wages and salaries charged to Lottery distribution activity	799	820
Social security costs	66	65
Other pension costs	158	154
Agency costs	6	2
Redundancy Payments	165	–
Compensation payment	–	–
	<u>1,194</u>	<u>1,041</u>

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

	No	No
Direct delivery of our activities	22	24
Recharged to direct delivery and in support of our operations	66	69
Agency staff	2	1
	<u>90</u>	<u>94</u>

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

In support of our operations	<u>25</u>	<u>26</u>
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The balance of 65 (2010-11: 68) staff were employed on general activities.

3 Pension costs

Most employees are members of the Arts Council Retirement Plan 1994. The fund is a defined benefit scheme. It is also a multi-employer scheme so the Council is unable to identify its share of the underlying assets and liabilities. The scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with IAS 19.

An independent actuarial valuation of the Arts Council Retirement Plan 1994 normally takes place every three years. The most recent valuation, as at 31 March 2010, came into effect on 1 April 2011. The valuation introduced new contribution rates for the Council in respect of accruing benefits, and also introduced a minimum level of payment to be made each year towards the past service deficit, at a rate advised by the scheme actuary. In order to eliminate the deficit, the actuary recommended increased employer contributions over the next 13 years, compared to the nine years used previously.

On the assumption that the recommended amounts would be paid to the Plan, the actuary's opinion was that the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. The main actuarial assumptions used were: that price inflation would be 3.3 per cent per annum; pay increases would be 3.3 per cent per annum for the first five years and 4.8 per cent thereafter; pension increases would be 3.3 per cent per annum on pensions in excess of Guaranteed Minimum Pensions (GMPs); pension increases of deferred pensions would be 3.3 per cent per annum on pensions accrued before April 2009 and 2.5 per cent on pensions accrued after that date, both subject to statutory revaluations; the past service discount rate would be 5.7 per cent per annum and the future service discount rate would be 5.7 per cent per annum.

Contributions by the Council and its employees were:

For staff joining the Plan:	Council		Employees	
	2012¹	2011	2012	2011
on or before 31 August 2006	20.8%	20.6%	1.5%	1.5%
from 1 September 2006 to 31 March 2010	18.8%	18.6%	3.5%	3.5%
on or after 1 April 2010	16.3%	16.1%	6.0%	6.0%

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

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

4 Costs in support of our operations

a Management and administration: Other operating costs

	2012	2011
	£000	£000
Staff related costs	72	63
Organisational review	11	–
Infrastructure	263	243
Lottery promotion	23	25
Office running costs	21	21
Professional fees	60	98
Irrecoverable VAT	74	68
Charge for use of fixed assets	51	46
Auditor's remuneration – Audit ¹	18	17
Internal audit	8	9
Council meetings, including Members' travel and subsistence	12	10
	613	600

¹ The audit fee is for audit services and no non-audit services were provided.

Management and administration costs are apportioned between the Council's general activities and Lottery distribution accounts with reference to the time spent on, or the consumption of, the relevant resources by the respective functions. The rates applied differ according to the expenditure heading and geographical region but the average charge to Lottery activities was 37.5 per cent (2009-10: 37.5 per cent).

b Expenditure on the arts: Direct costs of grant making

	2012	2011
	£000	£000
Assessors' fees	15	8
Creative Wales Awards – scheme expenses	2	12
	17	20

5 Other arts awards

	2012	2011
	£000	£000
<i>Unlimited</i> awards for the London 2012 Cultural Olympiad in association with Arts Council England	17	35
New Music Works! awards in association with the PRS Foundation	10	40
Cross Border Touring	150	–
	177	75

6 National Lottery Distribution Fund

	2012	2011
	£000	£000
Balance held in the National Lottery Distribution Fund (NLDF) at 1 April	14,120	11,994
Allocation of Lottery proceeds	15,083	12,878
Investment income receivable	109	97
Payments to the Olympic Lottery Distribution Fund	(2,169)	(2,169)
Adjustment to previous year's unrealised gain/(loss) on investment in NLDF	169	(18)
Unrealised gain on investment in NLDF during the year	-	53
Drawn down in the year	(11,746)	(8,715)
Balance held in the National Lottery Distribution Fund at 31 March ¹	<u>15,566</u>	<u>14,120</u>

1 The timing of a capital development project has resulted in the high NLDF balance. Funding of £3,250,000 has been ring-fenced for some time but the application did not reach decision stage until 2012-13. It was approved in May 2012.

The balance held at 31 March 2012 at the National Lottery Distribution Fund may be subject to change as the audit of the Fund is incomplete. Any adjustments arising from that audit will be reflected in the Council's 2012-13 accounts.

In February 2008 a statutory instrument (SI 2008 No. 255 The Payments into the Olympic Lottery Distribution Fund etc. Order 2008) was passed which allowed for the transfer of up to £1,085,000,000 from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. This comprises £410,000,000 as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675,000,000 arising from the subsequent budget review.

The Council was committed to contribute up to £3,552,000 in the original bid and this order allows for the transfer of up to a further £4,509,000.

During 2011-12 there was a transfer of £2,169,000 (2010-11 £2,169,000).

7 Trade and other receivables

	2012	2011
	£000	£000
<i>a Non-current assets</i>		
Analysis by type		
Other receivables	<u>150</u>	<u>150</u>
Intra-government balances		
Balances with bodies external to government	<u>150</u>	<u>150</u>
<i>b Current assets</i>		
Analysis by type		
Grants recoverable ¹	23	694
Less: Specific provision for doubtful debts ¹	<u>(20)</u>	<u>(685)</u>
	<u>3</u>	<u>9</u>
Intra-government balances		
Balances with bodies external to government	<u>3</u>	<u>9</u>

¹ A property which was refurbished with the assistance of a Lottery capital award has been sold necessitating full recovery of the grant. Anticipating that the sale proceeds would not meet the value of the grant the Council had made provision for the shortfall in previous years as a doubtful debt. Part of the sale proceeds was advanced to the Council in 2010-11 and the balance was received in 2011-12. The remainder of the grant is irrecoverable and has been written off during the year with a corresponding release of the provision for doubtful debts.

8 Trade payables and other current liabilities – amounts falling due within one year

	2012	2011
	£000	£000
<i>a Analysis by type</i>		
Trade and other payables:		
Trade payables	10	9
Due to the Arts Council of Wales General Activities account ¹	398	207
Accruals and deferred income	23	58
Sub-total: Trade and other payables	<u>431</u>	<u>274</u>
Other liabilities:		
Film Agency for Wales ²	441	296
Provision for grant commitments (hard) (note 9b)	6,560	7,381
Sub-total: Other liabilities	<u>7,001</u>	<u>7,677</u>
 Total current liabilities	 <u>7,432</u>	 <u>7,951</u>
 1 The amount due to the Arts Council of Wales General Activities account is made up of:		
Recharges of apportioned costs		
– Staff	175	89
– Overheads	72	72
– Charge for use of assets	51	46
Temporary transfer to cover urgent payments	100	-
	<u>398</u>	<u>207</u>
 2 The Film Agency for Wales is the Council's delegated distributor of Lottery funding for film:		
Undrawn funds at 1 April	296	659
Allocation of funds during the year	1,200	785
	<u>1,496</u>	<u>1,444</u>
Drawn down in the year	(1,055)	(1,148)
Undrawn funds at 31 March	<u>441</u>	<u>296</u>
 <i>b Intra-government balances</i>		
Balances with central government bodies	398	207
Balances with local authorities	1,853	1,151
Balances with NHS bodies	-	-
Sub-total: Intra-government balances	<u>2,251</u>	<u>1,358</u>
Balances with bodies external to government	5,181	6,593
Total creditors	<u>7,432</u>	<u>7,951</u>

9 Grant commitments*a Soft commitments*

	£000	£000	2012 £000	2011 £000
	Capital	Revenue schemes	Total	Total
Soft commitments at 1 April	20	226	246	157
Soft commitments made in the year	1,195	8,139	9,334	6,169
Total grant offers made	1,215	8,365	9,580	6,326
Soft commitments transferred to hard commitments	(830)	(7,886)	(8,716)	(6,080)
Soft commitments at 31 March	385	479	864	246

b Hard commitments

Hard commitments at 1 April	6,496	2,667	9,163	8,700
Hard commitments in the year	830	7,886	8,716	6,080
Amounts not taken up	(73)	(56)	(129)	(275)
Charged to Statement of Comprehensive Net Expenditure ¹	757	7,830	8,587	5,805
Grants paid in the year	(3,598)	(6,076)	(9,674)	5,342
Hard commitments at 31 March ²	3,665	4,421	8,076	9,163
Falling due within one year to:				
Local authorities	1,382	471	1,853	1,151
NHS bodies	-	-	-	-
Bodies external to government	1,233	3,474	6,560	7,381
	2,615	3,945	6,560	7,381
Falling due after more than one year to:				
Local authorities	1,040	40	1,080	1,550
Bodies external to government	-	436	436	232
	1,040	476	1,516	1,782
Total	3,655	4,421	8,076	9,163

1 Grants to public bodies	708	879
Grants to private bodies	7,879	5,039
	8,587	5,805

2 Ageing of hard commitments:

2010-11	-	-	-	7,381
2011-12	2,615	3,946	6,560	1,777
2012-13	1,040	369	1,410	5
2013-14	-	106	106	-
	3,655	4,421	8,076	9,163

10 Cash flow reconciliation

	2012	2011
	£000	£000
<i>a Reconciliation of net income/(expenditure) to net cash flow from operating activities</i>		
Net income	1,494	2,533
Bank interest	(5)	(2)
(Increase) in the balance held in the National Lottery Distribution Fund	(1,446)	(2,126)
Decrease in trade and other receivables	6	209
Increase/(Decrease) in trade and other payables and other liabilities	302	(323)
(Decrease)/Increase in provision for grant commitments	(1,087)	463
Net cash (outflow)/inflow from operating activities	(736)	754
<i>b Reconciliation of net cash flow to movements in net funds</i>		
(Decrease)/Increase in cash and cash equivalents	(731)	756
Increase in the balance held in the National Lottery Distribution Fund	1,446	2,126
	715	2,882
Net funds at 1 April	14,879	11,997
Net Funds at 31 March	15,594	14,879
<i>c Cash and cash equivalents</i>		
Balance at 1 April	759	3
Net change in cash and cash equivalent balances	(731)	756
Balance at 31 March	28	759
The following balances at 31 March were held at:		
Commercial banks and cash in hand	28	759

11 Delegated Lottery distributor: Film Agency for Wales

A delegation agreement with the Film Agency for Wales is in place, and fully operational, for the purpose of the distribution of Lottery funds. The following Lottery distribution information is extracted from the unaudited draft financial statements¹ of the Film Agency for Wales for the year ended 31 March 2012:

	£000
Reserves at 1 April 2011 (restated)	64
Incoming funds: Arts Council of Wales	1,200
Incoming funds: Other	221
Outgoing funds	(1,296)
Reserves at 31 March 2012	<u>189</u>
Details of grant commitments at 31 March 2012:	
Hard commitments	<u>1,324</u>
Soft commitments	<u>1,324</u>

A full list of the grants awarded by the Agency is included in the Council's Annual Report. More detail about the Agency's work can be found on its website at www.filmagencywales.com.

¹ The draft financial statements will be audited in July 2012 and are expected to be approved by the Board in September 2012.

12 Events after the reporting period

Authorisation of these financial statements for issue

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

13 Financial instruments

Financial instruments

International Financial Reporting Standard 7, Financial Instruments: Disclosures, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks the Council's function faces in undertaking its role.

Liquidity risks – In 2011-12 £15,083,000 or 99.0 per cent of the Council's Lottery distribution income was derived from the National Lottery (2010-11: £12,878,000 or 99.0 per cent). Of the remaining income £109,000 or 0.7 per cent was derived from investment returns from the balance held with the National Lottery Distribution Fund (2010-11: £97,000 or 0.8 per cent) and £40,000 or 0.3 per cent from bank interest and sundry income (2010-11: £18,000 or 0.2 per cent). The Council does not consider that its Lottery Distribution function is exposed to any significant liquidity risk, and is satisfied that the balance within the National Lottery Distribution Fund and projected future Lottery proceeds are sufficient to meet its hard commitments.

Interest rate risks – The financial assets of the Lottery are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. The Council has no control over the investment of funds in the National Lottery Distribution Fund. Cash and cash equivalents which are drawn down from the Fund 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 per cent in the year (2009-10: 0.5 per cent). The cash and cash equivalents balance at the year end was £28,000 (2011: £759,000). The Council does not consider that its Lottery Distribution function is exposed to significant interest rate risks.

Foreign currency risk – The lottery distribution function of 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.

14 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 and details of transactions with the National Assembly for Wales/Welsh Government are given in the separate accounts covering the Council's general activities.

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

Delegated Lottery distributor

As disclosed in note 11, the Film Agency for Wales is the Council's delegated distributor of Lottery funding for film so is regarded as a related party. During the year the Council had no material transactions with the Agency other than those shown in the Statement of Comprehensive Net Income.

Individuals

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

Council members

A number of Council members and/or their close family were members of the Boards of Management (or equivalent) or were senior employees of organisations offered Lottery grants or other payments by the Council in 2011-12. In all such cases, in accordance with the Council's Code of Best Practice, the member concerned withdrew from any meeting during discussion of the application.

Member	Organisation	Transaction (number)	Total value £	Balance outstanding at 31 March 2012 £
Emma Evans Trustee/Director	Creu Cymru	Grant (2)	59,954	32,974
Robin Morrison Trustee (elect)	Borough Theatre	Grant (1)	27,330	27,330
Osi Rhys Osmond Trustee	Josef Herman Art Foundation Cymru	Grant (1)	3,520	Nil
Alan Watkin Board member	Clwyd Theatr Cymru	Grant (1)	50,000	50,000
Former employee	Wrexham County Borough Council (including Oriel Wrexham)	Grant (2)	55,000	55,000
Debbie Wilcox Councillor	Newport City Council (including Newport Museum and Art Gallery)	Grant (2)	49,711	31,977
Prof Gerwyn Williams Member	Literature Wales	Grant (1)	65,000	35,750
John C Williams Board member	tanja raman + dbini industries	Grant (1)	45,582	25,070
Board member	Run Ragged Productions	Grant (1)	20,245	2,024
Employee (family member)	Clwyd Theatr Cymru	Grant (1)	50,000	50,000
Dr Kate Woodward Member of Management Committee	Aberystwyth University (including Aberystwyth Arts Centre)	Grant (4)	120,000	83,500

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.

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